The prospectus is being displayed on the website of CEMEX Holdings Philippines, Inc. to make the prospectus accessible to more investors. The Philippine Stock Exchange (the "PSE") assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in the prospectus. Furthermore, the PSE makes no representation as to the completeness of the prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the prospectus.

CEMEX HOLDINGS PHILIPPINES, INC.

(incorporated with limited liability in the Republic of the Philippines)

Stock Rights Offer of 8,293,831,169 Common Shares with a par value of ₱1.00 per Common Share at an Offer Price of ₱1.54 per share. The Offer Shares are to be listed and traded on the Main Board of the Philippine Stock Exchange, Inc.

Global Coordinator

The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch

Domestic Underwriter

BDO Capital & Investment Corporation

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION HAS NOT REVIEWED THIS PROSPECTUS IN THE SAME MANNER AS THAT FILED FOR REGISTRATION CONSIDERING THAT THE ACTION SOUGHT IS ONLY CONFIRMATION OF AN EXEMPT TRANSACTION.

The date of this Prospectus is January 6, 2020

CEMEX Holdings Philippines, Inc.
34th FLOOR, PETRON MEGAPLAZA
358 SEN GIL J PUYAT AVENUE
MAKATI CITY, PHILIPPINES 1200
Telephone Number (632) 8849-3600

This Prospectus relates to the offering for subscription of 8,293,831,169 shares (the "Rights Shares") of common stock, with par value ₱1.00 per share (the "Common Shares"), of CEMEX Holdings Philippines, Inc., a corporation organized under Philippine law (the "Company") by way of a stock rights offering to eligible holders of Common Shares as of the Record Date ("Eligible Shareholders", and such offer, the "Rights Offer"). The Rights Shares are offered on a pro-rata basis to existing holders of Common Shares of the Company as of January 14, 2020, 5:00 p.m. (Manila time) (the "Record Date"). Under the Revised Listing Rules of the Philippine Stock Exchange, Inc. (the "PSE"), the Company, subject to the approval of the PSE, shall set the Record Date which shall not be less than 15 trading days from approval of the PSE board of directors. The Rights Offer shall be in the proportion of 1.5963 Rights Shares for every one Common Share held as of the Record Date (the "Entitlement Shares"). The Offer Price is ₱1.54 per Offer Share (the "Offer Price").

If an applicant fully subscribes to his Entitlement Shares and subject to the availability of unsubscribed Rights Shares arising from the failure of the other Eligible Shareholders to fully subscribe for their Entitlement Shares in the initial round of the Rights Offer, the applicant may simultaneously apply for an additional subscription of the unsubscribed Rights Shares (the "Additional Rights Shares"). The Additional Rights Shares are payable in full upon submission of the application to subscribe (the "Application"). If the aggregate number of Additional Rights Shares available for subscription equals or exceeds the aggregate number of Additional Rights Shares so subscribed for, an applicant will be allocated the number of Additional Rights Shares indicated in his Application. If the aggregate number of Additional Rights Shares available for subscription is less than the aggregate number of Additional Rights Shares so subscribed for, the available Additional Rights Shares will be allocated to applicants who have applied to subscribe for such Additional Rights Shares and such allocation shall be made in the absolute discretion of the Company taking into account various factors including each applicant's original shareholding in the Company as of the Record Date relative to the original shareholding of all other applicants for Additional Rights Shares as of such Record Date, provided that no applicant for Additional Rights Shares shall be allocated more Additional Rights Shares than the number for which such applicant has applied for. There can be no guarantee as to whether any Additional Subscription to Rights Shares may be allocated to an Eligible Shareholder. A subscription for Additional Rights Shares is irrevocable on the part of the applicant and may not be canceled or modified by such applicant.

The offer process in relation to the Additional Rights Shares shall also be known as the second round of the Rights Offer.

CEMEX Asian South East Corporation ("CASE" or the "Principal Shareholder"), which beneficially owned 66.78% of our Common Shares as of December 31, 2019, has undertaken to subscribe to its Entitlement Shares in the initial round of the Rights Offer and to subscribe to the Additional Rights Shares in the mandatory second round of the Rights Offer under the same terms and conditions as any other Eligible Shareholder. The Principal Shareholder's subscriptions in the Rights Offer shall have no preference over the subscriptions of any other Eligible Shareholders. In addition, the Principal Shareholder will also subscribe for any remaining Rights Shares unsubscribed after the mandatory second round of the Rights Offer, to ensure that all the Rights Shares covered by the Rights Offer are fully subscribed.

To the extent that any Rights Shares remain unsubscribed in the Rights Offer and such Rights Shares are not taken up by the Principal Shareholder after the mandatory second round, such Rights Shares, subject to certain conditions, will be taken up by BDO Capital & Investment Corporation (the "Domestic Underwriter") who shall procure purchasers in the Philippines, or failing which, shall purchase the unsubscribed Rights Shares as set out in "Plan of Distribution—The Domestic Institutional Offer." The Rights Offer and the Domestic Institutional Offer are collectively referred to as the "Offer", and such shares the "Offer Shares."

Eligible Shareholders may participate in the Rights Offer if they are: (i) located inside the Philippines, or (ii) located in jurisdictions outside the Philippines where it is legal to participate in the Rights Offer under the securities laws of such jurisdiction.

As of the date of this Prospectus, the Company's authorized capital stock is ₱5,195 million consisting of 5,195,395,454 Common Shares with a par value of ₱1.00 per share. As of the date of this Prospectus, 5,195,395,454 Common Shares are issued and outstanding. On April 2, 2019, our Board of Directors approved the increase in the authorized capital stock of the Company to ₱18,310 million, consisting of 18,310,395,454 Common Shares with a par value of ₱1.00 per share, which was in turn authorized by the Company's shareholders on October 16, 2019.

The Company has preliminarily submitted the standard requirements for the application for increase in authorized capital stock with the Company Registration and Monitoring Department of the Securities and Exchange Commission of the Philippines ("SEC"), except for certain documents that can only be prepared and submitted after the end of the Rights Offer Period.

All of the Offer Shares to be issued pursuant to the Offer have, or will have, identical rights and privileges to Common Shares. Our Common Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. See "Summary of the Offer" and "Philippine Foreign Exchange and Foreign Ownership Controls."

The Company's Board of Directors may declare dividends from time to time that may entitle holders of Common Shares to receive annual cash dividends as declared by the Company's Board of Directors, subject to a number of factors including restrictions that may be imposed by current and prospective financial covenants, the amount of our indebtedness, the projected operating results of our subsidiaries, our working capital needs, our subsidiaries' long-term capital expenditures and regulations governing dividends, among others. No dividends were declared in fiscal 2016, fiscal 2017, fiscal 2018 or during the nine-month period ended September 30, 2019. See "Dividends and Dividend Policy."

Our Common Shares are listed on the PSE under the symbol "CHP."

The Company files annual and interim reports, as well as other information, with the PSE (where its Common Shares are listed). The information filed by the Company with the PSE does not form part of this Prospectus, is not incorporated by reference herein and should not be relied on when making an investment decision with respect to the Offer Shares.

The Offer is conditioned on the approval by the SEC of the increase in the authorized capital stock of the Company and on the listing of the Offer Shares on the PSE. Approval by the PSE of the Offer is based on the price set forth above. The Company expects to raise gross proceeds of ₱12,772.5 million. The net proceeds from the Offer, determined by deducting from the gross proceeds applicable taxes, professional fees and expenses related to the Offer which are estimated to be equal to approximately 1.8% of the gross proceeds of the Offer, will be used to fund the expansion of our Solid Cement plant, including to pay outstanding amounts owed under the Solid Expansion Facility Agreement, and other general corporate purposes, including paying the Operational Facility. See "Use of Proceeds."

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by us or any of The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch (the "Global Coordinator") or the Domestic Underwriter. The distribution of this Prospectus and the offer and sale of the Offer Shares may, in certain jurisdictions, be restricted by law. The Company, the Global Coordinator and the Domestic Underwriter require persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions.

NOTHING IN THIS PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE OFFER SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S.

SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE OFFER SHARES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Unless the context clearly indicates otherwise, any reference to "the Company", "we", "us", or "our" refers to CEMEX Holdings Philippines, Inc. and all of its consolidated subsidiaries. Unless otherwise indicated or the context otherwise requires, all references in this Prospectus to "CEMEX" refer to CEMEX, S.A.B. de C.V. and all of its consolidated subsidiaries (other than CEMEX Holdings Philippines, Inc. and its consolidated subsidiaries). In this Prospectus, unless otherwise indicated or the context otherwise requires, all references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government" herein are references to the Government of the Republic of the Philippines. All references to the "BSP" are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines.

The information contained in this Prospectus relating to the Company, its operations and those of its subsidiaries and associates has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that, as of the date of this Prospectus, the information contained in this Prospectus relating solely to the Company, its operations and those of its subsidiaries and associates is true and that there is no material statement or omission of fact which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date. The Global Coordinator and Domestic Underwriter assume no liability for information supplied by the Company in relation to this Prospectus.

The Domestic Underwriter and the Company have exercised the required due diligence to the effect that, and the Company confirms that, to the best of its knowledge and belief after having taken reasonable care to ensure that such is the case, in ascertaining that all material representations, including its amendments and supplements, if any, contained in this Prospectus as of the listing date of the Offer Shares, are true and correct as of the date of this Prospectus and that no material information was omitted, which was necessary in order to make the statements contained herein as of the listing date of the Offer Shares not misleading.

In making an investment decision, investors must rely on their own examination of the Company, its operations and those of its subsidiaries and associates and the terms of the Offer, including the material risks involved. The Offer is being made on the basis of this Prospectus.

Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither we nor the Global Coordinator or Domestic Underwriter makes any representation as to the accuracy of such information.

For convenience, certain peso amounts have been translated into U.S. dollar amounts, based on the exchange rate on September 30, 2019 at ₱51.83 to US$1.00, being the BAP Rate (as defined in the Glossary of Terms). Such translations should not be construed as representations that the peso or U.S. dollar amounts referred to, represent those peso or U.S. dollar amounts, or could have been, or could be, converted into pesos or U.S. dollars, as the case may be, at that or any other rate or at all. For further information regarding rates of exchange between the peso and the U.S. dollar, see "Exchange Rates" elsewhere in this Prospectus. Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

An application for listing of the Offer Shares was filed by the Company on October 17, 2019 and approved on December 11, 2019 by the board of directors of the PSE, subject to the fulfillment of certain listing conditions. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE.

On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the Offer is exempt from the registration requirements of the Securities Regulation Code of the Philippines.

THE OFFER OF THE OFFER SHARES IS EXEMPT PURSUANT TO SECTIONS 10.1(e), 10.1 (i), AND 10.1(l) OF THE SECURITIES REGULATION CODE OF THE PHILIPPINES (THE "CODE"). THE OFFER SHARES HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION AND ANY FURTHER OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION PURSUANT TO SECTION 10 OF THE CODE.

CEMEX Holdings Philippines, Inc.

By:

Ignacio Alejandro Mijares Elizondo

President and Chief Executive Officer

By:

Steve Kuan-sheng Wu

Treasurer and Chief Financial Officer

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise stated, all financial information relating to us and our subsidiaries contained herein is stated in accordance with Philippine Financial Reporting Standards ("PFRS"). In this Prospectus (this "Prospectus"), references to "fiscal 2016", "fiscal 2017" and "fiscal 2018" refer to the fiscal years ended December 31, 2016, December 31, 2017 and December 31, 2018, respectively. In this Prospectus, references to "Audited Financial Statements" refer to the Company's audited consolidated financial statements as of and for the years ended December 31, 2016, 2017 and 2018 and references to "Unaudited Interim Financial Statements" refer to the Company's unaudited interim consolidated financial statements as of and for the nine-month periods ended September 30, 2018 and 2019.

Unless otherwise stated, financial information presented in this Prospectus (i) as of and for the years ended December 31, 2016, 2017 and 2018, is derived from the Audited Financial Statements and (ii) as of and for the nine-month periods ended September 30, 2018 and 2019 is derived from the Unaudited Interim Financial Statements. RGM&Co, a Philippine partnership and a member firm of the KPMG network, has (i) audited the Audited Financial Statements in accordance with Philippine Standards on Auditing and (ii) reviewed the Unaudited Interim Financial Statements in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*

Financial information presented herein as of and for the nine-month periods ended September 30, 2018 and 2019 was prepared on the basis of PFRS 16, *Leases* ("PFRS 16") which became effective on January 1, 2019. Except as provided for in the foregoing, financial information presented herein as of all dates and periods ended prior to January 1, 2019 has not been adjusted to give effect to PFRS 16. For this reason, financial information presented herein for such periods may not be comparable. See "Risk Factors—Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information."

Certain financial information contained in this Prospectus has been rounded. For this reason, in certain cases, the sum of the figures in a given column may not conform exactly to the total figure presented in that same column. Figures that are represented in percentages in this Prospectus have not been calculated on the basis of rounded figures, but rather on those values prior to rounding.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which reflect our expectations regarding, among other things:

- future growth;
- economic conditions in the Philippines;
- results of operations and performance (both operational and financial);
- business prospects; and
- business opportunities.

Certain words, including, but not limited to, "plan", "expect", "budget", "forecast", "foresee", "strategy", "project", "predict", "anticipate", "believe", "intend", "target", "continue" and similar expressions or statements that certain actions, events or results "may", "can", "assume", "could", "would", "might", "should" or "will" be taken, occur or be achieved, have been used to identify these forward-looking statements. Although the forward-looking statements contained in this Prospectus reflect our current beliefs based upon information currently available to management and what management believes to be reasonable assumptions, we cannot be certain that our actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause our actual future growth, results of operations, performance, business prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, uncertainties relating to:

- our ability to close the Offer successfully and receive proceeds from the Offer;
- the cyclical activity of the construction sector and levels of public and private construction activity;
- changes in the economy that affect demand for consumer goods in the Philippines, consequently affecting demand for our products;
- competition;
- general political, social, economic and business conditions;
- terrorist and organized criminal activities as well as geopolitical events;
- the regulatory environment, including, but not limited to environmental, tax, anti-trust and acquisition-related rules and regulations;
- the determination on the imposition of safeguard measures on the importation of cement from various countries and other trade barriers, and changes in existing trade policies or changes to, or withdrawals from, free trade agreements, to which the Philippines is a party or may become a party to;
- our exposure to other sectors that impact our business, such as but not limited to the energy sector;
- the availability and cost of fuel, electricity and raw materials;
- distribution costs;
- weather conditions;
- loss of reputation of our brands;
- risks related to our relationship with CEMEX, including our ability to satisfy our obligations under our indebtedness owed to CEMEX and CEMEX's ability to satisfy its financial obligations;
- our ability to comply with the terms and conditions of the Framework Agreement between the Company and CEMEX;

- our ability to achieve cost-savings from our cost-reduction initiatives and implement our pricing plans for our products;
- our ability to implement successfully our planned expansion of our Solid Cement plant;
- the increasing reliance on information technology infrastructure for our sales, invoicing, procurement, financial statements and other processes that can adversely affect operations in the event that the infrastructure does not work as intended, experiences technical difficulties or is subject to cyber-attacks;
- natural disasters and other unforeseen events, such as the Landslide (as defined herein), and our ability to satisfy any liabilities or other obligations that may result therefrom;
- our ability to satisfy our obligations related to our indebtedness owed to BDO; and
- other risks and uncertainties described under "Risk Factors" and elsewhere in this Prospectus.

See "Risk Factors" contained elsewhere in this Prospectus. Accordingly, prospective investors should not place undue reliance on such forward-looking statements. These forward-looking statements are made as of the date of this Prospectus and we assume no obligation to update or revise them to reflect new events or circumstances.

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms have the meanings set out below.

- "ALQC" means APO Land & Quarry Corporation, an entity that is wholly owned by Impact Assets Corporation, which is a corporation in which CEMEX owns a 40% equity interest;
- "ALQC Supply Agreement" means the Master Agreement for Supply and Mineral Processing between APO Cement and ALQC, effective as of January 1, 2016, as from time to time amended and/or restated;
- "APO Cement" means APO Cement Corporation;
- "APO Services Agreement" means the Business Support Services Agreement between APO Cement and CEMEX Central (as defined herein) dated January 1, 2017, as from time to time amended and/or restated;
- "BAP Rate" means the closing U.S. dollar/Philippine peso spot rates as reported by Bloomberg LP and published on Bloomberg;
- "BDO" means BDO Unibank, Inc.;
- "BDO Facility" means the Senior Unsecured peso Term Loan BDO Facility entered into by the Company with BDO Unibank, Inc. on February 1, 2017 for a loan of up to the Philippine peso equivalent of US$280 million, as supplemented and amended on December 8, 2017, December 14, 2018, and May 15, 2019;
- "BIR" means Philippine Bureau of Internal Revenue;
- "Board" means the Company's Board of Directors;
- "BSP" means *Bangko Sentral ng Pilipinas*, the central bank of the Philippines;
- "CALABAR Mining Patent" means collectively, the placer mining patents owned by our supplier, IQAC, that grant IQAC both the Mineral Rights and Land Rights with respect to the relevant contract area;
- "CASE" means CEMEX Asian South East Corporation, an indirect subsidiary of CEMEX, S.A.B. de C.V. incorporated in the Philippines on August 25, 2015;
- "CBMI" means CBMI Construction Co., Ltd, an affiliate of Sinoma International Engineering Co., Ltd., which, in turn, is a member company affiliated to China National Building Materials Group Co., Ltd.;
- "CEMEX" means CEMEX, S.A.B. de C.V. and all of its consolidated subsidiaries (other than CEMEX Holdings Philippines, Inc. and its consolidated subsidiaries);
- "CEMEX Agreements" means the Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement, Trademark License Agreement and the Services Agreements we have entered into with CEMEX;
- "CEMEX Asia" means CEMEX Asia B.V., a CEMEX subsidiary organized and existing under the laws of The Netherlands:
- "CEMEX Asia Research" means CEMEX Asia Research AG, our subsidiary that is wholly-owned as of the date of this Prospectus;
- "CEMEX Central" means CEMEX Central, S.A. de C.V., a CEMEX subsidiary organized and existing under the laws of Mexico, which is expected to merge into CEMEX Operaciones whereby CEMEX Operaciones will be the surviving entity pursuant to an agreement with respect to such merger dated August 1, 2019;
- "CEMEX Fees" means the management and royalty fees to be paid to CEMEX by us pursuant to the CEMEX Agreements in exchange for CEMEX's provision of certain administrative, professional and technical services, and the right to use different trademarks, names and intellectual property assets owned and developed by CEMEX;
- "CEMEX Operaciones" means CEMEX Operaciones México, S.A. de C.V., a CEMEX subsidiary organized and existing under the laws of Mexico;

- “CEMEX Research Group” means CEMEX Research Group AG, an entity organized under the laws of Switzerland that develops and manages CEMEX’s research and development initiatives;
- “Common Shares” means shares of common stock of the Company with par value ₱1.00 per share;
- “Company” means CEMEX Holdings Philippines, Inc.;
- “DENR” means Philippine Department of Environment and Natural Resources;
- “Domestic Underwriter” means BDO Capital & Investment Corporation;
- “Escrow Agent” means BDO Unibank, Inc.—Trust and Investments Group;
- “Facilities Agreement” means the facilities agreement, dated as of July 19, 2017, as amended and restated by an amended and restated facilities agreement, dated April 2, 2019, and an amended and restated facilities agreement, dated November 4, 2019, by and among CEMEX, S.A.B. de C.V. and certain guarantors referred to therein, Citibank Europe PLC, UK Branch, as agent and Wilmington Trust (London) Limited, as security agent, as from time to time may be further amended and/or restated;
- “Foreign investors” means investors located outside the Philippines;
- “Framework Agreement” means the framework agreement by and between us, CEMEX, S.A.B. de C.V. and the Principal Shareholder, dated March 9, 2016, as from time to time as amended and/or restated;
- “GDP” means the Gross Domestic Product of the Philippines, which is a measure of economic activity compiled by the Philippine National Statistical Coordination Board;
- “Global Coordinator” means the Hongkong and Shanghai Banking Corporation Limited, Singapore Branch;
- “Government” means the Government of the Republic of the Philippines;
- “IFRS” means International Financial Reporting Standards;
- “installed annual capacity” means with respect to a cement plant, the nameplate annual grinding capacity as of the end of the year (taking into account scheduled maintenance), representing cement equivalent capacity;
- “IQAC” means Island Quarry and Aggregates Corporation, an entity that is wholly owned by Albatross Holdings, which is a corporation in which CEMEX owns a 40% equity interest;
- “IQAC Supply Agreement” means the Master Agreement for Supply and Mineral Processing between Solid Cement and IQAC, effective as of January 1, 2016, as from time to time amended and/or restated;
- “Kiln Capacity” means the nameplate annual kiln capacity as of the end of the year (taking into account scheduled maintenance), representing cement equivalent capacity;
- “Kiln Efficiency” means the actual production of a kiln during a year divided by the production capacity of the kiln as of the end of the year;
- “Land Rights” means rights that allow for the use and enjoyment of the surface of a parcel of land, including, but not limited to land ownership, leasehold interests and royalty agreements. Each of ALQC and IQAC mines land only if it has both Mineral Rights and Land Rights with respect to the land;
- “Landslide” means the landslide that occurred on September 20, 2018 in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines, a site located within an area covered by the mining rights of ALQC;
- “Main Board” means the Main Board of the Philippine Stock Exchange, Inc.;
- “Major Raw Materials Agreements” means the ALQC Supply Agreement together with the IQAC Supply Agreement;
- “Mineral Rights” means rights granted to conduct mining operations and extract all mineral resources on a contract area and obtained through (i) a mineral agreement entered into with the Government with respect to such mineral resource, including, but not limited to a CALABAR Mining Patent or (ii) being designated as an authorized operator of a MPSA registered with the DENR;

- “MPSA” means Mineral Production Sharing Agreement;
- “Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement” means the Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement between CEMEX Research Group, as “Licensor”, and CEMEX Asia Research, as “Licensee;
- “Operational Facility” means the master loan agreement dated October 1, 2014 between APO Cement, as borrower, and CEMEX Asia (as successor to CEMEX Hungary KFT), as lender, as from time to time amended and/or restated;
- “PCD” means Philippine Central Depository;
- “PDTC” means the Philippine Depository and Trust Corp., the central securities depositary of, among others, securities listed and traded on the PSE;
- “PFRS” means Philippine Financial Reporting Standards;
- “Philippine Constitution” or “Constitution” means the Constitution of the Republic of the Philippines;
- “Philippine National” means as defined under Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of the Philippines, means a citizen of the Philippines, or a domestic partnership or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Revised Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by citizens of the Philippines or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the funds will accrue to the benefit of Philippine Nationals;
- “Philippine peso”, “peso”, “pesos” or “₱” means the lawful currency of the Philippines;
- “Philippine Revised Corporation Code” means Republic Act No. 11232, otherwise known as “The Revised Corporation Code of the Philippines”;
- “Principal Shareholder” means CEMEX Asian South East Corporation;
- “PSE” means the Philippine Stock Exchange, Inc.;
- “PSE Trading Participants” means the trading participants of the Philippine Stock Exchange, Inc.;
- “RCOA” means the Retail Competition and Open Access program;
- “Receiving Agent” means BDO Unibank, Inc.—Transaction Banking Group—Securities Operations;
- “RGM&Co” means R.G. MANABAT & CO., a Philippine partnership and a member firm of the KPMG network and the independent auditor of the Company and our subsidiaries;
- “Rizal Cement” means Rizal Cement Co., Inc., the predecessor-in-interest to Solid Cement;
- “SEC” means the Securities and Exchange Commission of the Philippines;
- “Services Agreements” means the Solid Services Agreement together with the APO Services Agreement;
- “Sinoma” means Sinoma Energy Conservation Ltd, a subsidiary of China National Building Material Group Co., Ltd.;
- “Solid Cement” means Solid Cement Corporation;
- “Solid Expansion Facility Agreement” means the revolving credit facility agreement dated November 21, 2018 between Solid Cement, as borrower, and CEMEX Asia, as lender, as from time to time amended and/or restated;
- “Solid Services Agreement” means the Business Support Services Agreement between Solid Cement and CEMEX Central dated January 1, 2017, as from time to time amended and/or restated;

- “SRC” means Republic Act No. 8799, otherwise known as “The Securities Regulation Code of the Philippines”, as amended from time to time, and including the rules and regulations issued thereunder;
- “Stock Transfer Agent” means BDO Unibank, Inc.—Transaction Banking Group—Securities Operations;
- “Trademark License Agreement” means the Trademark License Agreement between CEMEX, S.A.B. de C.V. and CEMEX Asia Research effective as of January 1, 2016, as from time to time amended and/or restated;
- “Transenergy” means Transenergy, Inc., a CEMEX subsidiary that sources and sells coal, petroleum coke and other products on a CEMEX group-wide basis;
- “United States” or “U.S.” means the United States of America;
- “US$” or “U.S. dollar” or “$” means the lawful currency of the United States of America;
- “U.S. Securities Act” means the United States Securities Act of 1933, as amended; and
- “VAT” means value-added tax.

SUMMARY

This summary highlights information contained elsewhere in this Prospectus. This summary is qualified in its entirety by more detailed information and the Audited Financial Statements and the Unaudited Interim Financial Statements, in each case together with the notes thereto, appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating an investment in the Offer Shares, see "Risk Factors." Investors are advised to read this entire Prospectus carefully, including our financial statements and related notes contained herein.

Overview

We are one of the leading cement producers in the Philippines, based on installed annual capacity as of September 30, 2019. We produce and market cement in the Philippines through direct sales using our extensive marine and land distribution network. Our cement manufacturing subsidiaries have been operating in the Philippines for over 20 years, and have well established brands, such as "APO", "Island" and "Rizal", each of which has a multi-decade history in the Philippines and is owned by CEMEX and licensed to us pursuant to the Trademark License Agreement. Our brand recognition and customer-centric direct sales approach have helped us develop a long-term customer base.

We offer a broad product mix of cement and work closely with other CEMEX companies to develop and introduce innovative techniques and equipment into our production. We offer bag cement and bulk cement, with bag cement accounting for over 75% of our cement sales volume in fiscal 2018, but with demand for bulk cement increasing as the number of infrastructure projects in the Philippines grows. We sell to both retail customers and institutional cement customers, with retail customers accounting for approximately 80% of our revenue for fiscal 2018 and the nine-month period ended September 30, 2019. Sales of cement accounted for almost all of our revenue after the elimination of transactions between consolidated entities for fiscal 2018 and the nine-month period ended September 30, 2019.

We are a subsidiary of CASE and our Common Shares are listed for trading on the PSE under the symbol "CHP." We are an indirect subsidiary of CEMEX, S.A.B. de C.V., one of the largest cement companies in the world based on installed annual capacity. CEMEX, S.A.B. de C.V.'s Ordinary Participation Certificates (*Certificados de Participación Ordinarios*) ("CPOs"), each of which currently represents two "Series A" shares and one "Series B" share, are listed on the Mexican Stock Exchange and trade under the symbol "CEMEX.CPO." CEMEX, S.A.B. de C.V.'s American Depositary Shares, each of which currently represents ten CPOs, are listed on the New York Stock Exchange ("NYSE") and trade under the symbol "CX."

We operate two cement plants with aggregate installed annual capacity of 5.7 million tonnes of cement as of September 30, 2019. Our APO Cement plant in Cebu currently has three grinding lines with an installed annual capacity of 3.8 million tonnes of cement, as of September 30, 2019, and serves our customers in the Visayas and Mindanao regions, and to some extent the Luzon region, through our marine and land distribution network. Our Solid Cement plant in Rizal currently has three grinding lines with an installed annual capacity of 1.9 million tonnes of cement, as of September 30, 2019, and we are currently in the process of expanding the plant with a new integrated cement production line with additional installed annual capacity of 1.5 million tonnes, as described under "—Expansion of the Solid Cement Plant." We plan to apply a portion of the proceeds of the Offer to fund the expansion of our Solid Cement plant, including to pay outstanding amounts owed under the Solid Expansion Facility Agreement, as described under "Use of Proceeds." Our Solid Cement plant serves the Luzon region, which is by far the largest market in the Philippines. Our distribution infrastructure includes, as of September 30, 2019, five marine distribution terminals and 16 land distribution centers located across the Philippines. We distribute our products using our fleet, which we manage directly, and third-party transport. As of September 30, 2019, we leased 759 trucks for the distribution of bag and bulk cement, and we chartered 48 marine vessels for the waterborne distribution of bag cement in the Philippines and, as of the date of this Prospectus, four marine bulk vessels for the distribution of bulk cement.

Key Strengths

Leading cement producer in the Philippines anchored by well-regarded brands

We believe that the APO Cement plant, being one of the largest cement plants in Visayas in terms of installed annual capacity, enables us to maintain a strong leadership position in Visayas while our Solid Cement plant enables us to be one of the top cement manufacturers catering to the Luzon market. We believe our leading position enables us to have the scale to succeed in the attractive Philippine market.

Our strong market position is anchored by our APO, Island and Rizal brands, each of which is a long-established brand with a multi-decade history in the Philippines, including over 75 years in the case of our APO brand and 100 years in the case of our Rizal brand. Our brands have been used in the construction of many heritage structures in the Philippines, including the Cultural Center of the Philippines, the Santo Domingo Church and the University of Santo Tomas, Asia's oldest existing university. CEMEX initially entered the Philippines market in the late 1990s. We believe our brands' reputation have been further strengthened as a result of our continuous investments and the brands' association with CEMEX. According to a study conducted by GoodThinking Research Inc. in 2017, in terms of brand awareness, our APO brand was ranked as the number one brand of cement in Cebu and Iloilo and the number two brand of cement in Davao and Bicol, and our Rizal brand was ranked as the number one brand of cement in South Luzon and the number four brand of cement in Metro Manila.

Customer-centric direct sales approach supported by extensive distribution infrastructure

We are dedicated to our customer-centric approach in the Philippines cement industry and are committed to providing building materials solutions that are convenient, reliable and efficient for our customers. Our direct sales model lies at the heart of our customer-centric approach. Our internal sales force markets and sells our products directly to over a thousand customers in our customer information system, including retailers, local hardware stores, building materials suppliers and end-users such as building contractors, developers and ready-mix concrete manufacturers.

We believe that we are able to achieve higher cash conversion from our sales and effectively reduce receivable credit risks as a result of our customer-centric approach. Our direct sales team consists of more than 30 employees whose primary responsibility is to establish and manage long-term customer relationships. Our sales team's close interactions with customers offer insights into customers' needs and create cross-selling opportunities for our products, which in turn reinforce the value of our brands. To monitor and evaluate our customers' experience of our products and services, we utilize an internal customer evaluation system, which we refer to as the net promoter score, that allows us to readily identify opportunities for improvement based on customer feedback. According to the results of this evaluation system, we improved our customer experience by 19 percentage points (as rated by the customer evaluation system) in the nine-month period ended September 30, 2019 compared to the nine-month period ended September 30, 2018.

To support our direct sales model, we have established an extensive distribution system with a view to ensuring that our products are available close to our customers. We believe this approach increases customer satisfaction by minimizing delivery times and increasing the reliability of supply. We continually invest in our distribution infrastructure, which comprises marine distribution terminals, land distribution centers and a large fleet of trucks and marine vessels that we manage directly. In 2019, we launched initiatives to optimize our distribution channels, including optimizing our vessel fleet, increasing the turnaround time of trucks and establishing warehouses in highly strategic locations, contributing to a three percentage point decrease year-over-year in overall distribution expenses as a percentage of overall sales in the nine-month period ended September 30, 2019. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." For greater visibility, our trucks are equipped with a tracking system that allows us to monitor the status of our deliveries.

In October 2018, we launched CEMEX Go, which is a digital end-to-end solution that provides an integrated experience for order placement, tracking of deliveries and managing invoices and payments for our main products. As of September 30, 2019, more than 90% of our clients have been on-boarded to use CEMEX Go and more than 90% of orders from on-boarded clients were placed through the platform.

Our customer-centric direct sales approach is also supported by our customer service call center and our customer information system. Our customer service call center is responsible for overall customer relationship management activities, such as order-taking and fulfillment, inquiries and complaint management. Our customer information system allows us to see the order type, quantity and delivery preferences that are typical of each of our customers over time and this facilitates better understanding of customers' needs, enabling us to tailor our product and service offerings for particular customers and markets. We believe that our customer-centric approach enhances customer loyalty.

To improve overall efficiency in managing our clients, our customer service center operations have been outsourced to a third-party beginning in October 2018. To ensure the quality of service of our third-party provider, we monitor specific key performance indicators, including response rate, handling time, and voice service quality.

Further, in 2018, we issued a "Service Manifesto" to all clients. The manifesto enumerates our specific commitments to clients in various service areas including time of delivery, customer wait time, operating hours of the plants and warehouses and other critical customer needs.

Strategically located plants and infrastructure

Our production plants and distribution infrastructure are strategically located to serve key markets in the Philippines. All of our domestic production of cement is sourced from our APO Cement plant and our Solid Cement plant. Our APO Cement plant is located in the heart of the Visayas, Cebu. This location, combined with our adjacent private jetty facility, provides us with a significant advantage in distributing cement into Visayas and Mindanao (though cement is also distributed into some areas of Luzon). This private jetty enables us to load bag and bulk cement into vessels using a conveyor belt attached to the cement plant, thus significantly reducing loading time and costs. Our Solid Cement plant in Rizal is strategically located to service the Luzon region, which is by far the largest market in the Philippines and includes the Metro Manila area. The following graphic shows the location and reach of our production plants in the Philippines.

Our distribution infrastructure, comprising marine terminals and land distribution centers, is also strategically located to ensure that our cement is available near to where our customers are located, thereby minimizing delivery times and increasing reliability of supply. While we have a significant presence in each of Luzon, the Visayas and Mindanao, the highest concentration of our marine terminals and land distribution centers is in the Visayas, serving islands in the Visayas and Mindanao, which require substantial distribution infrastructure to reach many customers.

Cost-effective producer with highly efficient operations

We believe we are among the most efficient cement producers in the Philippines. We focus on managing key cost drivers, encouraging innovation throughout our organization and leveraging the expertise and experience of CEMEX to implement advanced techniques, such as kiln inertization to increase production output. We invest heavily in processes and equipment with a view to maximize operational efficiency, as measured primarily by Kiln Efficiency. As a result of our processes and equipment modifications in recent years, our cement facilities reached an average Kiln Efficiency of approximately 90% in both fiscal 2017 and fiscal 2018.

Our operations are among the highly efficient operations within CEMEX globally. Production and supply chain de-bottlenecking initiatives at our plants have generated an additional 500,000 tonnes of annual throughput in fiscal 2018 compared with our annual throughput in fiscal 2017. During the third quarter of 2019, our Solid Cement plant ranked as one of the best-in-class in operational efficiency and our APO Cement plant ranked as best-in-class in quality by CEMEX as compared to other plants within CEMEX. Also, APO Cement was ranked first in an analytical reliability evaluation (an evaluation completed within CEMEX to measure internal performance) in 2018, which measures the reliability of test results as reported by the plant's quality assurance laboratories, among CEMEX operations globally.

We have also undertaken efforts to increase energy efficiency, expand our use of alternative fuels, reduce carbon dioxide emissions and manage our use of raw materials and water. For example, in April 2015, we and Sinoma, commenced operations of the waste heat recovery facility at our Solid Cement plant. This facility allows us to capture waste heat generated by our kiln and convert it into electricity. In addition, we continue to rely on alternative fuels to manage our fuel costs. We entered into a similar arrangement with Sinoma to implement a second waste heat recovery facility in our APO Cement plant. We seek to optimize our fuel mix with available alternative fuels, such as rubber tires, waste plastic, rice husks and other alternative fuels, including refuse-derived fuels, at our Solid Cement plant. Our use of alternative fuel represents approximately 17% of the overall fuel used to fire our kiln at our Solid Cement plant in 2018.

For fiscal 2016, fiscal 2017 and fiscal 2018, our capital expenditures were ₱1.3 billion, ₱1.3 billion and ₱1.4 billion, respectively, in each case, primarily relating to equipment modernization initiatives and our expansion of the Solid Cement plant. For the nine-month period ended September 30, 2019 our capital expenditures were ₱2,426.4 million, of which ₱386.2 million related to maintenance capital expenditures, ₱2,030.0 million (inclusive of capitalized borrowing costs of ₱132.1 million) mainly related to our expansion of the Solid Cement plant, and other expansion capital expenditures of ₱10.2 million. See "Business—Expansion of the Solid Cement Plant." We have also applied CEMEX practices and technologies to reduce the duration of major shutdowns, provide our kilns with better fuel mixes, implement preventative maintenance strategies and enhance the quality and reliability of our supply of grid electricity by improving our electricity connection infrastructure. Our Solid Cement kiln achieved extended uninterrupted production with no shutdown in fiscal 2017 and fiscal 2018.

Benefit from synergies with CEMEX, a world-class operator

CEMEX, S.A.B. de C.V. is one of the largest cement companies in the world with installed annual capacity as of December 31, 2018 of approximately 93 million tonnes. We estimate that CEMEX, S.A.B. de C.V. is the world's second largest ready-mix concrete company with annual sales volume of approximately 53 million cubic meters in fiscal 2018, one of the world's largest aggregates companies with annual sales volume of approximately 150 million tonnes in fiscal 2018 and one of the world's largest traders of cement and clinker, having traded approximately 10 million tonnes of cement and clinker in fiscal 2018. Many aspects of our business benefit from our relationship with CEMEX, including research and development, alternative fuels and energy management, branding and global sourcing, corporate services, technology, training and professional development, and access to financing.

We benefit from a continuous transfer of knowledge with CEMEX, and the CEMEX Research Group. Access to CEMEX's broad product portfolio, experience and exposure to multiple sectors allows us to benefit from best practices, technologies and know-how in production techniques, marketing and sales strategies. These benefits enable us to introduce innovative and differentiated products and services to our customers and implement techniques to improve our operational efficiency and reduce production costs, such as our adoption of alternative fuel sources that we believe has allowed us to outpace market competitors in the use of alternative fuels and energy management. CEMEX's expertise has also helped us capture synergies and exploit cross-selling opportunities associated with CEMEX's trading network and brand recognition. For example, we have been able to leverage CEMEX's scale to obtain certain raw materials such as coal and clinker at favorable prices pursuant to global sourcing arrangements with a CEMEX trading affiliate.

We are able to access the global expertise within CEMEX as it relates to our ongoing plant expansion, which includes personnel that has developed cement plants throughout the world. Moreover, we benefit from synergies related to access to certain of CEMEX's corporate services, such as treasury, information and technology support, legal and tax planning services, as well as from an exchange of knowledge and experience provided by employees who come to our offices on assignment from other CEMEX offices. We also have access to systems for our accounting and other technology services. These services include the deployment and implementation of the CEMEX Go digital platform, which we believe is the first platform of its kind in the cement industry in the Philippines.

Furthermore, we currently benefit from direct financial support from CEMEX, such as in November 2018, when CEMEX supported Solid Cement with the Solid Expansion Facility Agreement, originally for US$75 million, and increased in February 2019 and November 2019 to US$100 million and US$160 million, respectively. See "Risk Factors—Risks Related to our Relationship with CEMEX—We benefit from significant advantages from our relationship with CEMEX and there can be no assurances that we will continue to benefit from the same advantages in the future."

As the construction industry in the Philippines develops further, product innovation and technology will become an increasingly important element of our responses to customer needs. Industry-leading capabilities will increasingly be required to succeed in the market. We believe our ability to continue to leverage CEMEX's expertise following the Offer has significant value that will impact our margins. Our arrangements with CEMEX are designed to continue and enhance our relationship with CEMEX. Please see "Business—Relationship with CEMEX" and "Related Party Transactions" for descriptions of these arrangements.

Experienced and dedicated management team

We are led by a senior management team with substantial operating experience and industry knowledge and a proven track record of successfully steering us through each stage of the economic cycle and acquiring and integrating related businesses and assets. Our senior management team is highly experienced in the construction materials industry. The management team has been working together in the Philippines for many years and is comprised of a mix of Philippine citizens and expatriates who bring extensive experience from cement operations in other parts of the world. As such, our management team has extensive knowledge of and familiarity with the operating environment in the Philippines to formulate strategies that meet local market demands and trends. The team's continuity and knowledge of the Philippine market and the building materials solutions industry has helped us establish long-standing relationships and loyalty with our customers, suppliers and institutions. We expect CEMEX to continue to support our operations through the Services Agreements.

See "Business—Key Strengths."

Business Strategies

We plan to continue focusing on our core business, the production and sale of cement, leveraging CEMEX's global presence and extensive operations worldwide, and managing costs and maintaining profitability.

The following are the core elements of our business strategy, which is in part a means of implementing CEMEX's global priorities, namely, Health and Safety, Customer-Centricity, Increasing Efficiencies, Cost-Reduction and Pricing Initiatives.

Expand our integrated cement capacity in the largest market in the Philippines

The Philippines is the fourth largest economy in Southeast Asia, according to the IMF, and is among the fastest growing economies in the region, according to the Asian Development Bank. We have operated at nearly full capacity utilization since 2014 and we plan to increase our installed annual capacity in order to maintain our ability to serve our markets and continue to benefit from the growing Philippine market. In June 2014, we completed the expansion of installed annual capacity of our APO Cement plant from 2.3 million tonnes to 3.8 million tonnes per annum. In October 2018, we entered into the principal project agreements with CBMI for the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of our Solid Cement plant by 1.5 million tonnes. We currently expect that the new production line will commence operations during the second quarter of 2021 at a total cost of approximately US$235 million. As of December 31, 2018, we had invested approximately US$64 million in connection with this expansion project, and we expect to invest US$66 million in 2019, US$86 million in 2020 and US$19 million in 2021. The planned expansion of our Solid Cement plant represents an increase of approximately 26% over our current aggregate installed annual capacity across our APO Cement and Solid Cement plants of approximately 5.7 million tonnes per year. We believe that this planned expansion will allow us to maintain our market position in the Philippines, improve the distribution channels for our cement and enable us to continue to benefit from the Philippines' favorable long-term demand outlook.

Our expansion of the Solid Cement plant, which is strategically located to service the Luzon region, is central to our continuing strategy of focusing on the largest market in the Philippines and we believe that the planned expansion will allow us to serve the Luzon, Visayas and Mindanao markets from plants that are closer to these markets, reducing the need for imports and inter-island transfers and improving the profitability of our operations. We are focused on markets with considerable infrastructure needs and housing requirements, where we have a substantial share of the market and benefit from competitive advantages.

Continue to enhance profitability by optimizing distribution channels and plant operations

We intend to continue to focus on optimizing our operations by investing in processes and equipment to manage costs and enhance efficiency. We frequently evaluate alternatives to increase output from the existing lines at our plants through modifications and enhancements that do not require substantial capital investment. For example, we redesigned the clinker cooling system at our APO Cement plant, which increased the plant's daily production capacity by up to 500 tonnes per day. Furthermore, through production and supply chain de-bottlenecking initiatives at our plants, we have generated an additional 500,000 tonnes of annual throughput in fiscal 2018 compared with our annual throughput in fiscal 2017. As a result of the implementation of our distribution channel and plants operations optimization strategies, our distribution expenses as a percentage of revenue decreased from approximately 20% in the nine-month period ended September 30, 2018 to 17% for the nine-month period ended September 30, 2019.

Our relationship with CEMEX is expected to continue to offer opportunities to adopt cost-reducing technologies developed by CEMEX globally for application in the Philippine market. For example, we introduced customized grinding aids, developed in coordination with the CEMEX Research Group, that we believe will increase mill efficiency with limited additional investment. We have also leveraged CEMEX's expertise to achieve greater efficiency and reliability of our equipment, and as a result, our Kiln Efficiency has averaged approximately 90% for fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019. We also remain focused on energy efficiency, alternative fuels usage, reduced emissions and optimal use of raw materials and water. For example, we intend to complete the installation of a second waste-heat recovery system at our APO Cement plant. We believe that these cost-saving measures better position us to quickly adapt to potential increases in demand and thereby benefit from the operating leverage we have built into our cost structure.

Further strengthen our distribution network

We intend to continue to invest in our distribution infrastructure and manage distribution through our fleet of trucks and vessels that we lease and charter. In addition to reliable and consistent product delivery for our customers, our increasingly efficient distribution network helps us to maintain close and long-term customer relationships. For example, production and supply chain de-bottlenecking initiatives at our plants generated approximately 500,000 tonnes of additional annual throughput in fiscal 2018 compared with our annual throughput in fiscal 2017. We plan to develop our distribution network in order to nurture and enhance customer relationships with a view to maintaining and expanding our share of the market. In particular, we are focused on investments to enhance the efficiency and durability of our distribution infrastructure in the Visayas and Mindanao regions.

Provide superior customer experience through CEMEX Go—a proprietary end-to-end digital platform—and agile client servicing

We are focused on the local implementation of CEMEX's global strategy of becoming the most customer-oriented building materials solutions group by providing our customers with targeted products and services to stay ahead of a rapidly changing market that is characterized by increasingly demanding and sophisticated customer requirements. We seek a clear understanding of our customers' needs and aim to meet them with high-quality building materials solutions targeted for specific uses, ranging from home construction, improvement and renovation to industrial and marine/hydraulic applications. Our innovation strategy is supported by our relationship with CEMEX, which affords us access to innovative products developed by CEMEX. In addition to any of our own future innovation initiatives in the Philippines, we may from time to time bring products developed by CEMEX globally to the Philippine market, and, in the process, grow our market position by being one of the most customer-centric companies in the construction materials industry. In addition, we believe that by offering innovative products and services that create value for our customers, we can enhance our ability to command premium pricing.

In October 2018, we launched the CEMEX Go digital platform, an end-to-end integrated platform which covers the full customer journey, includes all products and services, and is compatible with all devices. CEMEX Go can be accessed from a laptop or any mobile device to give customers access to view the placement process from ordering and delivery, all the way to invoicing and payment. Once an order is placed, the customer can track its delivery path in real-time. Supplemental documents like contracts and terms of reference per project can also be accessed and viewed. Through CEMEX Go's Order and Product Catalogue, customers have complete control over their orders. Common transactions like ordering, payment and delivery status queries can all be done anytime without calling dispatch.

Across the different markets where this application was launched by CEMEX, the Philippines has had one of the fastest adoption rates within the CEMEX group. As of September 30, 2019, more than 90% of orders from on-boarded clients were placed using this digital platform.

We also seek to provide agile client servicing through initiatives such as our net promoter score, which is a systematic measure of how our customers experience our products and services based on customer feedback. In our net promoter score evaluation, our customers rate the likelihood of recommending us based on their customer experience. With the information that we derive from customer evaluations covering various aspects of our products and services, we are able to monitor and evaluate the customer experience of our products and services and readily identify opportunities for improvement as needed. According to the results of this evaluation system, we improved our customer experience by 19 percentage points (as rated by the customer evaluation system) in the nine-month period ended September 30, 2019 compared to the nine-month period ended September 30, 2018.

With information from customer surveys covering various aspects of our products and services, we are able to monitor and evaluate the customer experience of our products and services and readily identify opportunities for improvement as needed.

Ensure safe and sustainable business operations

Our objectives include providing resilient infrastructure and energy-efficient building solutions, implementing a high-impact social strategy to empower communities, enabling a low-carbon and resource-efficient industry and embedding our core values into every action.

We intend to maintain our focus on sustainable and socially responsible construction by, among other things, developing products, services and building solutions for a low-carbon economy, low-income housing programs and large-scale infrastructure projects; increasing our use of alternative fuels and raw materials; and optimizing air quality, waste management and recycling, among other things. Our use of refuse-derived fuels to heat our kilns is part of a United Nations-certified clean development mechanism. The use of alternative fuels is also an important part of our energy strategy that highlights our commitment to operational efficiency and sustainable development. We believe that fostering sustainable and socially responsible development for our surrounding communities starts with providing a work environment that is safe and healthy for our employees and contractors and is mindful of our surrounding communities. To this end, we have implemented a health and safety management system that helps us pursue our health, safety and sustainability goals.

Providing Resilient Infrastructure and Energy-Efficient Building Solutions. Providing enhanced value to our customers and end users through sustainable products is one of our main strategies. In order to develop a new product or solution, the first step is to fully understand our customers, which requires a clear definition of what they require to build, the relevant challenges, what the product technology must achieve and how the product or solution will be applied. As a result, we believe that the products we offer to the market not only provide top class technology, but also embed knowledge of our customers' needs and how they wish to achieve their goals. As urban populations grow and climate change causes more extreme weather, we believe that the need for resilient infrastructure is growing exponentially. We intend to continue our focus on balancing this increasing demand for resilient infrastructure with products, construction practices and maintenance that have minimal impact on the environment.

Implementing a High-Impact Social Strategy to Empower Communities. We believe that the sustainability of our operations is directly related to the well-being and development of our stakeholders and surrounding communities. Accordingly, wherever we operate we strive to build mutually beneficial relationships with key stakeholders including, among others, our neighbors, members of academia and non-governmental organizations. We believe we are able to create innovative solutions to social challenges and create more sustainable communities by bringing together our economic, educational and human resources. We strive to collaborate with our surrounding communities in order to identify their needs and concerns so that we may address them. By leveraging our strengths and experience, we work with communities to jointly develop project proposals that are relevant to each community

Enabling a Low-Carbon and Resource-Efficient Industry. We dedicate significant efforts to address key sustainability-related issues, from biodiversity and conservation to renewable energy, climate change and emissions monitoring. Climate change poses significant challenges to our society, and we are committed to applying our skills and, technologies to contribute to the development of a low-carbon economy. In addition, we have been certified with ISO 50001 Energy Management System, the leading international standard for reducing energy consumption and improving energy efficiency.

Embedding our Core Values into Every Action. As part of our values, we intend to (i) promote a healthy and safe working environment by making health and safety one of our top priorities; (ii) focus on our customers by providing them with valuable business solutions that meet their needs; (iii) pursue excellence by seeking to achieve high industry standards in our overall performance; (iv) leverage our knowledge, and the global knowledge of CEMEX; and (v) act with integrity by complying with our code of ethics. One of our strategic goals is to become one of the most customer-oriented companies in our industry. We believe that our success is dependent upon the success of our customers. As a result, we strive to become our customers' best option in all of our markets. We value our employees and believe that our people are one of our competitive advantages that allow us to be successful. We are proud to have incurred zero employee lost time injuries during fiscal 2016, fiscal 2017 and fiscal 2018. We are a dynamic organization that provides growth opportunities for our people, helping them fulfill personal career ambitions. We identify future leaders, encouraging them to develop innovative processes and assess risks and opportunities for improvement among our operations. In addition, we foster an open dialogue at all times, encouraging our employees to raise questions and speak up when something is off track and provide ideas for how to solve issues that may arise.

See "Business—Business Strategies."

Company Information

The Company is a corporation established under the laws of the Republic of the Philippines with our registered office and principal executive offices located at 34/F Petron Megaplaza, 358 Sen. Gil. J. Puyat Avenue, Makati City, Philippines 1200, Philippines. The Company's telephone number is +(632) 8849 3600. Our website is www.cemexholdingsphilippines.com. The information on our website is not incorporated by reference into, and does not form a part of, this Prospectus.

Investor Relations Office

Our investor relations office is responsible for (a) our investor program that reaches out to all of the Company's shareholders and informs them of corporate activities and (b) communicating and relating relevant information to our stakeholders as well as to the broader investor community.

Pierre Ignatius C. Co heads our Investor Relations Office and serves as our Investor Relations Officer ("IRO"). The IRO is responsible for ensuring that our shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to the Company. As our officially designated spokesperson, the IRO is responsible for receiving and responding to investor and shareholder queries. In addition, the IRO oversees most aspects of the Company's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of our website and the preparation of the Company's annual reports. The IRO is also responsible for conveying information such as our policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of our operations and performance. Our Investor Relations Office is located at 34/F Petron Megaplaza, 358 Sen. Gil. J. Puyat Avenue, Makati City, Philippines 1200, Philippines. Our IRO may be contacted at chp.ir@cemex.com or +(632) 8849 3600.

THE OFFER

The Company is offering for subscription 8,293,831,169 Rights Shares by way of a stock rights offering to eligible holders of Common Shares of the Company as of the Record Date ("Eligible Shareholders") at the proportion of 1.5963 Rights Shares for every one Common Share held as of the Record Date. The Offer Price is ₱1.54 per Offer Share.

Fractions of the Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company. The Rights Shares may be subscribed by Eligible Shareholders of record of the Company as of the Record Date. Below are the key dates of the Rights Offer:

Pricing Date	January 6, 2020
Ex-Date	January 9, 2020
Record Date	January 14, 2020
Rights Offer Period	January 20, 2020 to January 24, 2020
Tentative Listing Date	On or before March 4, 2020

The dates listed above are subject to market and other conditions and may be changed at the discretion of the Company, the Global Coordinator and the Domestic Underwriter, subject to the approval of the PSE.

The Principal Shareholder, which beneficially owned 66.78% of our Common Shares as of December 31, 2019, has executed an undertaking to subscribe in favor of the Domestic Underwriter, pursuant to which the Principal Shareholder has agreed to subscribe to its Entitlement Shares in the initial round of the Rights Offer and to subscribe to the Additional Rights Shares in the mandatory second round of the Rights Offer under the same terms and conditions as any other Eligible Shareholder. The Principal Shareholder's subscriptions in the Rights Offer shall have no preference over the subscriptions of any other Eligible Shareholders. In addition, the Principal Shareholder will also subscribe for any remaining Rights Shares unsubscribed after the mandatory second round of the Rights Offer, to ensure that the Rights Shares under the Rights Offer are fully subscribed.

To the extent that any Additional Rights Shares remain unsubscribed and are not taken up by the Principal Shareholder after the mandatory second round pursuant to its undertaking to subscribe, such Rights Shares, subject to certain conditions, will be taken up by the Domestic Underwriter who shall procure purchasers in the Philippines who are qualified institutional buyers as defined under the SRC, or failing which, shall purchase the unsubscribed Rights Shares as set out in "Plan of Distribution—The Domestic Institutional Offer."

SUMMARY OF THE OFFER

Issuer	CEMEX Holdings Philippines, Inc. a corporation duly incorporated under the laws of the Republic of the Philippines and listed on the PSE.
The Offer	The Offer is comprised of the Rights Offer and the Domestic Institutional Offer, collectively, each as described below.
Rights Shares	8,293,831,169 Common Shares of the Company with a par value of ₱1.00 per share (the "Rights Shares"). The Rights Shares shall be issued from the Company's increased authorized capital stock ("ACS"), subject to the approval of the SEC of the Company's ACS Application (as defined below under "—Application to Increase ACS") for such increase, and rank equally in all respects with the existing Common Shares, including the right to receive all dividends or distributions made, paid or declared after a valid subscription agreement is perfected between the Company and a buyer, as evidenced by the written acceptance by the Company of the subscription agreement (a "Subscription Agreement") of the buyer and other conditions, including the approval by the SEC of the Company's ACS Application and listing of the Offer Shares on the PSE. The application for increase in ACS has been preliminarily submitted to the SEC for evaluation. The additional documents required by the SEC, which can only be prepared and finalized after the end of the Rights Offer Period, will be submitted to the SEC promptly after the end of the Rights Offer Period to complete the filing of the application for the increase in the ACS of the Company.
The Rights Offer	The Company is offering the Rights Shares for subscription to Eligible Shareholders ("Rights Offer"). No commissions or other remuneration will be paid or given by the Company, directly or indirectly, to the Global Coordinator or the Domestic Underwriter in relation to the sale of the Rights Shares.
Principal Shareholder Undertaking to Subscribe	CEMEX Asian South East Corporation ("CASE" or the "Principal Shareholder"), which beneficially owned 66.78% of our Common Shares as of December 31, 2019, has executed an undertaking to subscribe in favor of the Domestic Underwriter, pursuant to which the Principal Shareholder has agreed to subscribe to its Entitlement Shares in the initial round of the Rights Offer and to subscribe to the Additional Rights Shares in the mandatory second round of the Rights Offer under the same terms and conditions as any other Eligible Shareholder. The Principal Shareholder's subscriptions in the Rights Offer shall have no preference over the subscriptions of any other Eligible Shareholders. In addition, the Principal Shareholder will also subscribe for any remaining Rights Shares unsubscribed after the mandatory second round of the Rights Offer, to ensure that the Rights Shares under the Rights Offer are fully subscribed.

Rights Offer Firm Underwriting and the Domestic Institutional Offer	BDO Capital & Investment Corporation (the "Domestic Underwriter") will firmly underwrite the Rights Offer in accordance with the domestic underwriting agreement (the "Domestic Underwriting Agreement") entered into with the Company. To the extent that any Additional Rights Shares remain unsubscribed and are not taken up by the Principal Shareholder after the mandatory second round pursuant to its undertaking to subscribe, such Rights Shares, subject to certain conditions, will be taken up by the Domestic Underwriter who shall procure purchasers in the Philippines who are qualified institutional buyers as defined under the SRC, or failing which, shall purchase the unsubscribed Rights Shares. See "Plan of Distribution."
Offer Price	The Offer Price has been computed based on the volume-weighted average price ("VWAP") of our Common Shares on the PSE of 15 consecutive trading days immediately prior to (and excluding) the Pricing Date, subject to a discount rate of 24.5%.
Rights Offer Period	The Rights Offer Period shall commence on January 20, 2020 at 9:00 a.m. (Manila time) and end on January 24, 2020 at 12:00 pm (noon) (Manila time). The Company, the Global Coordinator and the Domestic Underwriter reserve the right to extend or terminate the Rights Offer Period with the approval of the PSE.
Minimum Subscription	Each Application must be for a minimum of one Rights Share.
Eligible Shareholders	The Rights Shares are being offered to eligible holders of Common Shares as of the Record Date, consisting of: (i) holders located inside the Philippines; or (ii) holders located in jurisdictions outside the Philippines and outside the United States where it is legal to participate in the Rights Offer under the laws of the applicable jurisdiction, in each case as of the Record Date.
Foreign Ownership Restriction	The Company and its subsidiaries are not engaged in activities which are subject to the application of foreign ownership restrictions in the Philippines. Please see "Philippine Foreign Exchange and Foreign Ownership Controls—Foreign Ownership Controls" for further information.
Rights Entitlement	Each eligible holder of Common Shares is entitled to 1.5963 Rights Shares for every one Common Share it holds as of the Record Date (the "Entitlement Shares"). Fractions of the Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractions will be aggregated and offered for the benefit of the Company. Subscription to the Rights Shares in certain jurisdictions may be restricted by law. Foreign investors interested in subscribing or purchasing the Rights Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile and as to any relevant tax or foreign exchange control laws and regulations

	affecting them personally. Foreign investors, both corporate and individual, are required to represent and warrant that their purchase of the Rights Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Rights Shares. The offer process in relation to the Entitlement Shares shall also be known as the first round of the Rights Offer.
Additional Subscription	If an applicant fully subscribes to his Entitlement Shares and subject to the availability of unsubscribed Rights Shares arising from the failure of the other Eligible Shareholders to fully subscribe for their Entitlement Shares in the initial round of the Rights Offer, the applicant may simultaneously apply for an additional subscription of the unsubscribed Rights Shares (the "Additional Rights Shares"). The Additional Rights Shares are payable in full upon submission of the application to subscribe (the "Application"). If the aggregate number of Additional Rights Shares available for subscription equals or exceeds the aggregate number of Additional Rights Shares so subscribed for, an applicant will be allocated the number of Additional Rights Shares indicated in his Application. If the aggregate number of Additional Rights Shares available for subscription is less than the aggregate number of Additional Rights Shares so subscribed for, the available Additional Rights Shares will be allocated to applicants who have applied to subscribe for such Additional Rights Shares and such allocation shall be made in the absolute discretion of the Company taking into account various factors including each applicant's original shareholding in the Company as of the Record Date relative to the original shareholding of all other applicants for Additional Rights Shares as of such Record Date, provided that no applicant for Additional Rights Shares shall be allocated more Additional Rights Shares than the number for which such applicant has applied for. There can be no guarantee as to whether any Additional Subscription to Rights Shares may be allocated to an Eligible Shareholder. A subscription for Additional Rights Shares is irrevocable on the part of the applicant and may not be canceled or modified by such applicant. The offer process in relation to the Additional Rights Shares shall also be known as the second round of the Rights Offer.
Procedure for Application	All Applications shall be evidenced by the Application, duly executed by an authorized signatory of the applicant and the corresponding payment for the Rights Shares covered by the Application and all other required documents. The duly executed Application and required documents should be submitted during the Rights Offer Period to the Receiving Agent at its offices at 15th Floor, South Tower, BDO Corporate Center, Makati City, Philippines. Eligible Shareholders of certificated shares that are located outside the Philippines and the United States may initially submit an Application to the Receiving Agent by email and/or courier on or before the end of the Rights Offer Period with the original copies delivered via courier thereafter.

	If the applicant is an eligible individual shareholder, the applicant must submit: • a properly completed Application; and • a photocopy of two valid and unexpired Philippine Government-issued identification, such as a passport, driver's license, SSS, GSIS or PRC ID. If the applicant is a corporation, partnership, or trust account, the applicant must submit: • a properly completed Application; • a certified true copy of the Articles of Incorporation and By-Laws of the applicant, or the equivalent charter documents applicable for such institutional applicant, duly certified by its Corporate Secretary; • a certified true copy of the Certificate of Registration of the applicant, issued by the relevant regulating authority in the jurisdiction where the applicant is a resident, duly certified by its corporate secretary; and • a duly notarized certificate of the applicant's Corporate Secretary that sets out: (i) the resolutions of the applicant's Board of Directors or equivalent body authorizing the subscription/purchase of the Rights Shares subject of the Application and designating signatory(ies) for the purpose; (ii) the specimen signature(s) of such designated signatory(ies). If the applicant is not located in the Philippines, (individual shareholder or corporation, partnership or trust account), by accomplishing the Application, the applicant represents and warrants that the applicant is not a resident in the United States and the applicant's purchase of the Rights Shares will not violate the laws of their resident jurisdiction. Applications must be received by the Receiving Agent not later than 12:00 pm (noon) (Manila time) on January 24, 2020, the last day of the Rights Offer Period. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to the Receiving Agent and shall be subject to the terms and conditions of the Rights Offer as stated in this prospectus and in the Application.
Payment Terms	Upon submission of an Application, the subscriptions applied for must be paid in full, via cleared funds to the designated "CHP Rights Offer" settlement account. Payment must be made by either (i) deposit or inward remittance to the Philippine peso account with the following details—Account Number: 003008058945; Account name: "BDO as Receiving Agent for SRO of CHP"; Swift Code: BNORPHMM; (ii) check drawn against any BSP authorized agent bank or any branch thereof within Metro Manila to the order of "CHP Rights Offer." The check payments must be dated as of the

	submission of the Application and crossed "Payee's Account Only." Check payments for regional clearing will not be accepted. All bank checks shall be for the account of the applicant. All bank charges shall be for the account of the Eligible Shareholder. The payment of the subscription price must be received by the Company, through the Receiving Agent in full without any deduction.
Acceptance/Rejection of Applications . .	The Company has the absolute discretion to accept or reject all or a portion of any Application under the terms and conditions of the Rights Offer. The actual number of Rights Shares to which any applicant may be entitled is subject to the confirmation of the Company. Applications where checks are dishonored upon first presentment, payment is insufficient, and Applications, together with the other required documents, which do not comply with the terms of the Rights Offer shall be rejected. Moreover, payment received upon submission of an Application does not constitute approval or acceptance by the Company of the Application. An Application, when accepted, shall constitute an agreement between the applicant and the Company for the subscription to the Rights Shares at the time, in the manner and subject to terms and conditions set forth in the Application and those described in this prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription and/or purchase by an applicant of the Rights Shares will become effective only upon the approval and issuance of the Certificate of Approval of Increase in Capital Stock and Certificate of Filing of Amended Articles of Incorporation by the SEC and listing of the Offer Shares on the PSE. See "—Application to Increase ACS."
Refunds for Rejected Applications	In the event that the number of Rights Shares to be received by an applicant is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund via check payment, without interest, within five (5) banking days from the end of the Rights Offer Period, all, or a portion of the payment corresponding to the number of Rights Shares wholly or partially rejected. Such refund check shall be made available for pick-up at the office of the Receiving Agent at 15th Floor, South Tower, BDO Corporate Center, Makati City, Philippines. Refund checks that remain unclaimed after 30 days from the date such checks are made available for pick-up shall be mailed at the applicant's risk to the address indicated in the Application.
Application to Increase ACS	On April 2, 2019 and October 16, 2019, respectively, the Board of Directors and the stockholders of the Company approved the increase in the Company's ACS from ₱5,195.4 million divided into 5,195,395,454 Common Shares, with a par value of ₱1.00 per share, to ₱18,310.4 million divided into 18,310,395,454 Common Shares with a par value of ₱1.00. The Company has preliminarily submitted the standard requirements for the application for increase in ACS ("ACS Application") with the Company Registration and Monitoring Department ("CRMD") of the

	SEC, except for the (a) certificate of increase of ACS; (b) the list of stockholders and their stockholdings before and after subscription to the increase in ACS; (c) the treasurer's affidavit; and (d) the independent auditor's report on the verification of cash payment on subscription to the increase, and the payment of the SEC filing fees, all of which can only be prepared, finalized, and submitted after the end of the Rights Offer Period to complete the filing for the increase in the ACS of the Company. The CRMD has preliminarily reviewed the documents submitted by the Company and are currently waiting for the end of the Rights Offer Period and the above-mentioned documents to complete its evaluation of the Company's application. Upon submission of such documents and the approval by the SEC, the SEC will issue a Certificate of Approval of Increase in Capital Stock and Certificate of Filing of Amended Articles of Incorporation by the SEC.
Escrow and Refunds if the Application for Increase of ACS is not approved	During the Rights Offer Period, the Rights Shares would not have been created yet; hence, proceeds of the Offer, representing payments to the subscription to the Rights Shares, shall be deposited in an escrow account (the "Escrow Account") with the Escrow Agent no later than 4:00 p.m. two (2) banking days after the end of the Rights Offer Period. The application for amendment of the Company's amended articles of incorporation and the creation of additional Common Shares has been preliminarily submitted to the SEC for evaluation, except for certain documents that will only be available after the end of the Rights Offer Period and which will be submitted to the SEC promptly after the end of the Rights Offer Period to complete the filing for the increase in the ACS of the Company. In the event that the Company is able to secure such SEC approval and the listing of the Offer Shares on the PSE within 30 business days after the end of the Rights Offer Period, the proceeds will be released to the Company and the Company intends to use such proceeds primarily (a) to fund the expansion of our Solid Cement plant, including to pay outstanding amounts owed under the Solid Expansion Facility Agreement, and (b) other general corporate purposes, including paying the Operational Facility. In the event that the ACS Application is not approved by the SEC and the listing of the Offer Shares on the PSE is not completed within 30 business days after the end of Rights Offer Period, all application payments with the pro-rata interest earned in the Escrow Account as calculated by the Escrow Agent will be returned to the applicants and refunded to such applicant within five (5) banking days from the end of such 30-business day period. Refunds shall be made by the Company through the Receiving Agent (or such party designated by the Receiving Agent) by issuing checks payable to the order of the applicants and crossed "Payees' Account Only" for an amount corresponding to the amount paid plus the pro-rated income from the Escrow Account in accordance with their Application. Such refund

	check shall be made available for pick-up at the office of the Receiving Agent at 15th Floor South Tower, BDO Corporate Center, Makati City, Philippines. Refund checks that remain unclaimed after 30 days from the date such checks are made available for pick-up shall be mailed at the applicant's risk to the address indicated in the Application. All other taxes and costs, if any, in relation to the refund, shall be for the account of and paid by the Company.
Documentary Stamp Tax	All documentary stamp taxes applicable to the original issuance of the Offer Shares shall be for the sole account of the Company.
Registration and Lodgment of Shares with the Philippine Depository & Trust Corp	After the PSE approves the Company's listing application and the SEC approves and issues the Certificate of Approval of Increase in Capital Stock and Certificate of Filing of Amended Articles of Incorporation, the Offer Shares will be issued in scripless form through the electronic book-entry system of the Stock Transfer Agent and lodged with the PDTC as depository agent on Listing Date through PSE Trading Participants nominated by the accepted subscribers. For this purpose, applicants are required to indicate in the proper space provided for in the Application the name of a PSE Trading Participant under whose name their shares will be registered. After the Listing Date, shareholders may request the registrar, through their nominated PSE Trading Participant, to (a) open a scripless registry account and have their holdings of the Offer Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Rights Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder. Legal title to the Offer Shares will be shown in an electronic register of shareholders (the "Registry of Shareholders") which shall be maintained by the Stock Transfer Agent. The Stock Transfer Agent shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Stock Transfer Agent shall send (at the cost of the Company) at least once every year a statement of account to all shareholders named in the Registry of Shareholders confirming the number of shares held by each shareholder of record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of the given date thereof. Any request by shareholders for certifications, reports or other documents from the Stock Transfer Agent, except as provided herein, shall be for the account of the requesting shareholder.
Registration of Foreign Investments	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance is to be sourced from the domestic banking

	system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.
Lock-up	The Company and the Principal Shareholder, have each voluntarily agreed with the Global Coordinator and the Domestic Underwriter that, none of the Company, CEMEX, S.A.B. de C.V., the Principal Shareholder or any person acting on any of their behalf will, subject to certain exceptions, for a period of 90 days after the Listing Date, without the prior written consent of the Global Coordinator and the Domestic Underwriter, except (i) in connection with the issuance of the Offer Shares for purposes of the Offer, (ii) as necessary for the free-float of the Company's shares to be in compliance with applicable laws and regulations in the Philippines or (iii) for issuances of Common Shares pursuant to the Company's employee stock option plan or other employee compensation scheme, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Common Shares or securities convertible or exchangeable into or exercisable for Common Shares or warrants or other rights to purchase Common Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Common Shares, including equity swaps, forward sales and options.
Issuance, Listing and Trading	The Offer Shares will be issued upon the approval and issuance of the Certificate of Approval of Increase in Capital Stock and Certificate of Filing of Amended Articles of Incorporation by the SEC. Subject to the PSE's approval of the listing application, the Offer Shares are expected to be listed on the PSE on or before March 4, 2020. Trading is expected to commence on the same day as the relevant Offer Shares are listed on the PSE.
Expected Timetable	The timetable of the Rights Offer is scheduled as follows: Pricing Date: January 6, 2020 Ex-Date: January 9, 2020 Record Date: January 14, 2020 Rights Offer Period: January 20, 2020 to January 24, 2020 Tentative Listing Date: On or before March 4, 2020 The dates listed above are subject to market and other conditions and may be changed at the discretion of the Company and the Global Coordinator and the Domestic Underwriter, subject to the approval of the PSE.
Global Coordinator	The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch
Domestic Underwriter	BDO Capital & Investment Corporation
Stock Transfer Agent and Receiving Agent	BDO Unibank, Inc—Transaction Banking Group—Securities Operations

Escrow Agent	BDO Unibank, Inc.—Trust and Investments Group
Independent Auditor	R.G. Manabat & Co.
External Philippine Legal Counsel to the Company	Romulo Mabanta Buenaventura Sayoc & de los Angeles
External Philippine Legal Counsel to the Global Coordinator and Domestic Underwriter	Picazo, Buyco, Tan, Fider & Santos

SUMMARY FINANCIAL INFORMATION

The following tables present summary audited consolidated financial information of the Company and our subsidiaries for fiscal 2016, fiscal 2017 and fiscal 2018, and summary unaudited interim consolidated financial information of the Company and our subsidiaries for the nine-month periods ended September 30, 2018 and 2019 and should be read in conjunction with the Audited Financial Statements and the Unaudited Interim Financial Statements, in each case together with the notes thereto, contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary financial information presented below as of and for fiscal 2016, fiscal 2017 and fiscal 2018, unless otherwise indicated, was derived from the Audited Financial Statements and the summary financial information as of and for the nine-month periods ended September 30, 2018 and 2019, unless otherwise indicated, was derived from the Unaudited Interim Financial Statements, in each case prepared in compliance with PFRS and, for the Audited Financial Statements, audited by RGM&Co. The information below is not necessarily indicative of our results of future operations. For additional information regarding financial information presented in this Prospectus, see "Presentation of Financial Information."

Financial information presented herein as of and for the nine-month periods ended September 30, 2018 and 2019 was prepared on the basis of PFRS 16, which became effective on January 1, 2019. Except as provided for in the foregoing, financial information presented herein as of all dates and periods ended prior to January 1, 2019 has not been adjusted to give effect to PFRS 16. For this reason, financial information presented herein for such periods may not be comparable. See "Risk Factors—Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information."

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2016	2017	2018	2018	2019
	(Audited)			(Unaudited)	
	(in millions of Philippine pesos, except for per share data)				
INCOME STATEMENT INFORMATION					
Revenue	24,286.8	21,784.5	23,417.7	17,905.1	18,223.5
Cost of sales and services	(11,885.9)	(12,400.9)	(14,307.1)	(10,632.4)	(10,717.9)
GROSS PROFIT	12,400.9	9,383.5	9,110.6	7,272.8	7,505.6
TOTAL OPERATING EXPENSES(1)	(7,455.2)	(7,397.0)	(7,744.1)	(5,834.9)	(5,420.9)
OPERATING EARNINGS BEFORE OTHER INCOME (EXPENSES), NET	4,945.6	1,986.6	1,366.4	1,437.9	2,084.6
Other income (expenses), Net	(319.8)	(226.2)	(42.7)	8.2	32.2
OPERATING EARNINGS	4,625.9	1,760.4	1,323.8	1,446.1	2,116.8
Financial expenses	(1,236.0)	(858.4)	(919.9)	(772.7)	(1,026.4)
Foreign exchange gain (loss), net	(1,379.9)	(66.7)	(331.0)	(545.7)	127.9
Other financial expenses, net	(32.7)	(36.8)	(32.1)	(26.7)	(40.9)
EARNINGS BEFORE INCOME TAX	1,977.2	798.4	40.8	101.0	1,177.5
Income tax expense	563.7	139.5	971.0	764.4	302.8
PROFIT (LOSS)	1,413.5	658.8	(930.2)	(663.4)	874.7
Basic/Diluted Earnings (loss) per share	0.5	0.1	(0.2)	(0.1)	0.2

Note:

(1) "Total Operating Expenses" mean the sum of (i) administrative and selling expenses and (ii) distribution expenses.

	As of December 31,			As of September 30,
	2016	2017	2018	2019
	(Audited)			(Unaudited)
	(in millions of Philippine pesos, except for per share data)			
STATEMENT OF FINANCIAL POSITION INFORMATION				
Total Current Assets	6,587.0	6,651.9	8,754.7	7,773.9
Total Noncurrent Assets	44,454.9	45,201.5	47,099.4	50,376.5
Total Assets	51,041.9	51,853.4	55,854.1	58,150.4
Total Current Liabilities	5,654.2	6,873.6	10,080.4	9,604.9
Total Noncurrent Liabilities	16,703.5	15,557.4	16,901.4	19,119.8
Total Liabilities	22,357.7	22,431.0	26,981.8	28,724.7
Total Equity	28,684.2	29,422.4	28,872.3	29,425.7
Total Liabilities and Equity	51,041.9	51,853.4	55,854.1	58,150.4

	As of and for the Year Ended December 31,			As of and for the Nine Months Ended September 30,	
	2016	2017	2018	2018	2019
	(Audited)			(Unaudited)	
	(in millions of Philippine pesos, except for per share data)				
STATEMENT OF CASH FLOWS INFORMATION					
Net cash provided by operating activities	3,747.8	2,117.8	1,925.0	2,330.7	2,595.9
Net cash used in investing activities	(42,850.7)	(1,529.3)	(3,335.6)	(749.7)	(1,869.2)
Net cash provided by (used in) financing activities	40,466.4	(882.1)	2,139.0	(194.9)	68.6
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,363.5	(293.5)	728.4	1,386.1	795.3
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(31.3)	14.7	27.0	73.0	(17.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	4.9	1,337.2	1,058.3	1,058.3	1,813.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	1,337.2	1,058.3	1,813.7	2,517.3	2,591.8

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2016	2017	2018	2018	2019
	(Audited)			(Unaudited)	
	(in millions of Philippine pesos, except for per share data)				
OTHER AND NON-GAAP FINANCIAL INFORMATION					
Net working capital(1)	(361.4)	(794.2)	(1,727.0)	(1,646.7)	(2,324.0)
Operating EBITDA(2)	6,166.9	3,255.8	2,782.9	2,850.4	3,446.2
Operating EBITDA margin(3)	25.4%	14.9%	11.9%	15.9%	18.9%
Capital expenditures (including capitalized borrowing cost)	1,330.2	1,329.0	1,417.7	726.1	2,426.4
Depreciation and amortization	1,221.3	1,269.2	1,416.4	1,412.6	1,361.6

Notes:

(1) Current assets less cash and cash equivalents and current liabilities excluding income tax payable, lease liabilities, loans and interest payables.

(2) "Operating EBITDA" refers to operating earnings before other income (expenses), net, plus depreciation and amortization expenses. Operating EBITDA is not a measure of financial performance under PFRS, and investors should not consider Operating EBITDA in isolation or as an alternative to net income as an indicator of our operating performance or to cash flows from operating, investing and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various Operating EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies. This indicator is used by our management for decision-making purposes and is presented because we believe that it is an indicator of our ability to internally fund capital expenditures and service or incur debt. The following is a reconciliation of Operating EBITDA to net cash flows provided by operating activities before interest, income taxes and benefits paid to employees, as reported in our statement of cash flows.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2016	2017	2018	2018	2019
		(Audited) (in millions of Philippine pesos)		(Unaudited)	
Reconciliation of Operating EBITDA to net cash flows provided by operating activities before interest, income taxes and benefits paid to employees:					
Operating EBITDA	6,166.9	3,255.8	2,782.9	2,850.4	3,446.2
Less:					
Depreciation and amortization expense	1,221.3	1,269.2	1,416.4	1,412.6	1,361.6
Operating earnings before other income (expenses), net	4,945.6	1,986.6	1,366.4	1,437.9	2,084.6
Plus (minus):					
Changes in working capital excluding income taxes	(164.7)	35.7	525.6	742.6	277.9
Depreciation and amortization expense	1,221.3	1,269.2	1,416.4	1,412.6	1,361.6
Other items, net	(675.6)	259.1	(146.6)	(216.9)	45.4
Net cash flows provided by operating activities before interest, income taxes and benefits paid to employees	5,326.7	3,550.5	3,161.9	3,376.1	3,769.5

(3) Operating EBITDA margin equals Operating EBITDA divided by revenue.

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit being made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. Investors should consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to us or that are currently not considered material could have a material adverse effect on our business, results of operations, financial condition and prospects and on the Offer Shares and the investors may lose all or part of their investment. Investors may request publicly available information on the Offer Shares and us from the SEC and PSE.

The means by which we intend to address the risk factors discussed herein are principally presented under the captions "Business—Key Strengths" beginning on page 101 of this Prospectus, "Business—Business Strategies" beginning on page 105 of this Prospectus, "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 72 of this Prospectus and "Board of Directors and Senior Management—Corporate Governance" beginning on page 142 of this Prospectus.

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of this offer or the nature of risks involved in purchasing, holding and trading the Offer Shares. Each investor should consult its own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an investment in the Offer Shares.

Risks Relating to Our Business

Substantially all of our business, operations and assets are located in the Philippines. Accordingly, economic conditions in the Philippines may adversely affect our business, prospects, financial condition and results of operations.

Substantially all of our business operations and assets are located in the Philippines. Accordingly, our results of operations depend, to a significant extent, on the performance of the Philippine economy. The Philippines has experienced periods of slow or negative growth, high inflation, significant depreciation of the peso and the imposition of exchange controls.

Our growth prospects are largely dependent upon economic growth in the Philippines. The Philippines has experienced growth in GDP in recent periods, with annual GDP growth of 6.7% and 6.2% in 2017 and 2018, respectively, according to the Philippine Statistics Authority. Our future growth will depend in part on whether the Philippine economy can maintain a consistent growth rate as well as our ability to capitalize on such growth. Even if the Philippine economy grows, we cannot assure you that growth will necessarily translate into an increase in demand for our products. In addition, there can be no assurance that current or future governments will adopt economic policies conducive to sustaining growth in the Philippines.

There also can be no assurance that an economic slowdown in the Philippines will not recur. Factors that may adversely affect the Philippine economy include:

- increased and sustained elevated levels of inflation;
- decreases in business, industrial, manufacturing or financial activity in the Philippines or globally;
- scarcity of credit or other financing;
- increased interest rates and/or interest rate volatility;
- exchange rate fluctuations;
- an increase in unemployment levels or decrease in consumer confidence;

- a decrease in remittances from overseas Filipino workers;
- changes in the taxation policies and laws;
- a re-emergence of Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu), Middle East respiratory syndrome coronavirus (commonly known as MERS-CoV) or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia, such as the Zika virus;
- natural disasters, including landslides, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- political or economic developments in or affecting the Philippines.

In addition, the strength of the Philippine economy (and demand for our products in particular) is influenced and affected by global factors, including the performance of the global and regional economies, including in particular the United States and China, and the global economy, in general. If these economies were to suffer periods of prolonged weakness, it could adversely affect our business, prospects, financial condition and results of operations.

Any deterioration of the economic or political environment in the Philippines could adversely affect demand for our products. Demand for our products is highly related to construction levels and depends, in large part, on residential and commercial construction activity as well as private and public infrastructure spending and government-led projects in the Philippines. Declines in the construction industry are usually correlated with declines in economic and political conditions. However, there can also be no assurance that any increase in construction activity, infrastructure spending or the gross domestic product of the Philippines will result in a correlated increase in the demand of our products. As a result, a deterioration of economic or political conditions in the Philippines could have a material adverse effect on our business, prospects, financial condition and results of operations.

A reduction in public or private construction projects may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business is reliant on levels of public and private construction activity in the Philippines. Significant interruptions or delays in, or the termination of, public or private construction projects may adversely affect our business, prospects, financial condition and results of operations.

Historically, a substantial portion of construction activity in the Philippines relates to infrastructure, and public investment in the Philippines is driven by the Government’s desire to increase investment in infrastructure. We cannot assure you that the Government will continue to promote public infrastructure spending. For example, the current Government may decide to limit the scope of infrastructure projects in the future if, for example, it faces budget constraints. A reduction in public infrastructure spending in the Philippines would adversely affect our business, prospects, financial condition and results of operations.

Private construction, particularly in housing, is driven by, among other things, the growth of the Philippine economy generally, and in particular the growth of business process outsourcing to the Philippines, in addition to remittances from overseas Filipino workers. An economic slowdown in the Philippines or a significant decrease in remittances from overseas Filipino workers may adversely impact our business, prospects, financial condition and results of operations.

We have substantial indebtedness, the terms of which may restrict our ability to obtain additional financing on commercially reasonable terms or at all.

As of September 30, 2019, we had ₱20,235 million of outstanding debt, including ₱11,962 million of outstanding debt owed to BDO, ₱1,074 million of Philippine peso-denominated outstanding debt owed to

CEMEX, US$93.3 million of U.S. dollar-denominated outstanding debt owed to CEMEX and ₱2,365 million of lease obligations according to PFRS 16. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of PFRS 16."

Our indebtedness could have significant adverse consequences, including by impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes. Furthermore, we may have a higher level of indebtedness than some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition, and we may be more vulnerable to general economic downturns and adverse developments in our business. If we incur additional indebtedness, it could make it more difficult for us to satisfy our payment obligations and could increase the severity of these risks. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Pursuant to the BDO Facility, we are required to comply with the following financial covenants commencing in June 2020 each of which is tested twice annually:

- a ratio of total debt to Operating EBITDA not exceeding 4.00x; and
- a ratio of Operating EBITDA to interest expense not less than 4.00x.

As of December 31, 2018 and September 30, 2019, the ratio of our total debt to Operating EBITDA was 6.2 and 4.0, respectively. For fiscal 2018 and the nine-month period ended September 30, 2019, the ratio of our Operating EBITDA to interest expense was 3.0 and 3.4, respectively. On May 15, 2019, the Company signed an Amendment to the Facility and Supplemental Agreements with BDO that, among other changes, exclude from financial covenants in the Facility Agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid Cement that have been made or are to made to the Company by any subsidiary of CEMEX. See "Material Contracts—Senior Unsecured Peso Term Loan BDO Facility with BDO."

Any of the foregoing could materially adversely impact our business, prospects, financial condition and results of operations.

We have significant indebtedness to CEMEX, some of which is denominated in U.S. dollars.

As of September 30, 2019, we had indebtedness to CEMEX of US$93.3 million and ₱1,073.6 million and the amount of such indebtedness has continued to increase. APO Cement also has a short-term loan with CEMEX for ₱1,073.6 million maturing in April 2020. There can be no assurance that CEMEX will continue to extend additional indebtedness to us on commercially favorable terms or at all or that we will be able to refinance existing indebtedness to CEMEX with new financing from other sources. Any of the foregoing could materially adversely impact our business, prospects, financial condition and results of operations.

Only foreign loans (i.e. loans owed to non-Philippine residents, regardless of currency) and foreign currency loans (i.e. loans denominated in currencies other than Philippines pesos, regardless of creditor) that are registered with the BSP may source foreign currency from the Philippine banking system for the servicing or repayment of the loan. Foreign loans or foreign currency loans that are not registered with the BSP will have to source the foreign currency for the servicing or repayment of the loan outside of the Philippine banking system. If the foreign currency is sourced outside of the Philippine banking system, there is no guarantee that there would be a sufficient amount of foreign currency available.

Our indebtedness to CEMEX is not registered with the BSP and as such, we are not permitted to source the U.S. dollars needed to service such U.S. dollar-denominated indebtedness from the Philippine banking system. Consequently, we are required to source U.S. dollars available for sale outside of the Philippine banking system for the purpose of servicing this indebtedness. Our failure to source sufficient amounts of U.S. dollars at acceptable rates may affect our ability to service or repay our U.S. dollar-denominated indebtedness.

The Government has, in the past, instituted restrictions on the conversion of pesos into foreign currencies, the use of foreign exchange received by Philippine residents to pay foreign currency-denominated obligations and the ability of foreign companies to use foreign exchange revenues or to convert pesos into foreign currencies to satisfy foreign currency-denominated obligations. There can be no assurance that the Government will not institute similar or other restrictive exchange policies in the future. We are not aware of any pending proposals by the Government relating to such restrictions. Any restrictions imposed in the future could also adversely affect our ability to source foreign currency to comply with our foreign currency-denominated obligations, which could materially adversely impact our business, prospects, financial condition and results of operations.

We have to service our debt and other financial obligations denominated in foreign currencies such as U.S. dollars with revenues denominated in other currencies. Substantially all of our revenue is denominated in Philippine pesos, and we do not generate sufficient revenue in U.S. dollars from our operations to service our debt and other financial obligations denominated in U.S. dollars. This could adversely affect our ability to service our obligations in the event of a devaluation or depreciation in the value of the Philippine peso compared to the U.S. dollar, which could materially adversely impact our business, prospects, financial condition and results of operations. Recently, currency exchange rates in the Asia Pacific region and Southeast Asia in particular have experienced volatility, including as a result of volatility in the Chinese Renminbi. For example, based on the daily closing BAP Rate, the Philippine peso weakened from ₱49.93 as of December 29, 2017 to ₱51.83 as of September 30, 2019.

We may enter into derivative transactions with CEMEX or third parties to address interest-rate and exchange-rate risks associated with our debt, reduce our financial expenses, access alternative funding sources and cover other financial risks. Given the inherent risks involved, we cannot assure you that these financial derivative instruments will achieve their objectives nor that the benefits to us, if any, from such transactions will exceed our costs.

There can be no assurance that our substantial indebtedness to CEMEX, and our significant level of foreign currency-denominated indebtedness, as well as our derivative transactions associated with our debt, could adversely affect our business, prospects, financial condition and results of operations.

The price of cement is subject to significant fluctuations and an oversupply of cement could adversely affect our profitability.

Our results of operations are highly dependent upon the prices we receive for the sale of our cement. Pricing is generally set through competitive negotiation with dealers and is a function of the demand for, and supply of, cement in the relevant market. Demand for cement varies most significantly with construction activity, while supply is determined by domestic production levels and imports. Since 2016, imported cement mainly from Vietnam has substantially increased the supply of cement in the Philippines, which adversely impacted pricing. According to a report by the Department of Trade and Industry relating to its affirmative preliminary determination on the imposition of safeguard measures on the importation of cement from various countries, the share of cement imports in the domestic market grew from 0% in 2013 to approximately 8% in 2016 and 13% in 2017.

On August 27, 2019, the Department of Trade and Industry issued a definitive import safeguard duty effective for three years at the rate of ₱10.00 per 40kg bag for the first year, ₱9.00 per 40kg bag for the second year, and ₱8.00 per 40kg bag for the third year. This duty provides a disincentive to import cement into the Philippines.

According to the Philippine Department of Trade and Industry, the measure is subject to annual review. There can be no assurance that the Government will not reduce or eliminate this duty prior to its expiry or that they will be replaced with new import duties upon or after its expiration. Any reduction or elimination of this duty may result in increased imports of cement into the Philippines, from Vietnam or elsewhere and, if cement companies in Vietnam or elsewhere continue to export cement into the Philippines, we may realize lower pricing for our cement or risk losing a portion of our share of the market. Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

In October 2018, we entered into the principal project agreements with CBMI for the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of our Solid

Cement plant by 1.5 million tonnes. Our decision to add this new production line, which is currently expected to commence operations during the second quarter of 2021, was largely based on our expectation of a favorable long-term cement demand outlook in the Philippines. However, if demand is weaker than anticipated when the new line commences operations or thereafter, the additional installed annual capacity from this new production line may result in excess supply of cement and adversely impact pricing.

An extended or substantial decline in the prices of cement in the Philippines may materially and adversely affect our business, prospects, financial condition and results of operations.

We are dependent on the continuing operation of our two cement plants.

We manufacture cement at our two cement plants. Our Solid Cement plant is located in Rizal in the Luzon region and our APO Cement plant is located in Cebu in the Visayas region. These plants are subject to the normal risks of industrial production, including equipment breakdowns, labor stoppages, natural disasters, directives from Government agencies and power interruptions. In the past, we have experienced a number of power disruptions, including as a result of inadequate power generation and transmission infrastructure in the Philippines and natural disasters such as typhoons, which are common in the Philippines. While our APO Cement plant is capable of generating enough back-up power to supply all of its electricity needs, our Solid Cement plant is only capable of generating enough back-up power to supply approximately 60% of its current electricity needs.

Any prolonged or significant disruption to our cement plants, whether due to repair, maintenance or servicing, industrial accidents, mechanical equipment failure, human error or otherwise, will disrupt and adversely affect our operations. Additionally, any major or sustained disruptions in the supply of utilities such as water or electricity, or the supply of raw materials, or any fire, flood, landslide or other natural calamities, or communal unrest or acts of terrorism, may disrupt our operations or damage our cement plants or inventories and could adversely affect our business, prospects, financial condition and results of operations. For example, on September 20, 2018, the landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines affecting a site located within an area covered by the mining rights of ALQC. The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO Cement with a view to addressing the disruption in the supply arrangement with ALQC. In order to overcome the supply disruption caused by the Landslide, we sourced raw materials from other suppliers. During the fourth quarter of 2018, we believe that the Landslide caused a reduction to our EBITDA by approximately ₱416 million due to lower sales volume and higher production costs.

We typically shut down our cement plants, terminals or other facilities to undertake maintenance and repair work at scheduled intervals. Although we schedule shut downs such that not all of our facilities are shut down at the same time, the unexpected shut down of any facility may nevertheless affect our business, prospects, financial condition and results of operations from one period to another.

We operate in highly competitive markets and if we are not able to compete effectively, our results of operations would be harmed.

The markets in which we operate are highly competitive and are served by a variety of established companies with recognized brand names, as well as new market entrants and increasing imports. Companies in these markets compete based on a variety of factors, often employing aggressive pricing strategies to gain or protect their market share. For example, in 2010, Eagle Cement Corporation entered the Philippine cement market which precipitated a decrease in prices of cement in the market, which in turn resulted in our lower profitability. In September 2015, CRH plc, together with the Aboitiz group, entered the cement market in the Philippines through its acquisition of Lafarge Republic from LafargeHolcim. More recently, on May 10, 2019, San Miguel Corporation confirmed, through its wholly-owned subsidiary First Stronghold Cement Industries Inc., that it had entered into definitive agreements with companies controlled by LafargeHolcim, for the purchase of 85.7% equity interest in Holcim Philippines, Inc.

Our results of operations depend, in part, on our ability to compete effectively and maintain or increase our share of the market. In the relatively consolidated cement industry, we primarily compete on the basis of quality, market presence, distribution network, diversity of product offerings, sales strategy, brand image and pricing. Some of our competitors may be more established, benefit from greater brand recognition or have greater manufacturing and distribution channels and other resources than we do. In addition to domestic competition, the Philippines has historically had periods during which there were significant imports of cement from foreign-based producers. If foreign-based producers begin exporting significant volumes of cement to the Philippines and we are unable to compete effectively with such foreign imports or with domestic competitors, we may lose some of our market share, our revenues could decline or grow at a slower rate and our business, prospects, financial condition and results of operations could be adversely affected. See "Business—Competition" for a description of the competitive landscape in the Philippines.

Our planned expansion of our Solid Cement plant may not be completed on schedule, or at all, or within the allocated budget.

We currently expect that the new production line will commence operations during the second quarter of 2021 at a total cost of approximately US$235 million. We plan to apply a portion of the proceeds of the Offer to partially fund the cost of such expansion, as described under "Use of Proceeds."

On April 25, 2019, Solid Cement held its ceremonial groundbreaking for its new line, and certain key equipment, such as the kiln, are already at the plant. Various activities have already been ongoing, including the mobilization of equipment and site development. We expect major works for the new line to occur in the second half of 2019. See "Business—Expansion of the Solid Cement Plant." The time taken and the costs we incur to complete this, and any other development or expansion project we may undertake, may be directly or indirectly affected by many factors, including shortages of materials, equipment, availability of contractors, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with independent contractors and sub-contractors, accidents, and other problems and circumstances beyond our control.

Specifically, the time to finalize the expansion and the costs incurred in connection with the development of our projects may be affected by the following factors, among others, which are generally beyond our control:

- delays or inability to obtain all necessary location, zoning, land use, building, development and other required governmental and regulatory licenses, permits, approvals and authorizations;
- construction risks, which include delays in construction and cost overruns (whether from variation to original design plans or any other reason), a shortage or increase in the cost of construction and building materials, equipment or labor as a result of inflation or otherwise, inclement weather conditions, unforeseen engineering, environmental or geological problems, defective materials or building methods, default by contractors and other third-party providers of their obligations, or financial difficulties faced by such persons, disputes between counterparties to a construction or construction-related contract, work stoppages, strikes, accidents, among others; and
- possible shortage of available cash to fund construction and capital improvements, as we may need to make significant capital expenditures without receiving revenue and cash flow from these properties until future periods, and the related possibility that financing for these capital improvements may not be available on commercially reasonable terms or at all.

We cannot assure you that the expansion of our Solid Cement plant, and any other development or expansion project we may undertake, will be completed within the anticipated time frame and the allocated budget, or at all. Furthermore, there can be no assurance that future demand for our products will warrant the additional installed annual capacity that we expect to have available following the expansion of our Solid Cement plant, or any other development or expansion project we may undertake, in which case it is possible that we may not recoup our expenditures in connection with such projects in full or at all. Moreover, as our Solid Cement plant expansion remains ongoing and is expected to be completed in the second quarter of 2021, we may need to augment our domestic production with additional cement or clinker from third parties or through global sourcing arrangements with CEMEX in order to serve the Philippine market. A delay in, or the slow development of, our Solid Cement plant expansion would require us to rely on imported cement or clinker for longer than is currently anticipated.

Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are subject or may become subject to litigation proceedings and investigations that could harm our reputation, business, prospects, financial conditions and results of operation if an unfavorable ruling were to occur.

From time to time we are and may become involved in litigation and other legal proceedings relating to claims arising from our operations in the normal course of business. We are currently involved in various legal proceedings that have arisen in the ordinary course of our business including claims for environmental damages. We may also become involved in litigation to protect the trademark rights associated with our brands or the CEMEX name or in investigations related to antitrust matters.

In September 2015, we suffered an oil spill at our Solid Cement facility involving approximately 2,000 liters of heavy fuel oil that overflowed from one of our storage tanks, the majority of which was recovered within seven days of the incident. However, due to heavy rain conditions, a portion was carried towards drainage areas that led to the Teresa River. As a result of the incident, three separate administrative proceedings were initiated against us before the Laguna Lake Development Authority ("LLDA"), the Environmental Management Bureau of the Department of Environment and Natural Resources and the City of Antipolo, Rizal. These proceedings have been resolved and we paid minimal fines of ₱250,000 in aggregate.

On September 20, 2018, a Landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines, a site located within an area covered by the mining rights of ALQC. The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO Cement and implemented to address the disruption in the supply arrangement with ALQC.

On November 19, 2018, the Company and APO Cement were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu, against the Company, APO Cement, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu.

In the complaint, among other allegations, plaintiffs (i) claim that the Landslide occurred as a result of the defendants' gross negligence; and (ii) seek, among other relief, (a) monetary damages in the amount of approximately ₱4.3 billion, (b) the establishment of a ₱500 million rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO Cement and the Company are made liable for payment of monetary damages and establishment of a rehabilitation fund. The lawsuit is pending as of the date of this Prospectus. See "Business—Legal Proceedings."

In the event a final adverse resolution is issued in this matter, plaintiffs will have the option to proceed against any one of ALQC, APO Cement or the Company for satisfaction of the entirety of the potential judgement award, without the need to also proceed against any other private defendants. Thus, each of ALQC's, APO Cement's or the Company's assets could be exposed to execution proceedings for the entire judgment amount. As of the date of this Prospectus, because of the current status and preliminary nature of the lawsuit relating to the Landslide, considering all possible defenses available, we cannot assess with certainty the likelihood of an adverse result in this lawsuit, and in turn, we cannot assess if a final adverse resolution, if any, would have a material adverse impact on our business, prospects, financial condition, results of operations, liquidity and value of our Common Shares. As of September 30, 2019, we have not made any provision or reserve in relation to legal proceedings related to the Landslide.

The outcome of these legal proceedings and investigations is uncertain and in the case of an adverse final decision in any of these legal proceedings or investigations, thereby affecting our reputation, business, prospects, financial condition and results of operations. Furthermore, such proceedings can divert the attention of our management from our business and any negative publicity resulting from such proceedings or other disputes may also result in substantial expenses and adversely affect our business, prospects, financial condition and results of operations.

The construction industry is generally cyclical and variations in supply (including by increase of capacities) and demand (including from a decrease in construction activities) may result in overcapacity and a corresponding reduction in the utilization of our cement plants.

We are affected by the cyclical nature of the construction industry, which is characterized by periods of growth and slowdown or decline caused by variations in supply and demand. Such fluctuations may lead to periods of overcapacity where cement supply exceeds cement demand. Overcapacity could be due to (i) a decrease in demand and a failure by the industry to adjust supply or (ii) the industry adding capacity in excess of that required to satisfy demand.

Overcapacity may result in declining prices and an increase in cost per unit caused by less efficient use of our production facilities, which could have a material adverse effect on our results of our operations if we were not able to offset the reduction in revenue by, for example, reducing our total cost base.

Higher electricity and fuel costs, or the reduction or interruption in supply thereof, may adversely affect our business, prospects, financial condition and results of operations.

Our operations consume significant amounts of electricity and fuel. Our cement plants use electricity from the electricity grid, in addition to electricity produced from in-house generators fired primarily by heavy fuel oil and, to a lesser extent, waste heat production. We use liquid fuel in the distribution of our products. Electricity and fuel prices and availability are unpredictable and are generally subject to market volatility fluctuations based on events we cannot control, such as geopolitical developments, supply and demand for oil and gas, war and unrest in oil producing regions and weather concerns. Therefore, fluctuating prices and availability of electricity and fuels may have an adverse impact on our costs and operating results. Crude oil prices have increased since our initial public offering and we cannot assure you that the price of oil will not continue to increase. Further, we cannot assure you that our operations will not be materially adversely affected in the future if electricity and fuel costs continue to increase or if the supply is limited or interrupted.

We did not hedge our coal purchase requirements in connection with our coal imports for 2019. However, in 2019, we shifted to a lower-grade mix of coal to mitigate cost increases. While we have performed tests to determine the viability of this new coal strategy, we cannot assure you that this lower-grade coal mix will not impact our operations, such as reducing production output or interrupting our operations. We mitigate our exposure to the price of coal by negotiating pricing floors and caps in our variable price arrangements for domestically-sourced coal, but we do not have similar provisions in our supply arrangements which provide for internationally-sourced coal.

We obtain our supply of liquid fuel, including heavy fuel oil, from domestic suppliers at prices that vary with the applicable spot price. During periods when we expect to use in-house generated electricity, we may hedge our exposure to the spot price of heavy fuel oil depending on market conditions. Our costs hedging strategy may not protect us from significant increases in the landed price of heavy fuel oil. For fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019, the cost of fuel that we purchased to fire our kilns and run our electricity generators represented approximately 15.8%, 22.0%, 21.3% and 20.0%, respectively, of our cost of sales. Our cost of sales excludes fuel costs for the trucks and vessels used in the distribution of our products, which is included in our operating expenses as distribution costs. For fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019, the cost of liquid fuel that we purchased to fuel our vessels represented 9.3%, 11.5%, 11.9% and 10.0% of our distribution expenses, respectively.

Electricity costs in the Philippines are among the highest in Asia. Electricity cost and availability are also impacted by the limited numbers of suppliers, a complex regulatory framework, low grid reliability, the geography of the Philippines which makes distribution costly, the climate and weather conditions in the Philippines which regularly impacts power supply and quality, and dependence on fuel imports. In the past, we have experienced a number of power disruptions, including as a result of inadequate power generation and transmission infrastructure in the Philippines and natural disasters such as typhoons, which are common in the Philippines. Moreover, if we expand our operations or if economic growth and the demand for cement in the Philippines increases, and we are unable to proportionately increase our access to power, we may experience additional power disruptions and consequently may not be able to take advantage of such increased demand.

The Government's Retail Competition and Open Access program, or RCOA, provides large end-users in the Philippines with the ability to choose their electricity suppliers. Once the user has chosen a provider, the user is required to purchase electricity from the provider under the applicable contract with the provider. RCOA has been implemented in both Luzon and Visayas. Any substantial increase in the prices or reduction or interruption in supply of electricity and fuel used by us could adversely affect our business, prospects, financial condition and results of operations.

Furthermore, if our efforts to increase our use of alternative fuels are unsuccessful, due to their limited availability, price volatility or for any other reason, we would be required to use traditional fuels, which may increase our energy and fuel costs and could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our operations depend on an adequate supply of raw materials. The limited availability or increased costs of certain raw materials may adversely affect our business, prospects, financial condition and results of operations.

The production of cement is highly dependent on an adequate supply of certain raw materials. Our primary raw materials are limestone, pozzolans, clay and gypsum. We purchase the majority of our limestone, pozzolans and clay requirements pursuant to our Major Raw Materials Agreements and are reliant on these agreements to obtain an adequate supply of limestone, pozzolans and clay at reasonable prices. These agreements each have 20-year terms expiring in December 2035, followed by automatic renewals of two years. Under these agreements, we are exposed to fluctuations in the spot prices of limestone, pozzolans and clay. We do not enter into hedging arrangements for any of these materials, and we are therefore exposed to any such fluctuations in the spot prices.

For the materials we source through global sourcing arrangements with CEMEX, including clinker, we may not select the lowest-cost suppliers, stimulate price tension between competing suppliers or have the ability to manage the adequate supply of these materials at reasonable prices. We also purchase materials such as limestone, clay, pozzolans and gypsum from third parties in and outside of the Philippines.

We cannot assure you that the price we pay for our raw materials will be stable or the most competitive in the future, or that the raw materials we require for our operations will be available in the amounts we require or at all. The cost of these materials could be adversely affected by price changes, strikes, weather conditions, governmental controls or other factors that are outside of our control. Price changes to our raw materials may result in unexpected increases in production costs, and we may be unable to increase the prices of our products to offset these increased costs and therefore may suffer a reduction to our margins, which could adversely affect our business, prospects, financial condition and results of operations.

We rely on ALQC and IQAC to supply the majority of our primary raw materials. If ALQC or IQAC are unsuccessful in discovering, developing or supplying the amount of raw materials we require to sustain production of cement, our business, prospects and results of operations would be adversely affected.

We purchase the majority of our limestone, pozzolans and clay requirements from ALQC and IQAC pursuant to our Major Raw Materials Agreements, which each have 20-year terms expiring in December 2035 and automatic two-year renewal periods thereafter.

In the Philippines, the Philippine Mining Act of 1995, or Philippine Mining Act, requires the possession of Mineral Rights to conduct mining operations and extract all mineral resources on a contract area. Holders of Mineral Rights in the Philippines have the legal right to enter the contract area in order to drill for and develop the minerals underlying the Mineral Rights, subject to a requirement to provide notice to the holder of the Land Rights and pay such holder just compensation for any damage caused by the drilling, discovery or development of the minerals. CEMEX's engineers and geologists prepare their own reserves estimates of ALQC's and IQAC's Mineral Rights, which are compliant with the Philippine Mineral Reporting Code and reviewed regularly by CEMEX's and our corporate staff, along with the technical executives associated with our business units. In certain circumstances the services of third-party geologists and/or engineers are engaged to validate these estimates.

Each of ALQC and IQAC has existing Mineral Rights over contract areas that provide them with the rights to mine and extract raw materials substantially in excess of their currently estimated reserves, however, in order to develop those raw materials without exposure to a potential claim for just compensation from a Land Rights holder, each of ALQC and IQAC has obtained Land Rights from third parties by acquisition or the entry into certain royalty arrangements with the Land Rights holder. There can be no assurance that ALQC or IQAC will be able to increase their reserve estimates by successfully obtaining Land Rights on the contract areas covered by their respective Mineral Rights. In addition, the earliest of IQAC's and ALQC's Mineral Rights to expire do so in June 2023 and November 2022, respectively, and there can be no assurance that IQAC or ALQC will be successful in obtaining new Mineral Rights on favorable terms, or at all.

Moreover, the calculation of the raw material reserves are only estimates and depend on geological interpretation and statistical inferences or assumptions drawn from drilling and sampling analysis, which may prove to be materially inaccurate. There are significant degrees of uncertainty attributable to the calculation of these reserves. Until the raw materials are actually mined and processed, the quantity and grades of the raw materials must be considered as estimates only and we cannot assure you that indicated levels will actually be produced. The estimate of ALQC's and IQAC's reserves is partially dependent upon the judgment of the person preparing the estimates. The process relies on the quantity and quality of available data and is based on knowledge, mining experience, statistical analysis of drilling results and industry practices. Valid estimates at a given time may significantly change when new information becomes available.

ALQC's and IQAC's reserves estimates may need to be recalculated based on further exploration or development activity or actual production experience, which could materially and adversely affect estimates of the quantity or grade of raw materials. Any significant variance could materially affect the estimated quantities and present value of ALQC's or IQAC's reserves. Furthermore, there can be no assurance that it will be economically viable for ALQC or IQAC to extract raw materials in the quantities reflected by the reserves estimates or at all. We cannot assure you, and you should not assume, that ALQC or IQAC will be able to mine, process and supply the amount of raw materials that we will require for the production of our cement. A material and adverse variance in quantity, grade or actual production of ALQC's or IQAC's reserves would have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. Additionally, if either of ALQC or IQAC were unable to comply with the delivery schedules, quantity requirements or quality specifications set forth in either of the Major Raw Materials Agreements for at least two consecutive months, we may exercise our right to terminate the relevant agreement, in which case we may be unable to negotiate new raw material supply agreements on commercially acceptable terms or at all. Even if we are able to find new supply partners, the terms of new supply arrangements may not be as attractive as the terms of the Major Raw Materials Agreements and, for example, would likely involve higher transportation costs given the proximity to us of the raw materials supplied by ALQC and IQAC. For example, in fiscal 2018, the Landslide caused a disruption in ALQC's mining operations and we therefore purchased limestone, cement, and clinker from other suppliers during the last quarter of 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year Ended December 31, 2018 Compared to Year Ended December 31, 2017."

Any interruption to or a shortage in the supply of the raw materials and/or other supplies used by us could prevent us from operating our facilities at full capacity, and if the shortage is severe, could lead to the suspension of our production all together. Any of the foregoing would adversely affect our business, prospects, financial condition and results of operations.

We may fail to secure certain materials required to run our business.

We increasingly use in most of our business certain by-products of industrial processes produced by third parties, such as coal, pet coke, gypsum, fuels and alternative fuels, among others. We try to secure the supply of the required materials through long-term renewable contracts and framework agreements, which allow us to better manage supplies. Should existing suppliers cease operations or reduce or eliminate production of these by-products, or should for any reason any suppliers not be able to deliver to us the contractual quantities and qualities, or should laws and/or regulations in any region or country limit the access to these materials, sourcing costs for these materials could increase significantly or require us to find alternative sources for these materials, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. Additionally, any increase in the scarcity or decrease in the quality of natural resources (including water) could adversely affect our business, prospects, financial condition and results of operations.

We lease all of our principal manufacturing premises from ALQC and IQAC.

All of our principal manufacturing installations are located on land owned by ALQC or IQAC. Under our lease agreements, ALQC and IQAC have various customary rights as landlord. Each of these lease agreements expires in December 2040 and is extendable for another 25 years. There can be no assurance that ALQC and IQAC will act in our best interests in connection with our leasing arrangements, or that CEMEX will permit us to enforce our rights under these agreements. If ALQC and IQAC were to take actions that are adverse to us, such as modifying the pricing of our leases, our business could be materially adversely affected. Additionally, as our leases expire, we may be unable to negotiate renewals on commercially acceptable terms or at all. Even if we are able to renew existing leases, the terms of such renewals may not be as attractive as the expiring leases, which could materially and adversely affect our business, prospects, financial condition and results of operations. For more information about our lease agreements with ALQC and IQAC, please see "Business—Properties" and "Business—Raw Materials and Suppliers—Raw materials sourced from ALQC and IQAC."

We have significant lease obligations and our failure to meet those obligations could adversely affect our business, prospects, financial condition and results of operations.

We lease many of our key logistics centers and capital equipment from third parties as well as certain land from ALQC and IQAC. A failure to pay our rental obligations would constitute a default allowing the applicable landlord or lessor to pursue any remedy available to it under applicable law, which would include taking possession of our property and, in the case of real property, evicting us. Further, as our leases expire, we may be unable to negotiate renewals on commercially acceptable terms or at all. If any of these events were to occur, it could materially and adversely affect our business, prospects, financial condition and results of operations.

Our results of operations may be negatively affected by changes to accounting standards or judgments made by the Government with respect to our accounting decisions.

We report our results and financial position in accordance with PFRS. Changes to PFRS or interpretations thereof may cause our future reported results of operations and financial position to differ significantly from our historical results or from current expectations regarding our future results. Further, changes to PFRS or interpretations thereof may cause our historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis and our historical audited financial statements for periods prior to the effective date of any change may not be comparable to our historical or future audited financial statements after the effective date of such a change in accounting standards.

We monitor potential accounting changes, determine the potential impact on us and disclose significant future changes in our financial statements. Currently, there are a number of issued but not yet effective PFRS changes, as well as potential PFRS changes, which are expected to significantly impact our results of operations and financial position in the future. In addition, where the application of PFRS requires a large element of judgement, the risk of incorrect judgements being made may be heightened where the relevant PFRS standard has been recently introduced as there would be an absence of a developed practice in its application. Changes to PFRS or interpretations thereof could impact our reported results of operations, financial condition and cash flows in the future.

Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information.

With effect from January 1, 2019, we have adopted PFRS 16, which affects our recognition of leases in our financial statements. PFRS 16, *Leases*, supersedes Philippines Accounting Standards 17, *Leases* (and the related Philippine interpretations). The new standard introduces a single lease accounting model for lessees under which all leases are recognized on-balance sheet, removing the lease classification test, and allowing exemptions for short-term leases and leases of low value assets. The resulting changes for lease accounting for lessors includes 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 for optional lessee exemptions, which we adopted. Due to the changes resulting from PFRS 16, our audited financial statements for periods prior to January 1, 2019, which do not reflect PFRS 16, may not be comparable to our audited financial statements for any period after January 1, 2019, which are prepared in accordance with PFRS 16. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of PFRS 16." The changes in our accounting with respect to our implementation of PFRS 16 may materially and adversely affect our results of operations.

Fluctuations in distribution costs, disruptions in transportation and our reliance on our third-party service providers may adversely affect our business, prospects, financial condition and results of operations.

Pursuant to our direct sales model, we distribute our products throughout the Philippines, which involves significant expense and logistical difficulties. Our distribution costs include, among other things, fuel costs and charter expenses for trucks and vessels used in the distribution of our products and lease expenses. Distribution costs represented 16.3%, 19.8% and 20.2% of our revenue for fiscal 2016, fiscal 2017 and fiscal 2018, respectively. Distribution costs represented 17.1% of our revenue for the nine-month period ended September 30, 2019. Distribution costs are impacted by a number of factors such as fuel costs, weather conditions and our logistics footprint, including the size and utilization of our fleet of trucks and vessels that we charter, the cost of chartering trucks and vessels and the cost of other distribution infrastructure such as terminals and distribution centers. In recent years, we have sought to expand our distribution infrastructure in order to bring products closer to the markets in which they are sold. Any future increases in our distribution costs could cause us to raise our prices for cement and make it uneconomical for our customers to purchase our products, which could result in a significant decrease in the volume of cement we sell to our customers. We also engage and rely on third-party service providers, the majority of which relate to services we require for our distribution activities. In the event where any of these service providers were to stop providing us with their services, we would need to procure loading, hauling and delivery services elsewhere, which may come at a greater cost to us. Distribution of cement in the Philippines also poses significant logistical difficulties given the geography of the Philippines. We cannot assure you that our operations will not be materially adversely affected in the future if distribution costs increase or if distribution of our products is interrupted. Any substantial increase in distribution costs or interruption in distribution could adversely affect our business, prospects, financial condition and results of operations.

Our business, prospects, financial condition and results of operations could be affected by fluctuations in interest rates.

We are currently exposed to interest rate risk primarily on the floating interest rate tranche of the BDO Facility, also under short-term investments in Lomez International B.V. ("Lomez"), a CEMEX subsidiary, and under Solid Cement's Solid Expansion Facility Agreement. The floating rate loan component for drawdowns of the BDO Facility bears interest equivalent to the higher of (i) Bloomberg valuation services benchmark rate involving a three-month tenor plus a spread margin of 150 basis points, or (ii) the sum of the BSP term deposit facility rate prevailing on the interest setting date plus 45 basis points. The short-term investments in Lomez bear interest at a rate equivalent to the higher of the Western Asset Institutional Liquid Reserves Fund ("WAILRF") rate minus 10 basis points and zero interest. The Solid Expansion Facility Agreement bears interest at a fixed rate to be revalued semi-annually based on our financial ratios. While we believe that our exposure to interest rate fluctuations is not significant, there can be no assurance that fluctuations in interest rates will not adversely impact our business, prospects, financial condition and results of operations**.** Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative And Quantitative Market Disclosure—Interest Rate Risk, Commodity Price Risk, Foreign Currency Risk, Credit Risk And Liquidity Risk."

Any lack of liquidity may have an adverse effect on our operations.

We depend on debt financing and cash-in-hand from our operations to finance our liquidity needs. For fiscal 2016, fiscal 2017 and fiscal 2018, our Operating EBITDA was ₱6,166.9 million, ₱3,255.8 million and ₱2,782.9 million, respectively. For the nine-month periods ended September 30, 2018 and 2019, our Operating EBITDA was ₱2,850.4 million and ₱3,446.2 million, respectively. We cannot assure you that we will generate sufficient cash from our operations or that the third-party financing terms will be adequate to finance our operations. Furthermore, pursuant to the Framework Agreement we are limited in our ability to issue shares, as discussed in "Risk Factors—Risks Related to our Relationship with CEMEX" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—CEMEX's Facilities Agreement Limitations Affecting Us." Any lack of liquidity may have an adverse effect on our operations.

The introduction of cement substitutes into the market and the development of new construction techniques and technologies could have a material adverse effect on our business, prospects, financial condition and results of operations.

Materials such as plastic, aluminum, ceramics, glass, wood and steel can be used in construction as a substitute for cement. In addition, innovative construction techniques may be developed that could decrease the demand for cement and concrete. In addition, other construction techniques, such as the use of dry wall, and the integration of new technologies in the construction industry, such as 3-D printing, mini- mills and mobile plants, could adversely impact the demand and price for cement and concrete. Furthermore, research aimed at developing new construction techniques and modern materials and digitalizing the construction industry may introduce new products and technologies in the future that could cause a significant reduction in the demand for and prices of our cement.

Our success depends on key members of our management and our ability to retain our skilled employees.

Our success depends largely on the efforts and strategic vision of our executive management team. The loss of the services of some or all of our executive management could have a material adverse effect on our reputation as well as our business, prospects, financial condition and results of operations. As part of the management of its global talent pool, CEMEX has in the past moved certain executives among its operations in various countries, and we expect CEMEX will continue to do so in the future. While we do not currently have any plans to change our management team, there can be no assurance that CEMEX's management of its global talent pool will not affect the composition of our management team in the future.

The execution of our business strategies also depends on our ongoing ability to attract and retain skilled employees. For a variety of reasons, particularly with respect to the competitive environment and the availability of skilled labor, we may not be successful in attracting and retaining the personnel we require. If we are unable to hire, train and retain skilled employees at a reasonable cost, we may be unable to successfully operate our business or capitalize on growth opportunities and, as a result, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our operations can be affected by adverse weather conditions and natural disasters.

Construction activity, and thus demand for our products, decreases substantially when heavy or sustained rainfalls occur. Consequently, demand for our products is significantly lower during the rainy season in the Philippines or during periods of unexpected heavy or sustained rainfalls. The Philippines is commonly affected by the monsoon season, which leads to increased rain precipitation. During the monsoon season, various regions of the Philippines are severely affected by such increased rain precipitation. For example, in November 2013 Typhoon Yolanda (Haiyan) hit the Visayas, causing damage as of April 17, 2014 of approximately ₱89 billion to crops and infrastructure; and, in September 2018, Typhoon Mangkhut hit Luzon and caused damage as of October 4, 2018 of approximately ₱33.7 billion.

Furthermore, our production may be adversely impacted by weather conditions. For example, in September 2018, the Landslide, which resulted primarily from heavy rainfall, forced our APO Cement plant to temporarily shut down its kilns for an extended period of time, limiting our production and adversely impacted our results of operations for fiscal 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Such adverse weather conditions can adversely affect our operations thereby adversely affecting our business, prospects, financial condition, and results of operations, especially if they occur with unusual intensity, during unexpected periods or last longer than usual, or if they occur during peak construction periods.

Activities related to our business can be dangerous and can cause injury to people or damage to property in certain circumstances.

Our production facilities require individuals to work with heavy machinery, chemicals, equipment and other materials as well as in high temperatures near our kilns and at potentially dangerous heights at our kilns, grinding mills and storage silos. This work environment has the potential to cause harm and injury when due care is not exercised. Our operations, which include activities undertaken by our third-party contractors, also involve significant risks. For example, our transportation contractors' employees distribute our cement on roads where traffic accidents are not uncommon. An accident or injury that occurs in the course of our operations could result in disruptions to our business and have legal and regulatory consequences and we may be required to compensate such individuals or incur other costs and liabilities, any and all of which could adversely affect our business, prospects, financial condition and results of operations.

In September 2018, the Landslide, which resulted primarily from heavy rainfall, resulted in 78 casualties mostly from the Sitio Sindulan community (including five deaths that were contractors of our supplier, ALQC). As described above, claims have been filed against the Company and APO Cement related to the Landslide and there can be no assurance that we will not face additional claims in connection with the Landslide, nor that any claims made against ALQC will not adversely impact our business. See "—We are subject or may become subject to litigation proceedings and investigations that could harm our reputation, business, prospects, financial conditions and results of operation if an unfavorable ruling were to occur."

While we carry insurance which we believe to be in line with industry practice in the Philippine cement industry, there can be no assurance that such policies will provide adequate coverage in the event of a present or future claim.

Labor activism and unrest, or failure to maintain satisfactory labor relations, could adversely affect our business, prospects, financial condition and results of operations.

Our Solid Cement plant has a rank and file union as well as a supervisors union, and our APO Cement plant has two rank and file unions. Each of these unions is associated with the Trade Union Congress of the Philippines. As of September 30, 2019, approximately one-third of our employees were registered with these labor unions. These labor unions comprise only non-managerial employees. Under the Philippine Labor Code, a labor union certified by the Department of Labor and Employment serves as the collective bargaining representative of the relevant bargaining unit (i.e., rank and file; supervisors unit). Each bargaining unit conducts a certification election to determine who its collective bargaining agent will be for the next five years. Accordingly, we negotiate our collective bargaining agreements with the newly elected collective bargaining representative every five years for the general and political terms. The economic terms, such as the salary, allowances and all monetary and non-monetary benefits to which the collective bargaining members are entitled, can be renegotiated after a period of three years from the execution of the collective bargaining agreement. With respect to our Solid Cement plant, our collective bargaining agreement with the supervisors' union will expire on December 31, 2022 and our collective bargaining agreement with the rank and file union will expire on February 28, 2023. With respect to our APO Cement plant, our collective bargaining agreement with each union will expire on December 31, 2021. Customarily, we begin negotiating our collective bargaining agreements with the appropriate certified representative one month prior to the expiration of the agreement in place at that time. There can be no assurance that we will be able to reach an agreement nor that any agreement will be ratified by the union and that we will not experience a labor disruption. Although our operations have not been affected by any significant labor dispute in the past, we cannot assure you that we will not experience labor unrest, activism and difficulty negotiating collective bargaining agreements or disputes or actions in the future, some of which may be significant and could adversely affect our business, prospects, financial condition and results of operations.

We are increasingly dependent on information technology, and our systems and infrastructure, as well as those provided by third-party service providers, face certain risks, including cyber-security risks.

We increasingly rely on a variety of information technology, on a fully digital customer integration platform, such as CEMEX Go, and on automated operating systems to manage and support our operations, as well as to offer our products to our customers. The proper functioning of information technology and these systems is critical to the efficient operation and management of our business, as well as for the sales generated by our business. Our systems and technologies may require modifications or upgrades as a result of technological changes, growth in our business and to enhance our business security. These changes may be costly and disruptive to our operations and could impose substantial demands on our systems and increase system outage time. Our systems and technologies, as well as those provided by our third-party service providers may be vulnerable to damage, disruption or intrusion caused by circumstances beyond our control, such as physical or electronic break-ins, catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, unauthorized access and cyber-attacks. For example, our digital solutions to improve sales, customer experience, enhance our operations and increase our business efficiencies could be impeded by such damages, disruptions or intrusions.

In order to mitigate against such risks, we safeguard our systems and electronic information through a set of cyber-security controls, processes and a proactive monitoring service to attend to potential breaches. In addition, we also have disaster recovery plans in case of incidents that could cause major disruptions to our business. However, these measures may not be sufficient and there can be no assurance that our safeguards will be effective against risks to our information technology infrastructure and systems. We have on-boarded more than 90% of our clients on the CEMEX Go platform. As of September 30 2019, more than 90% of orders by on-boarded clients were placed using this digital platform.

Any significant information leakages or theft of information, or any unlawful processing of personal data, could affect our compliance with data privacy laws and make us subject to regulatory action, including substantial fines and private litigation with potentially large costs, and could damage our relationship with our employees, customers and suppliers, as well as our reputation.

We maintain insurance coverage that, subject to its terms and conditions, is intended to address costs associated with certain aspects of cyber incidents, network failures and data privacy-related concerns. Nevertheless, this insurance coverage may not, depending on the specific facts and circumstances surrounding an incident, cover all losses or all types of claims that may arise from an incident, or the damage to our reputation or brands that may result from an incident. Any significant disruption to our systems could have a material adverse effect on our business, prospects, financial condition and results of operations. As of September 30, 2019, we have not detected, and our third-party service providers have not informed us of, any relevant event that has materially damaged, disrupted or resulted in an intrusion of our computer systems.

We are exposed to credit risk with respect to our customers and counterparties.

Credit risk is the risk of financial loss to which we may be exposed if a customer or counterparty to a financial instrument does not meet its contractual obligations. Our exposure to credit risk originates primarily from trade accounts receivable and, to a lesser extent, financial instruments. Considering our best estimates of potential losses based on an analysis of aging and considering management's recovery efforts, our allowance for impairment losses on trade receivables as of December 31, 2016, 2017 and 2018 was ₱10.6 million, ₱36.1 million and ₱24.1 million, respectively, and our allowance for impairment losses on trade receivables was ₱38.6 million as of September 30, 2019. There can be no assurance that our customers and counterparties will pay amounts owing to us in full in a timely manner, or at all. Furthermore, there can be no assurance that amounts not ultimately paid to us, if any, will not exceed our allowance for impairment losses on trade receivables or any other doubtful accounts. Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Market Disclosure."

Our operations are subject to environmental laws and regulations.

Our operations are subject to the environmental laws and regulations of the Philippines. These laws and regulations expose us to the risk of substantial environmental costs and liabilities, including fines and other sanctions, the payment of compensation to third parties, remediation costs and damage to reputation for non-compliance. The enactment of stricter laws and regulations, or stricter interpretation of existing laws or regulations, may impose new risks or costs on us or result in the need for additional investments in pollution control equipment, which could result in a material decline in our profitability. These regulations relate to, among others, emissions into the atmosphere, disposal of solid waste and aqueous effluents, management and disposal of hazardous wastes, noise permits and other permits, authorizations and licenses related to the use of renewable natural resources and other activities incident to our business. Future operations and financial results may vary as a result of such regulations. Compliance with these regulations and new or existing regulations that may be applicable to us in the future could increase our cost base and adversely affect our business, prospects, financial condition and results of operations. In addition, failure to comply with these regulations could adversely affect us in a variety of ways, including adverse effects on our reputation and the imposition of penalties and fines. Any remediation obligations can result in significant costs associated with the investigation and clean-up of contaminated properties, as well as damage claims arising out of the contamination of properties or any impact on natural resources.

Efforts to address climate change through national, state and regional laws and regulations, as well as through international agreements, to reduce the emissions of greenhouse gases ("GHGs") can create risks and uncertainties for our business. This is because the cement manufacturing process requires the combustion of large amounts of fuel and creates CO_2 as a by-product. Such risks could include costs to purchase allowances or credits to meet GHG emission caps, costs required to provide equipment to reduce emissions to comply with GHG limits or required technological standards, or decreased profits or losses arising from decreased demand for our products or higher production costs resulting directly or indirectly from the imposition of legislative or regulatory controls. Given the uncertain nature of the actual or potential statutory and regulatory requirements for GHG emissions at the national, state, regional and international levels, we cannot predict the impact on our operations or financial condition or make a reasonable estimate of the potential costs to us that may result from such requirements. However, the impact of any such requirements, whether individually or cumulatively, could have a material economic impact on our operations.

As with all companies in our industry, some of our building and materials processes release certain types of dust contained in the aggregates products and other related materials we handle. Excessive and prolonged exposure to these dust emissions has been linked to certain respiratory diseases that could, under various laws, expose us to claims related to these dust emissions.

Environmental laws and regulations also impose liability and responsibility on present and former owners, operators or users of facilities and sites for hazardous substance contamination at such facilities and third-party disposal sites without regard to causation or knowledge of contamination. Investigations undertaken in connection with these activities (or ongoing operational or construction activities) may lead to hazardous substance releases or discoveries of historical contamination that must be remediated and closures of facilities may trigger compliance requirements that are not applicable to operating facilities. While compliance with these laws and regulations has not materially adversely affected our operations in the past, there can be no assurance that these requirements will not change and that compliance will not adversely affect our operations in the future. Furthermore, we cannot provide assurance that existing or future circumstances or developments with respect to contamination will not require us to make significant remediation or restoration expenditures.

New regulatory developments may increase our costs of doing business or restrict our operations.

The principal areas in which we are subject to regulation are product quality standards, environmental compliance, our methods of distribution, labor, taxation, antitrust and health and safety. For example, individual localities may impose restrictions on the movement of our trucks during hours known to have heavy road traffic. Similarly, the enforcement of certain anti-overloading restrictions may require our fleet of trucks to comply with weight requirements that, in certain instances, could result in our fleet carrying less than their carrying capacity and thereby increasing our distribution costs. We may also be adversely affected by regulations applicable to ALQC and IQAC, or other third parties that provide us with products and services. The adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the Philippines may increase our operating costs or impose restrictions on our operations. There can be no assurance that new regulatory developments and compliance with existing regulatory requirements will not adversely affect our business, prospects, financial condition and results of operations. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on our future results from operations or financial condition.

The imposition of barriers to trade or escalation of trade disputes could materially and adversely affect demand for our products.

There has been a global escalation of barriers to trade in recent years, including with respect to the United States and China imposing such barriers on trade with each other. Any imposition of new tariffs or other trade barriers, or the escalation of any trade dispute, may adversely affect the global economy and, in turn, also adversely affect demand for our products. A downturn in the global economy and/or economy of the Philippines as a result of any trade dispute could materially and adversely affect our business, prospects, financial condition and results of operations.

We, ALQC and IQAC, and our suppliers and contractors may fail to obtain or renew or may experience material delays in obtaining requisite approvals, licenses and permits from the Government for the conduct of our business.

We, ALQC and IQAC, and our suppliers and contractors require various approvals, licenses, permits and certificates from the Government in the conduct of our respective businesses. We cannot assure you that we or such third parties will not encounter significant problems in obtaining new or renewing existing licenses, permits and certificates required in the conduct of our respective businesses, or that we or any of them will continue to satisfy the conditions to which such licenses, permits, and certificates are granted. There may also be delays on the part of regulatory and administrative bodies in reviewing applications and granting approvals. If we or our suppliers or contractors, or ALQC and IQAC, fail to obtain and/or maintain the necessary permits, licenses and certificates required for the conduct of our business, we may be required to incur substantial costs or temporarily suspend the operation of one or more of our manufacturing facilities, which could have a material adverse effect on our business, prospects, financial condition and results of operations. See "—We are dependent on the continuing operation of our two cement plants."

Our insurance coverage may not cover all the risks to which we may be exposed and we effectively self-insure a portion of our risks.

We face the risks of fatalities and injury of our employees and contractors, loss and damage to our products, property and machinery due to, among other things, fire, theft and natural disasters such as floods and earthquakes, we also face risks related to cyber-security related matters. Such events may cause a disruption to or cessation of our operations. While we believe that we have suitable insurance coverage in line with industry practices, in some instances our insurance coverage may not be sufficient to cover all of our potential unforeseen losses and liabilities. In addition, our insurance coverage is subject to deductibles, exceptions and limitations, and may not cover all the risks to which we may be exposed, or cover all losses or all types of claims that may arise from an incident.

In accordance with Philippine law, which requires us to maintain insurance policies issued by insurers regulated in the Philippines, substantially all insurance premiums paid by APO Cement and Solid Cement are paid to a third-party insurer in the Philippines. This third-party insurer in turn reinsures most risks with an affiliate of CEMEX (the "CEMEX Reinsurer"). In 2016, we incorporated Falcon Re Ltd. ("Falcon") as a wholly-owned Barbados entity to create its own reserves and reinsure the CEMEX Reinsurer in connection with certain liabilities and risks. Falcon is expected to continue to retain 10% of the CEMEX Reinsurer's risk in connection with our property insurance and 100% of the CEMEX Reinsurer's risk in connection with earthquake and wind stop loss, non-damage business interruption, political risks insurance, cyber liability and professional liability insurance. As a result of these arrangements, we will effectively self-insure these risks to the extent of Falcon's retained liability. Moreover, there can be no assurance that the reserves established by Falcon will exceed any losses in connection with our self-insured risks, consequently we may suffer net losses as a result of our insurance strategy.

The Landslide, which prompted local and national authorities to order the suspension of the mining operations of ALQC, resulted in the implementation of business continuity plans by APO Cement to address the disruption in the supply arrangement with ALQC. As a result, we incurred increased costs of raw materials in production and other expenses. We incurred losses in 2018 amounting to ₱83.8 million on inventories which were buried during the Landslide and other losses as result of the Landslide amounting to ₱71.7 million that were not covered by our insurance. However, a substantial portion of such increased costs and losses were offset by associated insurance claims receivables recognized in 2018 amounting to ₱662.2 million. In December 2018 and in the nine-month period ended September 30, 2019, we received payment in respect of insurance claims relating to the Landslide amounting to ₱317.2 million and ₱447.1 million, respectively.

In addition, our insurance coverage is subject to periodic renewal. If the availability of insurance coverage is reduced significantly for any reason, we may become exposed to certain risks for which we are not and, in some cases could not be, insured. Moreover, if our losses exceed our insurance coverage, if our losses are not covered by the insurance policies we have taken up, or if we are required to pay claims to our insurers pursuant to the re-insurance arrangements described above, we may be liable to cover any shortfall or losses. Our insurance premiums may also increase substantially because of such claim from our insurers. In any of such circumstances, our business, prospects, financial condition and results of operations may be adversely affected.

Changes in tax laws or in the interpretation of these laws in the Philippines, and the expiration of tax incentives that have been granted to us, may have a material adverse impact on us and on our shareholders.

The Philippines may implement changes in tax laws which may adversely affect us and our shareholders. These changes include alteration in tax rates, items or amounts that may be tax deductible and, occasionally, the collection of temporary contributions related to specific governmental purposes. Some of these measures may result in an increase in taxes and we may be unable to obtain a timely and full adjustment of our revenues, which may result in a material adverse effect on us and on our ability to pay dividends or make other distributions to our shareholders or comply with our future obligations.

In addition, tax collection authorities have varying interpretations of tax regulations that may differ from those held by us, and these interpretations may change in the future. We cannot assure you that such tax authorities will interpret and construe tax laws and regulations in the same way that we do or that the current interpretation the tax authorities make will not change in the future. Differing interpretations may result in future tax litigation and associated costs.

In connection with our new integrated cement production line to expand the installed annual capacity of our Solid Cement plant by 1.5 million tonnes, which is currently expected to commence operations during the second quarter of 2021, the Philippine Board of Investments (BOI) approved certain tax incentives for this project, including an income tax holiday in respect of income directly attributable to the project during a four year period beginning in December 2020 or the actual commencement of commercial operations, whichever is earlier, and a waiver of the duty that would otherwise be payable in respect of the imported capital equipment, spare parts and accessories directly needed and exclusively used for the operations of the project. There can be no assurance that the expiration of such incentives will not adversely affect our profitability, nor that such tax incentives will be extended beyond its expiration.

Any of the foregoing could materially and adversely affect our business, prospects, financial condition and results of operations.

The inability of our subsidiaries to pay dividends or make distributions or other payments to us in sufficient amounts, including due to bankruptcy or insolvency, would impair our ability to pay-off our indebtedness owed to CEMEX or to lenders of any indebtedness that we may incur to refinance our indebtedness owed to CEMEX, make dividend payments or comply with future obligations.

We are a holding company and operate exclusively through our operating subsidiaries. Our primary assets will be the equity capital of our subsidiaries, APO Cement and Solid Cement. The ability of our subsidiaries to pay dividends to us in the future will depend on their earnings, solvency, covenants contained in future financing or other agreements and on regulatory restrictions. If we are unable to receive cash from our subsidiaries pursuant to dividend payments and/or other obligations, we may not have sufficient funds to pay-off our indebtedness owed to CEMEX or to lenders of any indebtedness that we may incur to refinance our indebtedness owed to CEMEX, make dividend payments, pay any fees to CEMEX resulting from services rendered under the CEMEX Agreements or comply with our future obligations.

We may undertake expansion, including acquiring assets or businesses or entering into strategic joint ventures that may not achieve expected benefits.

Our strategic initiatives may include, to the extent permitted under the Framework Agreement, pursuing expansion, including developing new production facilities, acquiring assets or businesses or entering into strategic joint ventures. The development of new production facilities requires substantial capital expenditures. There can be no assurance that new projects will be completed on time and at the estimated cost, or at all. Factors that could result in the delay or cancellation of planned installed annual capacity increases include construction difficulties and the failure to obtain all requisite permits and other consents. In developed countries it is becoming increasingly difficult to obtain extensions of existing permits or permits for new installations. Difficulties in obtaining permits could result in significant delays of future investments and growth or even in the suspension of particular projects.

Any future acquisitions will depend on our ability to identify suitable opportunities, negotiate acceptable terms and obtain financing. If our strategic joint ventures or future acquisitions are significant, they could change the scale of our business and expose us to new geographic, political, operating and financial risks. In addition, each acquisition and strategic joint venture involves a number of risks, such as the diversion of our management's attention from our existing business to integrating the operations and personnel of the acquired assets or business, possible adverse effects on our results of operations during the integration process, our inability to achieve the intended objectives of the expansion and potential unknown liabilities associated with the acquisition.

Certain tax matters may have an adverse effect on our cash flows, financial condition and net income.

From time to time we may become involved in certain tax matters, mainly in the Philippines, that could have an adverse effect on our cash flow, financial condition and net income. APO Cement and Solid Cement are each involved in various tax investigations by the Bureau of Internal Revenue of the Philippines (the "BIR") for internal revenue taxes for tax years 2016 and 2017, while Ecocast Builders, Inc. is the subject of tax investigations by the BIR for internal revenue taxes for tax years 2016 and 2017, and Ecocrete, Inc. is the subject of BIR tax investigations for tax years 2013, 2014 and 2015. We are currently subject to tax investigations by the BIR for tax year 2018. We, APO Cement, Solid Cement and Ecocrete, Inc. are also involved in tax investigations being conducted by various local authorities.

We have engaged a tax consultant to assist us in managing these matters. There can be no assurance that any liability that may result from any of these tax matters will not adversely affect our business, prospects, financial condition and results of operations.

Failure to maintain effective internal controls over financial reporting could result in material misstatements in our financial statements which could negatively impact our business and operating results, access to capital markets, the market price of our Common Shares and our ability to remain listed on the PSE.

We cannot assure you that our internal controls over financial reporting will be effective in the future or that a material weakness or reportable condition will not be discovered with respect to a prior period for which we had previously believed that our internal control over financial reporting was effective. Financial reporting refers to a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. If a material weakness is identified in the future, it could result in material misstatements in our financial statements or a failure to meet our reporting obligations. This, in turn, could negatively impact our business and operating results, access to capital markets, the market price of our Common Shares and our ability to remain listed on the PSE.

Difficulties in relationships with local and neighboring communities may adversely affect our reputation as well as our business, prospects, financial condition and results of operations.

Although we have been making significant efforts to maintain positive and sustainable long-term relationships, including active lines of communication, with local and neighboring communities where we operate, there can be no assurance that such communities may share or develop common interests or objectives with us. The interests and objectives of such communities may be different from, or even in conflict with, our interests and objectives, which could lead to protests, civil unrest, negative media reports, direct action or campaigns, or legal or administrative proceedings. Furthermore, such communities may take actions including, but not limited to, requests to the government to revoke or deny our concessions, licenses or other permits. Any occurrences of the abovementioned events could harm our reputation, cause delays and disruptions in our operations, or result in operational restrictions, which could materially and adversely affect our business, prospects, financial condition and results of operations.

We are subject to human rights laws and internal policies regarding human rights, and any violation of human rights laws or deviation from our and CEMEX's internal policies related to human rights may adversely affect us.

We seek to align our strategy and operations with universal principles on human rights and we expect all our employees and business partners to similarly adhere to these principles. Even though we have a strict human rights policy (including through the application of CEMEX policies) and a process of ongoing due diligence to monitor its adherence, it is possible that an affiliate, employee, director, officer, partner or a third party related to us could be accused or perceived to deviate from this policy. A significant deviation from our human rights principles could impact our employees, communities, suppliers or customers, as well as our reputation, which in turn could cause some persons to avoid business transactions with our Company, impact our capacity to operate without disruptions and affect talent retention and attraction efforts, all of which could have an adverse impact on our business, prospects, financial condition and results of operations.

Risks Related to Our Relationship with CEMEX

CEMEX's continuing significant interest in us following the Offer may result in conflicts of interest.

CASE, our Principal Shareholder, will subscribe to its Entitlement Shares in the initial round of the Rights Offer and the Additional Rights Share in the mandatory second round of the Rights Offer on the same terms and conditions as other Eligible Shareholders. It will also subscribe to any Rights Shares that remains unsubscribed after the mandatory second round of the Rights Offer. Accordingly, upon the closing of the Offer, CASE, an indirect subsidiary of CEMEX, S.A.B. de C.V. will continue to own at least 66.78% of our Common Shares, which may be increased to the extent CASE subscribes for additional Rights Shares in the Offer as described above. As a result of its ownership of our Common Share through its indirect ownership of CASE, which may decide to purchase or sell our Common Shares at any time, CEMEX will generally be able to determine the outcome of corporate actions requiring majority shareholder approval and also corporate actions that requite two-thirds of shareholder approval, including the election of a majority of our directors.

In addition, under the terms of the Framework Agreement, while we are an indirect subsidiary of CEMEX, S.A.B. de C.V., we are restricted, subject to certain exceptions, from taking certain actions, such as issuing shares, incurring indebtedness, making capital expenditures and disposing and acquiring of assets, without the prior consent of CEMEX, S.A.B. de C.V. and our Principal Shareholder, as more fully described under "Related Party Transactions—Framework Agreement."

We have entered and may enter into transactions with CEMEX, S.A.B. de C.V. and other related parties concerning, among other things, intercompany loans and guarantees, derivative transactions, management services, license and trademark services, real property leases and the supply of our raw materials. See "Related Party Transactions."

CEMEX's interests may differ from those of other holders of our Common Shares, and actions that CEMEX may take with respect to us may not be as favorable to other shareholders as they are to CEMEX. As of the date of this Prospectus and upon the closing of the Offer, the Company's Board will include persons who are also directors and/or officers of CEMEX. As a result, CEMEX may gain the benefit of corporate opportunities that are presented to these directors, provided that either (i) the corporate opportunities were presented to these directors in their capacity other than as directors of the Company, or (ii) if the corporate opportunities were presented to these directors in their capacity as directors of the Company and our Board decides by a majority vote of the disinterested directors not to pursue such corporate opportunity. Additionally, conflicts of interest may arise between us and CEMEX in a number of areas relating to our ongoing relationships including, but not limited to:

- disagreements over corporate opportunities;
- competition between us and CEMEX;
- employee remuneration, retention or recruiting;
- level of debt we can incur and use of cash resources;
- any potential dividend policy we may adopt; and
- the services and arrangements from which we benefit as a result of our relationship with CEMEX.

We believe that the involvement of CEMEX in our operations has been, and will continue to be, important in the pursuit and implementation of our business strategy. However, CEMEX, S.A.B. de C.V., through CASE, may not remain the controlling shareholder in the future. Our business, prospects, financial condition and results of operations and the market price of our Common Shares could be materially and adversely affected if CEMEX ceases to participate actively in our operations.

The Facilities Agreement contains several restrictions and covenants. CEMEX, S.A.B. de C.V.'s failure to comply with such restrictions and covenants could have a material adverse effect on us.

We and our subsidiaries are indirect subsidiaries of CEMEX, S.A.B. de C.V., a publicly traded stock corporation with variable capital (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. A breach or default by CEMEX, S.A.B. de C.V. of any of its debt agreements, including the Facilities Agreement, and any refinancing, replacement or amendment thereof, could have a material adverse effect on CEMEX, including us.

Under the Facilities Agreement, CEMEX, S.A.B. de C.V. is subject to a number of negative covenants that, among other things, restrict or limit its ability to take certain actions (and CEMEX, S.A.B. de C.V.'s ability to permit its subsidiaries, including us, to take certain actions), including the following (in each case subject to certain limited exceptions): (a) create liens; (b) incur additional debt; (c) change the business of any "Obligor" (as defined in the Facilities Agreement); (d) enter into mergers; (e) enter into agreements that restrict CEMEX, S.A.B. de C.V. subsidiaries' ability to pay dividends or repay intercompany debt; (f) acquire certain assets; (g) enter into or invest in joint venture agreements; (h) dispose of certain assets; (i) grant additional guarantees or indemnities; (j) declare or pay cash dividends or make share redemptions; and (k) enter into certain derivatives transactions.

The Facilities Agreement also contains a number of affirmative covenants that, among other things, require CEMEX, S.A.B. de C.V. to provide periodic financial information to its lenders and other customary covenants and obligations which CEMEX, S.A.B. de C.V. is required to cause its subsidiaries, including us, to comply with. Furthermore, the Facilities Agreement limits the amount of annual capital expenditures that we can make and requires CEMEX to comply with certain financial covenants. CEMEX, S.A.B. de C.V.'s ability to comply with these financial covenants may be affected by global economic conditions, high volatility in foreign exchange rates and the financial and capital markets and other factors beyond CEMEX, S.A.B. de C.V.'s control. CEMEX, S.A.B. de C.V. may need to seek waivers or amendments in connection with financial covenants compliance in the future. CEMEX, S.A.B. de C.V. and its subsidiaries have sought and obtained waivers and amendments to their debt instruments relating to a number of financial covenants in the past. However, we cannot assure you that any future waivers, if requested, will be obtained.

The Facilities Agreement also contains events of default, some of which may occur and are outside of the control of CEMEX, S.A.B. de C.V. Such events of default include, but are not limited to, defaults (subject to certain exceptions) and grace periods, based on (i) non-payment, (ii) material inaccuracy of representations and warranties, (iii) breach of covenants, (iv) bankruptcy (*quiebra*) or insolvency (*concurso mercantil*) of CEMEX, S.A.B. de C.V., any other obligor under the Facilities Agreement or any other of CEMEX, S.A.B. de C.V.'s material subsidiaries (as defined in the Facilities Agreement), (v) inability to pay debts as they fall due or by reason of actual financial difficulties, suspension or threatened suspension of payments on debts exceeding US$50 million or commencement of negotiations to reschedule debt exceeding US$50 million, (vi) a cross-default in relation to financial indebtedness in excess of US$50 million, (vii) certain changes to the ownership of any of the obligors under the Facilities Agreement, (viii) enforcement of any security against an obligor or material subsidiary, (ix) any attachment, distress or execution affects any asset of an obligor or material subsidiary which is reasonably likely to cause a material adverse effect, (x) expropriation and sequestration of assets of certain of CEMEX, S.A.B. de C.V.'s subsidiaries that causes a material adverse effect, (xi) restrictions not in effect on July 19, 2017 are imposed that limit the ability of obligors to transfer foreign exchange for purposes of performing material obligations under the Facilities Agreement, (xii) any material adverse change arising in the financial condition of CEMEX, S.A.B. de C.V. and its subsidiaries (taken as a whole), which creditors representing two thirds or more of the total commitments under the Facilities Agreement determine would result in their failure to perform payment obligations under the Facilities Agreement, and (xiii) it becomes unlawful for CEMEX, S.A.B. de C.V. or any of its subsidiaries to comply with their obligations under the Facilities Agreement or agreements related to the Facilities Agreement to which they are a party to where non-performance is reasonably likely to cause a material adverse effect. If an event of default occurs and is continuing, upon the authorization of creditors representing two thirds or more of the total commitments under the Facilities Agreement, the agent has the ability to accelerate all outstanding amounts due under the Facilities Agreement. Acceleration is automatic in the case of insolvency.

If CEMEX, S.A.B. de C.V. or its subsidiaries are unable to comply with the provisions of their other debt instruments, and are unable to obtain a waiver or amendment, the indebtedness outstanding under such debt instruments could be accelerated. Acceleration of these debt instruments would have a material adverse effect on CEMEX's and our financial condition. We cannot assure you that, in the future, CEMEX or we will be able to comply with the restrictive covenants and limitations contained in the Facilities Agreement. CEMEX's or our failure to comply with such covenants and limitations (or our failure to comply with our obligations under the Framework Agreement related to such covenants and limitations applicable to us) could result in an event of default, which could materially and adversely affect our business and financial condition.

The Framework Agreement and other agreements with CEMEX limit our ability to engage in many transactions without the consent of CEMEX or take any other actions that could reasonably result in CEMEX being in breach of or in default under the Facilities Agreement, the indentures governing its notes and debentures, or any other contract or agreement binding on CEMEX.

The Framework Agreement and other agreements with CEMEX provide CEMEX with a greater degree of control and influence in the operation of our business and the management of our affairs than is typically available to shareholders of a publicly-traded company. Certain of these controls relate to our status as a restricted subsidiary under CEMEX, S.A.B. de C.V.'s financing arrangements because, although we are not a party to CEMEX, S.A.B. de C.V.'s indentures and other financing agreements, including the Facilities Agreement, the indentures and financing agreements limit CEMEX, S.A.B. de C.V.'s ability to allow us to take certain actions. Among these restrictions are limitations on CEMEX, S.A.B. de C.V.'s ability to permit us to incur indebtedness, allow certain consensual encumbrances or restrictions on our ability to transfer funds or assets to CEMEX, S.A.B. de C.V., make capital expenditures and other asset investments, issue preferred shares, sell assets (including our equity interests and equity interests in our subsidiaries), acquire assets, enter into mergers or consolidations and enter into agreements that limit our ability to pay dividends.

Under the terms of the Framework Agreement, while we are an indirect subsidiary of CEMEX, S.A.B. de C.V., we will not, without the prior written consent of CEMEX, S.A.B. de C.V., (i) take any actions that could reasonably result in CEMEX, S.A.B. de C.V. being in breach of, or in default under, any contract or agreement, including the Facilities Agreement and any refinancing, replacement or amendment thereof, (ii) issue or sell additional equity subject to certain exceptions, (iii) declare or pay dividends subject to certain exceptions, (iv) incur, assume or guarantee indebtedness over certain amounts, (v) extend any loans subject to certain exceptions, (vi) enter into certain acquisitions, mergers, consolidations or joint ventures, (vii) allow certain consensual encumbrances or restrictions and (viii) dispose of certain assets, among other actions. These restrictions could prevent us from pursuing transactions or relationships, or taking other actions, that would otherwise be in the best interests of our shareholders. These restrictions could also limit shareholder value by preventing a change of control that you might consider favorable. See "Related Party Transactions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—CEMEX's Indenture Limitations Affecting Us." Moreover, pursuant to the Framework Agreement, CEMEX, S.A.B. de C.V. has no duty to refrain from asserting or enforcing its rights under any agreement or contract with us, even if doing so could have an adverse effect on our business, prospects, financial condition and results of operations.

We require substantial capital expenditures to conduct our operations and we may be unable to obtain needed financing on satisfactory terms necessary to execute our operating strategy.

We require substantial capital expenditures to conduct our operations. We plan to use cash flows from operations, borrowings and the net proceeds from the Offer to fund our capital expenditures for the remainder of 2019 and beyond.

There can be no assurance that such sources, if available at all, will be sufficient to fund our operating, development and investment activities. For so long as we and our subsidiaries are indirect subsidiaries of CEMEX, our ability to incur additional indebtedness, make capital expenditures and other asset investment will be restricted by CEMEX's financial condition and the terms of CEMEX's agreements, including the Facilities Agreement. See "Related Party Transactions—Framework Agreement." Because we believe the Philippines is capable of experiencing significant economic growth, limitations on our ability to obtain necessary funding to expand our operations may prevent us from competing effectively in these markets.

Due to these factors, we cannot be certain that funding, if needed, will be available to the extent required, or on commercially acceptable terms. If we are unable to access funding when needed on commercially acceptable terms, we may not be able to fully implement our business plans, take advantage of business opportunities, respond to competitive pressures, or refinance our debt obligations, if any, as they come due, any of which could have a material adverse effect on our business, prospects, financial condition, cash flows and results of operations.

Our agreements with CEMEX, S.A.B. de C.V. and its affiliates, including, but not limited to, the CEMEX Agreements or loan or investment agreements with CEMEX, S.A.B. de C.V., may be less favorable to us than if they had been negotiated with unaffiliated third parties or could expose us to currency fluctuations.

We negotiated our agreements with CEMEX, S.A.B. de C.V. and its affiliates, including, but not limited to, the Framework Agreement, as a subsidiary of CEMEX, S.A.B. de C.V. These agreements could be viewed as less favorable to us than if they had been negotiated with unaffiliated third parties or could expose us to currency fluctuations. For example, CEMEX, S.A.B. de C.V. may have an economic incentive to cause us not to seek to lower the fees under the CEMEX Agreements or we may be adversely affected from having loan agreements denominated in U.S. dollars when we generate revenues in pesos. However, there can be no assurance that we would not have been able to obtain more favorable terms from unaffiliated third parties. See "Related Party Transactions."

If CEMEX engages in the same type of business we conduct, our ability to operate successfully and expand our business may be hampered.

There is a risk that we may be in direct competition with CEMEX with respect to our activities in the construction materials industry because CEMEX may potentially engage in the same activities in which we engage in the Philippines. To address these potential conflicts, we have adopted a corporate opportunity policy which is reflected in the Framework Agreement. Pursuant to the Framework Agreement, we and CEMEX are permitted to compete with each other anywhere else in the world; provided, however, that in any country where competition between CEMEX and us is not prohibited under the Framework Agreement, CEMEX has first priority right over any investment opportunity and we must refrain from taking advantage of any such investment opportunity in any such country without the prior consent of CEMEX and the Principal Shareholder. CEMEX has also agreed not to compete with us in the Philippines while the Framework Agreement is in full force and effect; however if CEMEX no longer owns more than 50% of our total voting power, or we are no longer consolidated with CEMEX under IFRS, or for any other reason we cease to be a subsidiary of CEMEX (as such term is defined in the Framework Agreement), then such restrictions will no longer apply to CEMEX. Due to the significant resources of CEMEX, including financial resources and name recognition, CEMEX could have a significant competitive advantage over us should it decide to engage in the type of business we currently or in the future conduct upon the expiration or termination of the Framework Agreement, which may cause our business to be materially adversely affected.

We benefit from significant advantages from our relationship with CEMEX and there can be no assurances that we will continue to benefit from the same advantages in the future.

Our operating subsidiaries have benefited from our relationship as a consolidated subsidiary of CEMEX. For example, CEMEX has provided us, directly or through its own vendor relationships, with accounting services, insurance policy coverage, information technology support, treasury, financial reporting, tax administration, human resources administration, legal, procurement and other services, as well as with its expertise in certain areas of our operations, such as production and product development. We also benefit from our relationship with CEMEX when we buy supplies or other services. For example, CEMEX's relationship with major suppliers of materials has helped us contain our costs, and we have relied on CEMEX's supplier networks and trading network. As long as we are a majority-owned subsidiary of, or otherwise controlled by, CEMEX, S.A.B. de C.V., we expect to continue to have some of these advantages, although there can be no assurance that we can maintain these advantages in the future.

CEMEX is contractually obligated to provide to us only those services specified in the Services Agreements which were entered into by Solid Cement and APO Cement, respectively, in 2017 and have an initial five-year term subject to renewal by mutual agreement of the parties. We may be unable to replace in a timely manner or on comparable terms the services or other benefits that CEMEX previously provided to us that are not specified in the Services Agreements, or the services or benefits that are so specified upon the expiration of the periods for which they are to be provided under such agreement. Also, upon the expiration of the Services Agreements, many of the services that are covered in such agreement will be provided internally or by unaffiliated third parties, and we expect that in some instances, we may incur higher costs to obtain such services than we incurred under the term of the agreement. In addition, if CEMEX does not continue to perform the services called for under the Services Agreements and other agreements effectively, or at all, we may not be able to operate our businesses effectively and our financial performance may suffer. Under the Facilities Agreement, CEMEX is required, so long as it owns (directly or indirectly) any Common Shares in us, to (a) have the power to (i) cast, or control the casting of, at least 51% of the maximum number of votes that might be cast at one of our general shareholders' meetings, and (ii) appoint or remove all, or the majority, of our directors or other equivalent officers and (b) have the right to receive at least 51% of all dividends and other distributions in respect of equity interests in us. In the event that CEMEX ceases to have such power or right, CEMEX will be required to dispose of all of its equity interest in us, in order to comply with the terms of the Facilities Agreement and, as a result, we could lose some or all of these benefits, many of which will not be covered by the Framework Agreement, and we may have to seek new suppliers and service providers or enter into new arrangements with our existing ones. In doing so, we may encounter difficulties or be unable to negotiate pricing or other terms as favorable as those we currently enjoy, which could harm our business and operating results. See "Related Party Transactions."

We depend on CEMEX to protect its trademarks.

Brand recognition is critical in attracting consumers to our products. CEMEX owns the trademarks of the majority of the products that we produce, distribute and sell. We have license rights to use the "CEMEX" name, and the "APO", "Island" and "Rizal" brands from CEMEX Research Group, a subsidiary of CEMEX, pursuant to the Trademark License Agreement. We rely on CEMEX to protect its trademarks in the Philippines and if CEMEX fails to protect its proprietary rights against infringement or misappropriation or if CEMEX's brand equity decreases for any reason, this could undermine the competitive position of the products we sell and could lead to a significant decrease in the volume we sell. Since trademarked products of CEMEX represent substantially all of our total sales volume, this would materially and adversely affect our business, financial condition, prospects and results of operations.

We depend on CEMEX'S intangible assets.

CEMEX is the legal owner of certain intangible assets, including, but not limited to, know-how, processes, software and best practices over which we have a non-exclusive right to use, exploit and enjoy. We rely on these intangible assets for continuous improvements, enhancements and variations considering industry evolution and the particular needs of the Philippine market. We have entered into license agreements with CEMEX that allow us to use these intangible assets. These agreements have five-year terms effective from January 1, 2016 and contain automatic renewal provisions that extend the terms for an additional five years. If we were to lose access to these intangible assets or if CEMEX were to cease to be able to license to us the use of these intangible assets, we would no longer be able to leverage on CEMEX to execute and implement our business strategy or would need to incur substantial costs and expenses to replace the use of CEMEX's intangible assets with other intangible assets, and this would materially and adversely affect our business, financial condition, prospects and results of operations.

The value of our Common Shares could be indirectly affected by prices for CEMEX, S.A.B. de C.V.'s shares and other securities.

Due to our relationship with CEMEX, our stock price could be indirectly affected by fluctuations in the price of CEMEX, S.A.B. de C.V. shares and other traded securities. The price of CEMEX, S.A.B. de C.V.'s securities has fluctuated significantly in the past and may fluctuate significantly in response to a variety of factors including, among other things: actual or anticipated variations in quarterly results or operations, recommendations by securities analysts, operating and stock price performance of other entities that investors deem comparable to CEMEX, news reports relating to trends, concerns and other issues in the financial services industry, perceptions in the marketplace regarding CEMEX and/or its competitors, significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving CEMEX or its competitors, changes in government regulations, general market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, conditions in emerging markets and investor perception thereof, interest rate changes or credit loss trends, announcements that CEMEX makes about its legal and administrative proceedings and regarding its debt. These factors, and others, could cause CEMEX, S.A.B. de C.V.'s stock price to decrease regardless of their operating results. Any fluctuations in the price of CEMEX, S.A.B. de C.V.'s securities could negatively affect the price of our Common Shares.

CEMEX is subject to anti-corruption, anti-bribery, anti-money laundering, antitrust laws and other regulations. Any violation of any such laws or regulations could have a material adverse impact on our business, prospects, financial condition and results of operations.

CEMEX is subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations in the jurisdictions in which CEMEX operates. In addition, CEMEX is subject to regulations on economic sanctions that restrict dealings with certain sanctioned countries, individuals and entities. Given the large number of contracts to which CEMEX, S.A.B. de C.V. and/or its subsidiaries are a party, and the great variety of people and entities with which CEMEX interacts with in the course of business, we are subject to the risk that if CEMEX or any employees, directors, officers, partners, agents and service providers of CEMEX may misappropriate CEMEX assets, manipulate CEMEX assets or information, make improper payments or engage in corruption, bribery, money laundering or other illegal activity, for such person's personal or business advantage, such actions may adversely affect our business, prospects, financial condition and results of operations.

Risks Relating to the Philippines

Investors may face difficulties enforcing judgments against the Company.

The Company is organized under the laws of the Philippines. Substantially all of our assets are located in the Philippines. It may be difficult for investors to effect service of process outside of the Philippines upon the Company. Moreover, it may be difficult for investors to enforce judgments against us outside of the Philippines in any actions pertaining to the Offer Shares. In addition, most of our directors and officers are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons or their assets in judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Judgments obtained against the Company in any foreign court may be recognized and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. However, such foreign judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to good customs, public order, or public policy of the Philippines, (iv) the Company did not have notice of the proceedings before the foreign court or (v) such judgment was based upon a clear mistake of law or fact.

The Philippine economy and business environment may be disrupted by political or social instability.

The Philippines has from time to time experienced severe political and social instability, including acts of political violence. For example, in 2001, allegations of corruption against former President Joseph Estrada resulted in protracted televised impeachment proceedings against him. These proceedings were followed by widespread street demonstrations and a public withdrawal of support for Estrada by the military that eventually forced Estrada to resign. On July 27, 2003, over 270 military officers and soldiers conducted an unsuccessful coup d'état against Estrada's successor, President Gloria Macapagal-Arroyo, due to allegations of corruption. After the May 2004 elections, President Arroyo was re-elected and persistent accusations of corruption and electoral fraud were made against Arroyo during her second term. On February 24, 2006, another attempted coup d'état led President Arroyo to issue Proclamation 1017, which was criticized as a virtual declaration of martial law and portions of it were later declared unconstitutional by the Supreme Court of the Philippines. On November 29, 2007, Senator Antonio Trillanes IV, a leader of the 2003 coup d'état who was elected to the Senate while in jail, led an armed occupation by military officers and soldiers of a luxury hotel in the Makati financial district and publicly called for President Arroyo's ouster. Senator Trillanes and his troops later surrendered. On November 23, 2009, in the southern island of Mindanao's Maguindanao province, approximately 100 armed men allegedly affiliated with the Ampatuan political family murdered 58 persons, including members of the Mangudadatu family (the Ampatuans' political rivals in the province), lawyers, journalists and aides accompanying them, and motorists whose vehicles were behind the Mangudadatus' vehicles. This was the deadliest incident of political violence and of violence directed at journalists in the Philippines' recent history and President Arroyo sent hundreds of troops to and declared martial law over Maguindanao after the incident, although martial law has subsequently been lifted.

In June 2016, the Philippines elected a new president, President Rodrigo Duterte. Since he assumed office, President Duterte's administration has demonstrated a commitment to implementing fiscal, monetary and trade policies that are consistent with the pursuit of rapid, broad-based economic growth. Among others, the administration has embarked on progressive tax reform and an ambitious infrastructure development agenda. However, perceptions over human rights and geopolitical issues may affect global overall sentiment toward the Philippines and its business environment. Also, the agenda of the Duterte administration has not been fully implemented and there can be no assurance that it will be implemented as planned or at all.

There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the country and its economy and could materially and adversely affect our business, prospects, financial condition and results of operations.

Acts of terrorism in the Philippines could destabilize the country and could have a material adverse effect on our business, prospects, financial condition and results of operations.

The Philippines has been subject to a number of terrorist attacks since 2000. The Philippine army has been in conflict with the Abu Sayyaf organization, which has been identified as being responsible for kidnapping and terrorist activities in the Philippines and has links to Al-Qaeda and ISIS. Moreover, isolated bombings have taken place in the Philippines, mainly in cities in the southern part of the country, such as the province of Maguindanao. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy.

The Government and the Armed Forces of the Philippines ("AFP") have clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front, the Moro National Liberation Front and the New People's Army. These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

On May 23, 2017, after a joint operation of the AFP and the Philippine National Police ("PNP") was launched in Marawi City to capture an alleged terrorist leader, prolonged fighting ensued between the AFP and PNP and a radical Islamist group called the Maute Group. The Maute Group is a group inspired by the bigger extremist militant group known as the Islamic State in Iraq and Syria. President Duterte declared martial law in Mindanao. Hostilities have led to several casualties and substantial property damage. On October 17, 2017, the Government announced that the leaders of the Maute Group have been killed.

No assurance can be given that the country will not be subject to further acts of terrorism in the future. The possibility of terroristic activities, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on our business, prospects, financial condition and results of operations.

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies that own land or mineral rights.

We currently do not conduct any mining operations, nor do we own any land or mineral rights, as we lease the land on which the APO Cement plant, Solid Cement plant and our other principal facilities are located and we purchase substantially all of our raw materials from ALQC and IQAC. While we do not currently own land or mineral rights, we may do so in the future. If we do decide to purchase and own land or mineral rights in the Philippines, foreign ownership in us will be limited to a maximum of 40% of our issued and outstanding capital stock. Under such circumstances, we would not be permitted to allow the issuance or the transfer of Common Shares to persons other than Philippine Nationals (as defined under Republic Act No. 7042, as amended) if such issuance or transfer would result in us ceasing to be a Philippine National for purposes of complying with the restrictions on land and mineral rights ownership. These restrictions may adversely affect the liquidity and market price of our Common Shares to the extent international investors are restricted from purchasing our Common Shares in normal secondary transactions.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust laws and other regulations in the Philippines and elsewhere. Any violation of any such laws or regulations could have a material adverse impact on our business, prospects, financial condition and results of operations.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of the Philippines. In addition, we are subject to regulations on economic sanctions that restrict dealings with certain sanctioned countries, individuals and entities. Given the large number of contracts to which we are a party, and the great variety of people and entities with which we interact with in the course of business, we are subject to the risk that our affiliates, employees, directors, officers, partners, agents and service providers may misappropriate our assets, manipulate our assets or information, make improper payments or engage in corruption, bribery, money laundering or other illegal activity, for such person's personal or business advantage.

During the third quarter of 2018, the Government's antitrust supervisory body, the Philippine Competition Commission, requested information from us in connection with an on-going investigation into alleged improper facilitation of the maintenance of high cement prices by certain cement companies (who were not identified to us) that are members of the Cement Manufacturers' Association of the Philippines (the "CEMAP"). APO Cement and Solid Cement are members of CEMAP. Republic Act No. 10667 or the Philippine Competition Act (the "PCA") serves as the primary competition law in the Philippines for promoting and protecting market competition. Violations under the PCA may result in fines and penalties, civil damages and criminal sanctions, depending on the offense committed and the severity of the offense. While we are not aware of any allegation related to this investigation against us, Solid Cement or APO Cement, there can be no assurance that this investigation will not result in adverse actions against CEMAP and/or our Company (including against Solid Cement or APO Cement as members of CEMAP) and any penalties and/or fines levied against CEMAP may result in contribution of payment for such penalties and/or fines by CEMAP members, including Solid Cement and APO Cement.

There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. If we or any member of the CEMEX group fail to fully comply with applicable laws and sanctions regulations, the applicable government authorities may investigate us and, if it is the case, impose fines, penalties and remedies, which could cause us to lose clients, suppliers and access to debt and capital markets. Any violations by us or a member of the CEMEX group of anti-bribery, anti-corruption, anti-money laundering, antitrust or other laws or regulations could have a material and adverse effect on our business, prospects, financial condition and results of operations.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("UNCLOS"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. Despite the Chinese Government's decision not to participate in the proceedings, a five-member arbitral tribunal was constituted (the "Tribunal"). The Tribunal has ruled that it has jurisdiction to consider the Philippines' claims and that such claims are admissible to arbitration. In addition, the Tribunal ruled that China's decision not to participate in these proceedings does not deprive the Tribunal of jurisdiction and that the Philippines' decision to commence arbitration unilaterally was not an abuse of the UNCLOS's dispute settlement procedure. On July 12, 2016, the five-member Tribunal at the Permanent Court of Arbitration in The Hague, Netherlands, unanimously ruled in favor of the Philippines on the maritime dispute over the West Philippine Sea. China has condemned the verdict and tensions still continue over the Scarborough Shoal.

On June 9, 2019, Gem-Ver, a Philippine fishing vessel carrying 22 Filipino fishermen, while fishing in the Recto Bank, was reportedly hit by a Chinese vessel, resulting in damage that caused the Philippine vessel to sink.

At present, there are ongoing debates on whether the Philippines should allow non-Filipinos to fish within the exclusive economic zone in the West Philippine Sea or to enter into joint exploration and development agreements with China, in light of the arbitration decision in the Philippines' favor.

Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and our operations could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. China may also seek to suspend visits by Chinese citizens to the Philippines, or Chinese citizens may choose not to the visit the Philippines as a result of these disputes.

Any such impact from these disputes could materially and adversely affect our business, prospects, financial condition and results of operations.

Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

There may be less publicly available information about Philippine public companies, such as the Company, than is regularly made available by public companies in the U.S. and other countries. As a result, shareholders may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Company complies with the requirements of SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Philippine Code of Corporate Governance for Publicly Listed Companies requires the Company, as a publicly listed company, to have at least three independent directors or such number as to constitute at least one-third of the members of the Board. The Company currently has three independent directors. Many other jurisdictions may require more independent directors.

Furthermore, corporate governance standards may be different for public companies listed on the PSE than for securities markets in developed countries. Rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well-defined and enforced in the Philippines than elsewhere, putting shareholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of shareholders.

Shareholders may be subject to limitations on minority shareholders' rights.

The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those that are available in certain other countries, such as the United States or United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Revised Philippine Corporation Code provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. The Revised Philippine Corporation Code also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Derivative actions, while permitted under the Revised Philippine Corporation Code and governed by the Interim Rules of Procedure Governing Intra-Corporate Controversies (A.M. No. 01-2-04-SC), are rarely brought on behalf of Philippine companies. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including us.

Historically the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. The Philippines' long-term foreign currency-denominated debt was upgraded by Fitch to the investment-grade rating of BBB- in March 2013 (who revised its outlook from stable to positive in September 2015), by Standard & Poor's to the investment-grade rating of BBB Stable in May 2014 and by Moody's to the investment-grade rating of Baa2 Stable in December 2014. Meanwhile, in December 2017, Fitch upgraded the Philippines' credit rating from BBB- to BBB, which was retained in 2018. Standard & Poor's has upgraded the Philippines to BBB+ stable since April 2019, while Moody's has retained the Baa2 stable rating.

However, no assurance can be given that Fitch, Moody's, Standard & Poor's or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies, including us. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Risks Relating to the Offer and the Offer Shares

The relative volatility and illiquidity of the Philippine securities market may substantially limit investors' ability to sell the Offer Shares at a suitable price or at a time they desire.

The Philippine securities markets are substantially smaller, less liquid, and more volatile relative to major securities markets in the United States and other jurisdictions, and are not as highly regulated as some of these other markets are. The Offer Price could differ significantly from the price at which our Common Shares will trade subsequent to completion of the Offer. There can be no assurance that any active trading market for the Company's Offer Shares will develop or sustain after the Offer, or that the Offer Price will correspond to the price at which our Common Shares will trade in the Philippine public market subsequent to the Offer. There can be no assurance that investors may sell Offer Shares at prices or at times deemed appropriate.

Factors that could affect the price of our Common Shares include, among others, the following:

- fluctuations in our results of operations and cash flows or those of CEMEX or other companies in our industry;
- additions or departures of our key personnel or CEMEX's announcements related to changes in CEMEX's directors or senior management;
- changes in financial estimates or recommendations by research analysts, if any, who cover our Common Shares or CEMEX's shares or securities;
- changes in our capital structure, such as future issuances of securities, sales of large blocks of our Common Shares by its shareholders, including CASE, or our incurrence of additional debt;
- CEMEX, S.A.B. de C.V. announcements relating to the Facilities Agreement, CEMEX, S.A.B. de C.V.'s bond indentures or other CEMEX debt;
- changes in general conditions in the Philippines and the international economy, financial markets or the cement or construction materials industry, including changes in regulatory requirements, and changes in political conditions in the Philippines;
- changes in relationships with our controlling shareholder and regulators;
- CEMEX announcements, our announcements or our competitors' announcements regarding significant contracts, acquisitions, dispositions, financings, joint marketing relationships, joint ventures or capital commitments;
- CEMEX, S.A.B. de C.V. and/or our announcements related to the Framework Agreement, the Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement, the Services Agreements and the Trademark License Agreement between us and CEMEX and any other agreement between us and our affiliates;
- asset impairments or other charges;
- significant claims or proceedings against us or CEMEX and disputes involving us or CEMEX;
- any potential dividend policy we may adopt; and
- future sales of our equity or equity-linked securities.

In recent years, stock markets, including the PSE, have experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. These broad market fluctuations may also adversely affect the market prices of our Common Shares.

Furthermore, CASE, which beneficially owned 66.78% of the Common Shares of the Company as of December 31, 2019, has committed to subscribe for any Rights Shares that are not subscribed for in the Rights Offer. SEC MC 13-2017 requires currently listed companies, including the Company, to maintain a minimum public float of 10% and the SEC has indicated that it may increase this requirement to 20% subject to a five-year transition period during which a listed company would not be required to comply with the increased float requirement. As of September 30, 2019, we had a public float equal to 33.2% of our outstanding Common Shares. There can be no assurance that the Company will be in compliance with the SEC's minimum public float requirement at all times, or that the Company will comply with any increased minimum public float requirement within the timeframe prescribed for compliance. Even if the Company is compliant with the applicable minimum public float requirement at any given time, there can be no assurance that any illiquidity in our Common Shares will not adversely impact investors' ability to sell our Common Shares at a suitable price or at a time they may desire, or that if the Company is not compliant with the minimum public float requirement at any given time, that CASE may remedy any such breach of compliance by selling Common Shares with the purpose of increasing the public float of our Common Shares.

Global stock, currency and financial markets have experienced substantial volatility due to uncertainty over the United Kingdom's status with respect to its membership in the European Union and the circumstances that a potential exit from the European Union occur.

Global stock, currency and financial markets have experienced substantial volatility following the referendum in the United Kingdom on June 23, 2016, in which a majority of voters voted that the United Kingdom should leave the European Union. It is unclear how long it will take to negotiate a withdrawal agreement, and such a negotiation may involve a process of lengthy negotiations between the United Kingdom and the European Union member states to determine the future terms of their relationship. For example, in March 2018, the United Kingdom reached a provisional agreement with the European Union on transitional arrangements following the United Kingdom's exit (which are intended to enable the United Kingdom to remain within the European Union single market and customs union for a transitional period through 2020), but this provisional agreement needs to be formally agreed as part of the withdrawal arrangements currently under negotiation. Given that no formal withdrawal arrangements have been agreed upon the United Kingdom has yet to formally leave the European Union.

There remains substantial uncertainty as to whether, how, and when the United Kingdom's departure from the European Union will be accomplished and the resulting effects on the global economy and global markets. There can be no assurance that such volatility will not continue, or even increase. Any such volatility whether due to the foregoing factors or otherwise could adversely affect our business, prospects, financial condition and results of operations and also our ability to raise capital in the future or the market price of our Common Shares.

There will be a delay between payment for, and trading of, the Offer Shares on the PSE; the listing of the Offer Shares may be delayed.

Purchasers of Offer Shares in the Offer will be required to pay for such Offer Shares upon submission of applications during the Rights Offer Period, which ends on January 24, 2020, but the Offer Shares are not expected to be listed on the PSE until later in the first quarter of 2020. Although the PSE has approved the Company's application to list the Offer Shares, such application is conditioned on, among other things, the Company having obtained the SEC's approval of the increase in the Company's authorized capital stock. There can be no guarantee that such SEC approval will be obtained or that listing on the PSE will occur on the anticipated listing date or at all. Delays in obtaining the requisite approvals to increases in authorized capital stock as well as delays in the admission and the commencement of trading in shares on the PSE have occurred previously. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may also materially and adversely affect the value of the Offer Shares. Also, while the Company undertakes to return within five (5) banking days from the end of the Rights Offer Period subscription funds to investors in respect of Offer Shares due to oversubscription or rejection of an application for subscription, such refunds would be made without interest.

Eligible Shareholders that do not subscribe for their Entitlement Shares Entitlement or that do not fully subscribe for their Entitlement Shares, may experience dilution in their holdings.

Eligible Shareholders that do not subscribe for their Entitlement Shares or that do not fully subscribe for their Entitlement Shares may be diluted in their shareholding of our Common Shares if the Offer is successful. See "Dilution."

Future issuance and/or sales of our Common Shares in the public market could adversely affect the prevailing market price of our Common Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of our business and operations, the Board will consider the funding options available to them at the time, which may include the issuance of new Common Shares. If additional funds are raised through the issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Offer Shares. Further, the market price of our Common Shares could decline as a result of future sales of substantial amounts of our Common Shares in the public market or the issuance of new Common Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of our Common Shares or our ability to raise capital in the future at a time and at a price we deem appropriate.

The transfer of Offer Shares is restricted in certain jurisdictions which may adversely affect their liquidity and the price at which they may be sold.

The Offer Shares have not been registered under, and we are not obligated to register the Offer Shares under the U.S. Securities Act or the securities laws of any jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. We have not agreed to or otherwise undertaken to register the Offer Shares, and we have no intention of doing so.

The sale or possible sale of a substantial number of the Common Shares in private or public sales following the Offer could adversely affect the price of the Offer Shares and our ability to raise capital.

Upon the closing of the Offer, CASE will continue to own at least 66.78% of the Company's outstanding Common Shares, which may increase to the extent CASE subscribes for Additional Rights Shares in the Offer as described above. We are unable to predict with certainty whether or when CASE or the Company's other shareholders, upon the closing of the Offer, will sell a substantial number of our Common Shares. Sales by CASE or our other shareholders of a substantial number of Common Shares after the Offer, or a perception that such sales could occur, could significantly reduce the market price of our Common Shares. To the extent further new Common Shares are issued, there may be dilution to present holders of our Common Shares. Any of these factors may also affect the Company's ability to undertake equity fund-raising in the future.

The Company does not expect to declare dividends for the foreseeable future.

Initially, we estimate that a significant part of our free cash flow will be used to make payments on our indebtedness owed to CEMEX or to lenders of any indebtedness that we may incur to refinance our indebtedness owed to CEMEX. In addition, in October 2018, we entered into the principal project agreements with CBMI for the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of our Solid Cement plant by 1.5 million tonnes. We currently expect that the new production line will commence operations during the second quarter of 2021 at a total cost of approximately US$235 million. This investment is also expected to utilize a significant part of our free cash flow. Therefore, you should not expect to receive any dividend payments on our Common Shares for the foreseeable future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness."

We manage our business through our operating subsidiaries. Therefore, the availability of funds for us to pay dividends to our shareholders may depend on dividends or other payments received from our subsidiaries. If our operating entities incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or make other distributions to us. In addition, our ability to pay dividends will be substantially affected by the ability of our subsidiaries to provide cash to us. The ability of our subsidiaries to declare and pay dividends to us will be dependent on their cash income and cash available and may be restricted under applicable law or regulation. For example, if there are insufficient accumulated earnings at such subsidiaries, they may not be able to make cash distributions to us, which would adversely affect our ability to pay dividends. In addition, under the terms of the Framework Agreement, while we are an indirect subsidiary of CEMEX, S.A.B. de C.V., we will not, without the prior written consent of CEMEX, S.A.B. de C.V. and CASE, declare or pay any dividends except to the extent permitted under CEMEX's debt agreements or instruments. See "Related Party Transactions—Framework Agreement" and "Dividends and Dividend Policy."

Our ability to declare future dividends in relation to our Common Shares will also depend on our future financial performance, which in turn depends on the successful implementation of our strategy and on financial, competitive, contractual, regulatory, technical and other factors, general economic conditions, demand and selling prices for our products and other factors specific to our industry or specific projects, many of which are beyond our control.

Fluctuations in the exchange rate between the Philippine peso and the U.S. dollar may have an adverse effect on the value of the Common Shares.

The Common Shares are listed on the PSE, where securities are quoted and traded in Philippine pesos. If there are any cash dividends on such Common Shares, these dividends will be paid in Philippine pesos. Fluctuations in the exchange rate between the Philippine peso and the U.S. dollar may affect, among other things, the U.S. dollar value of the proceeds that a holder receives upon a sale of such shares or in respect of any cash dividends paid on such shares.

Risks Related to the Presentation of Information in this Prospectus

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the industries in which we compete and the markets in which we develop our projects, including statistics relating to market size, is derived from various Government and private publications. This Prospectus also contains industry information based on publicly available third-party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, industry forecasts and market research, including those contained or extracted herein, have not been independently verified by us and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

USE OF PROCEEDS

We expect to raise gross proceeds from the Offer of ₱12,772.5 million based on an Offer of 8,293,831,169 Offer Shares. The Offer Price is ₱1.54 per Offer Share. After deducting estimated applicable taxes, professional fees, and expenses related to the Offer, our net proceeds from the Offer are expected to be approximately ₱12,540.9 million (approximately US$245.5 million based on the exchange rate on January 3, 2020 of ₱51.09 = US$1.00 as published by the Bankers Association of the Philippines). We intend to pay the costs and expenses of the Offer. We estimate that our total expenses for the Offer will be approximately ₱231.6 million consisting of:

	(₱ in millions)
Taxes to be paid by us(1)	82.9
PSE listing and processing fee	15.1
SEC fees related to request for confirmation of exemption and filing fees	13.6
Estimated legal expenses (including applicable taxes)	109.7
Estimated auditor fees and expenses (including applicable taxes)	5.4
Estimated printing and marketing expenses (including applicable taxes)	3.0
Estimated Stock Transfer and Receiving Agency Fees Escrow Agent Fees (including applicable taxes)	1.8
Total	231.6

Note:

(1) Taxes to be paid by us on shares will be equivalent to 1% of the aggregate par value of the Offer Shares.

The net proceeds from the Offer, determined by deducting from the gross proceeds applicable taxes, professional fees and expenses related to the Offer, which are estimated to be equal to approximately 1.8% of the gross proceeds of the Offer, will be used by the Company primarily: (a) to fund the expansion of our Solid Cement plant, including to pay outstanding amounts owed under the Solid Expansion Facility Agreement, and (b) for other general corporate purposes, including paying the Operational Facility, as set forth below.

Use of Proceeds	Estimated percentage of total proceeds	Estimated Timing of Disbursement
1. Payment of outstanding amounts owed under the Solid Expansion Facility Agreement and funding of the expansion of Solid Cement plant	87%	1st quarter 2020 and up to 2nd quarter 2021, respectively
2. Payment of the Operational Facility	9%	1st quarter 2020
3. Other general corporate purposes	4%	Up to 4th quarter 2020

As of September 30, 2019, the outstanding balance of the Solid Expansion Facility Agreement was US$93.3 million. See "Related Party Transactions—Solid Expansion Facility Agreement" on page 151 of this Prospectus. We will continue funding the expansion of the Solid Cement plant by additional disbursements under the Solid Expansion Facility Agreement until the proceeds of the Offer are available to us.

As of September 30, 2019, the outstanding balance of the Operational Facility was ₱1,073.6 million. See "Related Party Transactions—Operational Facility" on page 152 of this Prospectus. We estimate that we will use approximately ₱500 million of the net proceeds from the Offer for general corporate purposes.

We currently expect that the new production line in the Solid Cement plant will commence operations during the second quarter of 2021 at a total cost of approximately US$235 million. As of December 31, 2018, we had invested, including advance payments made to CBMI in November 2018 in relation to the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of our Solid Cement plant by 1.5 million tonnes, approximately US$64 million in connection with the expansion of the Solid Cement plant and we expect to invest US$66 million in 2019, US$86 million in 2020 and US$19 million in 2021. See "Business—Business Strategies—Expand our integrated cement capacity in the largest market in the Philippines" on page 105 of this Prospectus.

As shown under "Capitalization", after giving effect to the Offer and the intended use of proceeds, we expect that net proceeds from the Offer will increase in our total stockholders' equity, while in turn, (i) we will reflect a decrease in short-term and long-term payables to related parties as per the prepayment of the Solid Expansion Facility Agreement and the Operational Facility; (ii) and the remainder of net proceeds would be retained as cash and cash equivalents to continue funding the expansion of our Solid Cement plant and general corporate purposes.

In the event that the net proceeds from the Offer are less than the expected amount, we intend to allocate the proceeds in order of priority as follows:

1. to fund the expansion of our Solid Cement plant, including to pay outstanding amounts owed under the Solid Expansion Facility Agreement; and
2. for other general corporate purposes, including paying the Operational Facility.

The foregoing discussion represents our planned use of the net proceeds of the Offer based on our current plans and anticipated expenditures. Actual use of the net proceeds may vary from the foregoing discussion and management may find it necessary or advisable to use portions of the net proceeds of the Offer for other purposes. In the event that there is any material deviation or adjustment in the planned use of proceeds, we shall inform our shareholders, the SEC and the PSE 30 days prior to any implementation of such material deviation or adjustment. In the event of any material deviation, adjustment or reallocation in the planned use of proceeds from the Offer, we will secure the approval of our Board for such deviation, adjustment or reallocation and promptly make the appropriate disclosure to the SEC and the PSE, provided that the actual disbursement or implementation of such reallocation must be disclosed by us at least 30 days prior to such actual disbursement or implementation. We will regularly disclose to the PSE, through the PSE Electronic Disclosure Generation Technology ("PSE Edge"), any disbursements from the proceeds generated from the Offer. In addition, we will submit via the PSE Edge (i) disclosure on any disbursement made in connection with the planned use of proceeds of the Offer; (ii) a quarterly progress report on the application of the proceeds from the Offer within 15 days following the end of the quarter following the Offer, certified by our Chief Financial Officer or Treasurer and external auditor; (iii) an annual summary of the application of proceeds on or before January 31 of the year following the Offer, certified by our Chief Financial Officer or Treasurer and external auditor; and (iv) an approval by our Board of any reallocation on the planned use of proceeds.

The quarterly and annual reports required in items (ii) and (iii) above must include a detailed explanation of any material variances between the actual disbursements and the planned use of proceeds in this Prospectus. The detailed explanation must also state our Board has given its approval as required in item (iv) above. We will submit an external auditor's certification of the accuracy of the information reported by us to the PSE in our quarterly and annual reports.

DIVIDENDS AND DIVIDEND POLICY

The Board is authorized to declare dividends only from our unrestricted retained earnings, and the Board may not declare dividends which will impair our capital. Dividends may be payable in either cash, shares or property, or a combination thereof, as the Board determines.

We have not yet adopted a formal dividend policy. However, we intend to declare dividends whenever there are unrestricted retained earnings available subject to a number of factors including restrictions that may be imposed by current and prospective financial covenants, overall level of indebtedness, projected levels of operating results of our subsidiaries, working capital needs and long-term capital expenditures of our subsidiaries; and regulatory requirements on dividend payments, among others. As a result of our substantial long-term capital expenditure needs and level of indebtedness, we do not expect to declare dividends for the foreseeable future. See "Risk Factors—Risks Relating to the Offer and the Offer Shares—The Company does not expect to declare dividends for the foreseeable future."

As a holding company, our ability to declare and pay dividends to our shareholders will depend on whether we have received sufficient dividends from our subsidiaries that can be distributed to our shareholders by way of dividend. As such, our Board, may, at any time, evaluate whether we have sufficient cash available for distribution of cash dividends. It should be noted that, subject to certain exceptions, such as (a) when justified by definite corporate expansion projects or programs approved by the Board; or (b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not yet been obtained, the Philippine Revised Corporation Code prohibits Philippine stock corporations from retaining surplus profits in excess of 100% of its paid-in capital. See "Description of Share Capital."

In addition, under the terms of the Framework Agreement, for so long as the Company is a subsidiary of CEMEX, S.A.B. de C.V., we may not, without the prior written consent of CEMEX, S.A.B. de C.V., declare or pay any dividends except to the extent permitted under CEMEX, S.A.B. de C.V.'s debt agreements or instruments. See "Related Party Transactions—Framework Agreement."

Under Philippine law, cash dividends are subject to approval by a majority of the board of directors and no further approval from a company's shareholders is required. Pursuant to existing SEC rules, cash dividends declared by a company must have a record date that is neither less than 10 days nor more than 30 days after the date the cash dividends are declared. In case no record date is specified, it is deemed to be fixed at 15 days after a company's declaration. The declaration of stock dividends is subject to the approval of shareholders representing at least two-thirds of a company's outstanding capital stock. The record date with respect to stock dividends is to be neither less than 10 days nor more than 30 days after the date of shareholders' approval, provided, however, that the set record date is not to be less than 10 trading days after receipt by the PSE of the notice of declaration of stock dividend.

Dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP. See "Philippine Foreign Exchange and Foreign Ownership Controls."

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "Payment Date"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the SEC, which in no case shall be later than the stock dividends' listing date.

EXCHANGE RATES

Fluctuations in the exchange rates between the peso and the U.S. dollar and other foreign currencies will affect the equivalent in U.S. dollars or other foreign currencies of the peso price of our Common Shares on the PSE, of dividends distributed in pesos by us, if any, and of the peso proceeds received by investors on a sale of our Common Shares on the PSE, if any. Fluctuations in such exchange rates will also affect the peso value of our assets and liabilities which are denominated in currencies other than pesos.

Effective on April 1 2018, Bloomberg LP was appointed as trading platform provider, Central Trade Reporting System and calculation agent for the U.S. dollar/Philippine peso spot market. Beginning on April 1, 2018, U.S. dollar/Philippine peso spot rates has been reported by Bloomberg LP and published on the relevant Bloomberg Screen. The U.S. dollar/Philippine peso spot rates continue to be calculated using the same methodology as the rates that were reported by the Philippine Dealing & Exchange Corp. On December 31, 2019, the BAP Rate was ₱50.64 = US$1.00.

The following table sets forth certain information concerning the BAP Rate between the peso and the U.S. dollar for the periods and dates indicated, expressed in pesos per US$1.00:

	Peso/U.S. dollar exchange rate			
Year	**Period end**	**Average(1)**	**High(2)**	**Low(3)**
2014	44.72	44.39	45.41	43.24
2015	47.06	45.49	47.40	44.06
2016	49.72	47.47	50.00	46.01
2017	49.93	50.40	51.77	49.40
2018	52.58	52.68	54.33	49.81
2019	50.64	51.78	52.93	50.41

Notes:

(1) Simple average of daily exchange rates for the period.

(2) Highest exchange rate for the period.

(3) Lowest exchange rate for the period.

DETERMINATION OF OFFER PRICE

The Offer Price has been determined by the Company, the Domestic Underwriter, and the Global Coordinator in accordance with the Company's Amended Articles of Incorporation and Philippine law, and that, as per market practice, offer prices of rights issues are typically below the prevailing market price at the time of pricing.

The Offer Price has been computed based on the VWAP of our Common Shares on the PSE of 15 consecutive trading days immediately prior to (and excluding) the Pricing Date, subject to a discount of 24.5%.

The Offer Price has been determined based on various factors including the prevailing market price, discussions between us, the Global Coordinator and the Domestic Underwriter, and the broader equity capital market conditions at the time of pricing of the Rights Offer.

CAPITALIZATION

As of September 30, 2019, our authorized capital stock was ₱5,195.4 million divided into 5,195,395,454 Common Shares with a par value of ₱1.00 per Common Share, of which 5,195,395,454 Common Shares are issued and fully paid-up (without giving effect to the issuance of the Offer Shares). For purposes of the capitalization information set forth in the "As Adjusted" column in the table below, the adjustments described in the footnotes to the table below are assumed to have taken place as of September 30, 2019 and, except as described in such footnotes, no further adjustments have been made. The table below should be read in conjunction with our Unaudited Interim Financial Statements as of September 30, 2019, including the notes thereto, included in this Prospectus beginning on page F-5 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

	As of September 30, 2019	
	Actual[1]	As Adjusted[2]
	(in millions of Philippine pesos)	
Cash and cash equivalents	2,591.8	9,224.7
Other assets	55,558.6	55,558.6
Total assets	58,150.4	64,783.3
Short-term payables to related parties	2,926.6	1,821.0
Short-term payable to third parties	6,678.4	6,678.4
Long-term payables to related parties[3]	4,802.4	0.0
Long-term payables to third parties	13,447.9	13,447.9
Other liabilities	869.5	869.5
Total liabilities	28,724.7	22,816.7
Total stockholders' equity[4]	29,425.7	41,966.6
Total liabilities and stockholders' equity	58,150.4	64,783.3

Notes:

(1) Unless otherwise disclosed in the footnotes to the foregoing table, since September 30, 2019, there has been no material change to our capitalization.

(2) Our adjusted consolidated capitalization as of September 30, 2019 after giving effect to the Offer and the application of the net proceeds of the Offer of approximately ₱12,540.9 million has been adjusted to reflect the following assumptions: (i) the prepayment of short-term and long-term portions under the Solid Expansion Facility Agreement and the prepayment of the Operational Facility and (ii) remainder proceeds retained as cash and cash equivalents to continue funding the Solid expansion plan and general corporate purposes. See "Use of Proceeds."

(3) Our long-term payables to related parties increased by ₱597 million to ₱5,399 million as of December 31, 2019, due to additional borrowings and interest capitalization under the facility provided for under the Solid Cement Expansion Facility Agreement after September 30, 2019 to finance the Solid Cement plant expansion.

(4) Our adjusted consolidated capitalization as of September 30, 2019 after giving effect to the Offer has been adjusted to reflect a net increase in equity assuming net proceeds from the Offer of approximately ₱12,540.9 million.

DILUTION

After the completion of the Offer, and approval by the SEC of the increase in the authorized capital stock of the Company, the Eligible Shareholders will not, as a consequence of such Eligible Shareholders exercising their rights to purchase their proportionate Entitlement Shares, suffer any dilution in their respective shareholdings in the Company.

The net book value per Common Share of the Company as of September 30, 2019 was ₱5.66. Net book value represents the amount of the Company's total assets less total liabilities.

Upon receipt of the estimated ₱12,540.9 million of net proceeds of the Offer and the issuance of a total of 8,293,831,169 new Common Shares pursuant to the Offer, the Company's pro-forma net book value per share would be approximately ₱3.11, which represents an immediate decrease of ₱2.55 per Common Share for existing holders of Common Shares.

The calculation of the net book value per Common Share as of September 30, 2019 before and after the Offer is presented below:

Net book value prior to the Offer		₱29,425.7 million
Issued and outstanding Common Shares prior to the Offer		5,195,395,454
Net book value per Common Share prior to the Offer(1)	₱	5.66
Pro-Forma net book value after the Offer(2)	₱	41,966,6
Issued and outstanding Common Shares after the Offer		13,489,226,623
Pro-Forma net book value per Common Share after the Offer(3)	₱	3.11
Decrease per Common Share to Existing Shareholders attributable to the Offer(4)	₱	2.55

Notes:

(1) Computed by dividing net book value as of September 30, 2019 by the issued and outstanding Common Shares prior to the Offer.

(2) Based on the net book value of the Company as of September 30, 2019 adjusted to reflect the net proceeds from the Offer.

(3) Computed by dividing the pro-forma net book value of the Company as of September 30, 2019, adjusted to reflect the net proceeds from the Offer, divided by the issued and outstanding Common Shares after the Offer.

(4) Computed by subtracting net book value per share prior to the Offer from the pro-forma net book value per Common Share after the Offer.

SELECTED FINANCIAL INFORMATION

The following tables present summary audited consolidated financial information of the Company and our subsidiaries for fiscal 2016, fiscal 2017 and fiscal 2018, and summary unaudited interim consolidated financial information of the Company and our subsidiaries for the nine-month periods ended September 30, 2018 and 2019 and should be read in conjunction with the Audited Financial Statements and the Unaudited Interim Financial Statements, in each case together with the notes thereto, contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary financial information presented below as of and for fiscal 2016, fiscal 2017 and fiscal 2018, unless otherwise indicated, was derived from the Audited Financial Statements and the summary financial information as of and for the nine-month periods ended September 30, 2018 and 2019, unless otherwise indicated, was derived from the Unaudited Interim Financial Statements, in each case prepared in compliance with PFRS and, for the Audited Financial Statements, audited by RGM&Co. The information below is not necessarily indicative of our results of future operations. For additional information regarding financial information presented in this Prospectus, see "Presentation of Financial Information."

Financial information presented herein as of and for the nine-month periods ended September 30, 2018 and 2019 was prepared on the basis of PFRS 16, which became effective on January 1, 2019. Except as provided for in the foregoing, financial information presented herein as of all dates and periods ended prior to January 1, 2019 has not been adjusted to give effect to PFRS 16. For this reason, financial information presented herein for such periods may not be comparable. See "Risk Factors—Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information."

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2016	2017	2018	2018	2019
	(Audited)			(Unaudited)	
	(in millions of Philippine pesos, except for per share data)				
INCOME STATEMENT INFORMATION					
Revenue	24,286.8	21,784.5	23,417.7	17,905.1	18,223.5
Cost of sales and services	(11,885.9)	(12,400.9)	(14,307.1)	(10,632.4)	(10,717.9)
GROSS PROFIT	12,400.9	9,383.5	9,110.6	7,272.8	7,505.6
TOTAL OPERATING EXPENSES(1)	(7,455.2)	(7,397.0)	(7,744.1)	(5,834.9)	(5,420.9)
OPERATING EARNINGS BEFORE OTHER INCOME (EXPENSES), NET	4,945.6	1,986.6	1,366.4	1,437.9	2,084.6
Other income (expenses), Net	(319.8)	(226.2)	(42.7)	8.2	32.2
OPERATING EARNINGS	4,625.9	1,760.4	1,323.8	1,446.1	2,116.8
Financial expenses	(1,236.0)	(858.4)	(919.9)	(772.7)	(1,026.4)
Foreign exchange gain (loss), net	(1,379.9)	(66.7)	(331.0)	(545.7)	127.9
Other financial expenses, net	(32.7)	(36.8)	(32.1)	(26.7)	(40.9)
EARNINGS BEFORE INCOME TAX	1,977.2	798.4	40.8	101.0	1,177.5
Income tax expense	563.7	139.5	971.0	764.4	302.8
PROFIT (LOSS)	1,413.5	658.8	(930.2)	(663.4)	874.7
Basic/Diluted Earnings (loss) per share	0.5	0.1	(0.2)	(0.1)	0.2

Note:

(1) "Total Operating Expenses" mean the sum of (i) administrative and selling expenses and (ii) distribution expenses.

	As of December 31,			As of September 30,
	2016	2017	2018	2019
	(Audited)			(Unaudited)
	(in millions of Philippine pesos, except for per share data)			
STATEMENT OF FINANCIAL POSITION INFORMATION				
Total Current Assets	6,587.0	6,651.9	8,754.7	7,773.9
Total Noncurrent Assets	44,454.9	45,201.5	47,099.4	50,376.5
Total Assets	51,041.9	51,853.4	55,854.1	58,150.4
Total Current Liabilities	5,654.2	6,873.6	10,080.4	9,604.9
Total Noncurrent Liabilities	16,703.5	15,557.4	16,901.4	19,119.8
Total Liabilities	22,357.7	22,431.0	26,981.8	28,724.7
Total Equity	28,684.2	29,422.4	28,872.3	29,425.7
Total Liabilities and Equity	51,041.9	51,853.4	55,854.1	58,150.4

	As of and for the Year Ended December 31,			As of and for the Nine Months Ended September 30,	
	2016	2017	2018	2018	2019
	(Audited)			(Unaudited)	
	(in millions of Philippine pesos, except for per share data)				
STATEMENT OF CASH FLOWS INFORMATION					
Net cash provided by operating activities	3,747.8	2,117.8	1,925.0	2,330.7	2,595.9
Net cash used in investing activities	(42,850.7)	(1,529.3)	(3,335.6)	(749.7)	(1,869.2)
Net cash provided by (used in) financing activities	40,466.4	(882.1)	2,139.0	(194.9)	68.6
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,363.5	(293.5)	728.4	1,386.1	795.3
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(31.3)	14.7	27.0	73.0	(17.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	4.9	1,337.2	1,058.3	1,058.3	1,813.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	1,337.2	1,058.3	1,813.7	2,517.3	2,591.8

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2016	2017	2018	2018	2019
	(Audited)			(Unaudited)	
	(in millions of Philippine pesos, except for per share data)				
OTHER AND NON-GAAP FINANCIAL INFORMATION					
Net working capital(1)	(361.4)	(794.2)	(1,727.0)	(1,646.7)	(2,324.0)
Operating EBITDA(2)	6,166.9	3,255.8	2,782.9	2,850.4	3,446.2
Operating EBITDA margin(3)	25.4%	14.9%	11.9%	15.9%	18.9%
Capital expenditures (including capitalized borrowing cost)	1,330.2	1,329.0	1,417.7	726.1	2,426.4
Depreciation and amortization	1,221.3	1,269.2	1,416.4	1,412.6	1,361.6

Notes:

(1) Current assets less cash and cash equivalents and current liabilities excluding income tax payable, lease liabilities, loans and interest payables.

(2) "Operating EBITDA" refers to operating earnings before other income (expenses), net, plus depreciation and amortization expenses. Operating EBITDA is not a measure of financial performance under PFRS, and investors should not consider Operating EBITDA in isolation or as an alternative to net income as an indicator of our operating performance or to cash flows from operating, investing and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various Operating EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies. This indicator is used by our management for decision-making purposes and is presented because we believe that it is an indicator of our ability to internally fund capital expenditures and service or incur debt. The following is a reconciliation of Operating EBITDA to net cash flows provided by operating activities before interest, income taxes and benefits paid to employees, as reported in our statement of cash flows.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2016	2017	2018	2018	2019
	(Audited)			(Unaudited)	
	(in millions of Philippine pesos)				
Reconciliation of Operating EBITDA to net cash flows provided by operating activities before interest, income taxes and benefits paid to employees:					
Operating EBITDA	6,166.9	3,255.8	2,782.9	2,850.4	3,446.2
Less:					
Depreciation and amortization expense	1,221.3	1,269.2	1,416.4	1,412.6	1,361.6
Operating earnings before other income (expenses), net	4,945.6	1,986.6	1,366.4	1,437.9	2,084.6
Plus (minus):					
Changes in working capital excluding income taxes	(164.7)	35.7	525.6	742.6	277.9
Depreciation and amortization expense	1,221.3	1,269.2	1,416.4	1,412.6	1,361.6
Other items, net	(675.6)	259.1	(146.6)	(216.9)	45.4
Net cash flows provided by operating activities before interest, income taxes and benefits paid to employees	5,326.7	3,550.5	3,161.9	3,376.1	3,769.5

(3) Operating EBITDA margin equals Operating EBITDA divided by revenue.

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

The following is a discussion and analysis of our consolidated financial condition and results of operations as of and for the nine-month periods ended September 30, 2018 and 2019, the financial condition and results of operations of the Company and our subsidiaries as of and for fiscal 2016, fiscal 2017 and fiscal 2018, and certain trends, risks and uncertainties that may affect our business. The discussion and analysis of our results of operations is presented in three sections, namely (i) a comparative section that discusses our consolidated results of operations for the nine-month periods ended September 30, 2018 and 2019, (ii) a comparative section that discusses our consolidated results of operations for fiscal 2018 compared with fiscal 2017, and (iii) a comparative section that discusses our consolidated results of operations for fiscal 2017 compared with fiscal 2016. Disclosure relating to liquidity and financial condition and the trends, risks and uncertainties that have had or that are expected to affect revenues and income complete the management's discussion and analysis.

Financial information presented herein as of and for the nine-months ended September 30, 2018 and 2019 was prepared on the basis of PFRS 16, which became effective on January 1, 2019. Except as provided for in the foregoing, financial information presented herein as of all dates and periods ended prior to January 1, 2019 has not been adjusted to give effect to PFRS 16. For this reason, financial information presented herein for such periods may not be comparable. See "Risk Factors—Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information."

Prospective investors should read this discussion and analysis of our financial condition and results of operations in conjunction with the Unaudited Interim Financial Statements and the Audited Financial Statements, in each case together with the notes thereto, set forth elsewhere in this Prospectus.

Future results may differ materially from past results due to certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

Overview

We are one of the leading cement producers in the Philippines, based on installed annual capacity as of September 30, 2019. We produce and market cement in the Philippines through direct sales using our extensive marine and land distribution network. Our cement manufacturing subsidiaries have been operating in the Philippines for over 20 years, and have well established brands, such as "APO", "Island" and "Rizal", each of which has a multi-decade history in the Philippines and is owned by CEMEX and licensed to us pursuant to the Trademark License Agreement. Our brand recognition and customer-centric direct sales approach have helped us develop a long-term customer base.

We offer a broad product mix of cement and work closely with other CEMEX companies to develop and introduce innovative techniques and equipment into our production. We offer bag cement and bulk cement, with bag cement accounting for over 75% of our cement sales volume in fiscal 2018, but with demand for bulk cement increasing as the number of infrastructure projects in the Philippines grows. We sell to both retail customers and institutional cement customers, with retail customers accounting for approximately 80% of our revenue for fiscal 2018 and the nine-month period ended September 30, 2019. Sales of cement accounted for almost all of our revenue after the elimination of transactions between consolidated entities for fiscal 2018 and the nine-month period ended September 30, 2019.

We are a subsidiary of CASE and our Common Shares are listed for trading on the PSE under the symbol "CHP." We are an indirect subsidiary of CEMEX, S.A.B. de C.V., one of the largest cement companies in the world based on installed annual capacity. CEMEX, S.A.B. de C.V.'s CPOs, each of which currently represents two "Series A" shares and one "Series B" share, are listed on the Mexican Stock Exchange and trade under the symbol "CEMEX.CPO." CEMEX, S.A.B. de C.V.'s American Depositary Shares, each of which currently represents ten CPOs, are listed on the NYSE and trade under the symbol "CX."

We operate two cement plants with aggregate installed annual capacity of 5.7 million tonnes of cement as of September 30, 2019. Our APO Cement plant in Cebu currently has three grinding lines with an installed annual capacity of 3.8 million tonnes of cement, as of September 30, 2019, and serves our customers in the Visayas and Mindanao regions, and to some extent the Luzon region, through our marine and land distribution network. Our Solid Cement plant in Rizal currently has three grinding lines with an installed annual capacity of 1.9 million tonnes of cement, as of September 30, 2019, and we are currently in the process of expanding the plant with a new integrated cement production line with additional installed annual capacity of 1.5 million tonnes, as described under "—Expansion of the Solid Cement Plant." We plan to apply a portion of the proceeds of the Offer to fund the expansion of our Solid Cement plant, including to pay outstanding amounts owed under the Solid Expansion Facility Agreement, as described under "Use of Proceeds." Our Solid Cement plant serves the Luzon region, which is by far the largest market in the Philippines. Our distribution infrastructure includes, as of September 30, 2019, five marine distribution terminals and 16 land distribution centers located across the Philippines. We distribute our products using our fleet, which we manage directly, and third-party transport. As of September 30, 2019, we leased 759 trucks for the distribution of bag and bulk cement, and we chartered 48 marine vessels for the waterborne distribution of bag cement in the Philippines and, as of the date of this Prospectus, four marine bulk vessels for the distribution of bulk cement.

Principal Factors Affecting Our Results of Operations

We operate in the construction materials industry and we derive substantially all of our revenue from the sale of cement in the Philippines. As a result, our results of operations are affected by a variety of factors. The following is a discussion of the most significant factors that we currently expect may affect our results in future periods as well as factors that have affected our results in the past. Factors other than those discussed below could also have a significant impact on our results of operations and financial condition in the future.

General macroeconomic conditions and level of construction activity in the Philippines

We operate in the construction materials industry and derive substantially all of our revenue from the sale of cement in the Philippines. As a result, our operations are substantially influenced by the level of activity in the construction industry in the Philippines, which is cyclical in nature and has historically demonstrated a strong correlation with growth in gross national product. Solid Cement primarily serves the Luzon region and its results are therefore particularly affected by macroeconomic conditions in the Luzon region, while APO Cement primarily serves the Visayas and Mindanao regions and its results of operations are particularly correlated with macroeconomic conditions there. The construction materials industry is also sensitive to macroeconomic factors such as, among other things, demographics, inflation, interest rates and the cost of financing, including mortgage financing. In particular, remittances from overseas Filipino workers and business process outsourcing to the Philippines are key drivers of the Philippine economy. Economic trends in the Philippines have a significant impact on all aspects of our operations, including the demand for and pricing of our products, the availability and costs of raw materials, costs of energy supply, labor costs and other operating expenses. Growth in the Philippines is characterized by, among other things high population growth, an increased amount of retail and distribution infrastructure and growth in local manufacturing capabilities. Although the Philippine economy has experienced stable growth in recent years, the Philippine economy has in the past experienced periods of slow or negative growth, high inflation and significant devaluation of the Philippine peso and has been significantly affected by economic volatility in the Asia Pacific region. Furthermore, there have been periods of political instability in the Philippines, including changes in fiscal or other government policies and public and military protests arising from alleged misconduct by previous administrations. Political instability may also affect the construction industry and our results of operations.

Production capacity and productivity

In October 2018, we entered into the principal project agreements with CBMI for the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of our Solid Cement plant by 1.5 million tonnes. We currently expect that the new production line will commence operations during the second quarter of 2021 at a total cost of approximately US$235 million. As of December 31, 2018, we had invested approximately US$64 million in connection with this expansion project, and we expect to invest

US$66 million in 2019, US$86 million in 2020 and US$19 million in 2021. We plan to apply a portion of the proceeds of the Offer to partially fund the cost of such expansion, as described under "Use of Proceeds." Our results of operations depend on our ability to fulfill customer orders, which in turn depends in part on our installed annual capacity and our productivity. In 1999, the APO Cement plant had an installed annual production capacity of 2.3 million tonnes of cement and the Solid Cement plant had an installed annual production capacity of 1.9 million tonnes of cement. During 2014, we expanded our APO Cement plant by adding an additional 1.5 million tonnes of installed annual production capacity through the addition of a new cement mill, such that our total installed annual production capacity is currently 5.7 million tonnes of cement. We are in the process of expanding the installed annual capacity of our Solid Cement plant with an integrated cement production line that is currently expected to add approximately 1.5 million tonnes of installed annual capacity by the second quarter of 2021, which represents an increase of approximately 26% over our current aggregate installed annual capacity of approximately 5.7 million tonnes per year. Our capital expenditures for the expansion of the Solid Cement plant in fiscal 2016, fiscal 2017 and fiscal 2018 and the nine-month period ended September 30, 2019 were ₱750.6 million, ₱195.0 million, ₱248.0 million and ₱2,030.0 million, respectively, including capitalized borrowing costs. See "—Expansion of the Solid Cement Plant", "Risk Factors—Risks Relating to Our Business—Our planned expansion of our Solid Cement plant currently under development may not be completed on schedule, or at all, or within the allocated budget" and "Use of Proceeds."

Our Kiln Efficiency has averaged approximately 90% in fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019. Our productivity is also expected to improve as a result of the expansion of our Solid Cement plant, which will use a mill that employs energy-efficient technology that is expected to result in cost savings compared to the existing mill at our Solid Cement plant. The mill installed in 2014 at our APO Cement plant also uses this energy-efficient technology.

Pricing and product mix

Our results of operations are affected by our product mix and the prices and margins for our products. We sell different grades of cement with various physical characteristics and different costs of production at different selling prices. Blended cement accounts for the majority of our sales, followed by ordinary Portland cement (in bag and bulk form), while masonry cement accounts for a smaller proportion of our sales. Based on revenue divided by volume sold, our average prices for ordinary Portland cement in bag form exceed the average prices of our other products, followed by blended cement and masonry cement, while our average prices for bulk ordinary Portland cement lag those of our other products. Our gross profit margins for blended cement exceed those of our other products, notwithstanding that the average price is lower than the average price of ordinary Portland cement in bag form. In the past we have sold very small quantities of products other than cement, including ready-mix concrete and admixtures, however, we do not intend to do so in future periods. The prices of our products are primarily affected by the supply of, and demand for, cement in the regions where we operate, our production costs, energy costs, transportation costs, inventory levels, competitors' prices and credit terms.

Competition in the Philippine construction materials industry

The Philippine construction materials industry is highly competitive. We compete primarily on the basis of quality, market presence, distribution network, diversity of product offerings, sales strategy, brand image and pricing. We believe we compete favorably on the basis of each of these factors. As of September 30, 2019, our major competitors in the Philippine cement market were Holcim Philippines, Inc., Republic Cement Group, Taiheiyo Cement Philippines, Inc., Northern Cement Corporation, Goodfound Cement Corporation, Mabuhay FilCement Inc., Eagle Cement Corporation, and Big Boss Cement Inc., as well as importers that import cement, primarily from Vietnam. These competitors may compete with us for the same target customers. Our results of operations are strongly tied to our ability to compete favorably on the basis of each of these factors. See "Business—Competition", "Risk Factors—We operate in highly competitive markets and if we do not compete effectively, our results of operations would be harmed" and "Risk Factors—Risks Relating to Our Business—The price of cement is subject to significant fluctuations and an oversupply of cement could adversely affect our profitability."

Electricity and fuel costs

Our operations consume significant amounts of electricity and fuel and our results of operations are therefore affected by fluctuations in the cost of these commodities.

Electricity

The Solid Cement plant is always reliant on grid electricity for at least part of its power requirements. The APO Cement plant can rely entirely on its in-house power generation plant when needed but may purchase grid electricity for its power needs, depending on the relative costs of grid electricity as compared with electricity produced from our power generation plants. For fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019, electricity costs represented approximately 21.9%, 21.4%, 21.3% and 19.1%, respectively, of our cost of sales.

We purchase grid electricity from third parties at variable rates and from Sinoma, which operates a waste-heat recovery system at our Solid Cement plant pursuant to a 15 year build-and-operate arrangement which requires us, subject to certain conditions, to purchase all electricity generated by the facility at a fixed price subject to volume discounts. We have entered into a similar arrangement with Sinoma to implement a second waste heat facility in connection with our planned expansion of the Solid Cement plant, which is currently expected to commence operations during the second quarter of 2021, as described under "Business—Expansion of the Solid Cement Plant." For more information on our power supply arrangements, please see "Business—Energy—Electricity." We do not hedge our exposure to the spot price of electricity that we purchase from the grid. Electricity costs in the Philippines are among the highest in Asia. Electricity cost and availability are impacted by limited numbers of suppliers, a complex regulatory framework, low grid reliability, the geography of the Philippines and the climate and weather conditions in the Philippines, which regularly impacts power supply and quality, in addition to the degree of dependence on fuel imports. Our results of operations are affected by the price of electricity and the extent to which we rely on electricity purchased from third parties rather than in-house generators.

Fuel

We require fuel to fire our kilns, run our electricity generators and fuel the trucks and vessels used in the distribution of our products. Our kilns are fired primarily with coal and, to a lesser degree, alternative fuels, including refuse-derived fuels such as rubber tires, waste plastic and rice husks, among others. We primarily use heavy fuel oil for the electricity generators at our plants. The trucks and vessels used in the distribution of our products primarily run on liquid fuel. For fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019, the cost of fuel that we purchased to fire our kilns and run our electricity generators represented approximately 15.8%, 22.0%, 21.3% and 20.0%, respectively, of our cost of sales. Our cost of sales excludes fuel costs for the trucks and vessels used in the distribution of our products, which is included in our operating expenses as distribution costs. For fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019, the cost of liquid fuel that we purchased to fuel our vessels represented 9.3%, 11.5%, 11.9% and 10.0% of our distribution expenses.

We currently obtain our imported coal supply from Transenergy, a CEMEX subsidiary that sources coal, petroleum coke and other products on a group-wide basis, at a price related to the spot price of coal with a view to obtaining favorable pricing. We did not hedge our coal requirements in connection with our coal imports for 2019. In 2019, we shifted to a lower grade mix of coal in order to mitigate cost increases. From time to time we may adjust the grades of coal that we use with a view to achieving the most cost-effective grade mix based on evolving market conditions. We do not hedge our exposure to the price of coal that we obtain domestically pursuant to contracts where we pay a variable price that is subject to a floor and a cap.

We obtain our supply of liquid fuel, including heavy fuel oil, from domestic suppliers at prices that vary from the applicable spot price. During periods when we expect to use in-house generated electricity, we may hedge our exposure to the spot price of heavy fuel oil depending on market conditions. Our price hedging strategy may not protect us from significant increases in the landed price of heavy fuel oil.

Raw material costs

The primary raw materials used in our cement production are limestone, pozzolans, clay and gypsum. Raw materials costs represented 10.8%, 12.1% and 10.9% of our cost of sales for fiscal 2016, fiscal 2017 and fiscal 2018, respectively and 12.0% of our cost of sales for the nine-month period ended September 30, 2019. Our results of operations are affected by fluctuations in the prices of these materials. Our results of operations are also affected by the degree with which we use each raw material, which is a function of the mix of products that we produce.

We purchase the majority of our limestone, pozzolans and clay from ALQC and IQAC on a cost-plus basis and we incur higher raw materials expense to the extent we are required to purchase such materials from parties other than ALQC and IQAC. Our raw materials expenses for fiscal 2018 and the nine-month period ended September 30, 2019 were adversely impacted due to the September 2018 Landslide at Naga City, Cebu, which caused ALQC to temporarily suspend its quarrying operations, such that we were required to increase our purchases of raw materials from other parties.

We purchase other raw materials, such as gypsum, from third parties at prices that are typically negotiated for a one-year period. To the extent we import clinker we do so through global sourcing arrangements with CEMEX on cost-plus basis. We do not hedge our exposure to the market prices of any raw materials used in our production process. We attempt to mitigate the risk of fluctuating raw material prices by entering into supply agreements for fixed periods, which have typically been one year.

Distribution expenses

Pursuant to our direct sales model, our results of operations are affected by our investments in distribution infrastructure. Because APO Cement serves the entire archipelago, its distribution infrastructure comprises both land distribution centers and marine terminals and a fleet of trucks and vessels. To this end, in 2014 APO Cement invested in two new marine terminals, an upgrade to our private jetty facilities and new conveying equipment to enhance the efficiency of transporting products from the APO Cement plant. Solid Cement's distribution infrastructure comprises land distribution centers and a fleet of trucks. In addition to the cost of this distribution infrastructure, our distribution expenses include the cost of liquid fuel to fuel our vessels. Distribution expenses represented 16.3%, 19.8%, 20.2% and 17.1% of our revenue for fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019.

Seasonality and weather conditions

The construction industry, and therefore demand for our products, is typically seasonal and is negatively impacted by periods of unfavorable weather conditions, such as heavy rain. These seasonal fluctuations lead to fluctuations in our quarterly financial results. For example, the demand for our products is lower during the rainy season in the Philippines, which typically begins in June and ends in November, but our sales volumes generally increase between March and May because of better weather conditions. Unusual intensities of adverse weather conditions, their occurrence in abnormal periods and their duration in our major markets all have the ability to significantly impact our business, prospects, financial condition and results of operations.

Currency fluctuations

We are exposed to foreign exchange fluctuations to the extent we incur monetary assets and/or liabilities, or recognize income or expenses, in a currency different from our functional currency, which is the Philippine peso. In particular, amounts that we lend to, or borrow from, related parties are denominated in U.S. dollars. Translation gains and losses are recognized in our income statements as foreign exchange gains or losses, respectively. As of December 31, 2016, 2017 and 2018, 89.2%, 11.7% and 22.9%, respectively, of our financial obligations, and approximately 4.5%, 19.8% and 12.9%, respectively, of our financial assets were denominated in U.S. dollars. As of September 30, 2019, 27.6% of our financial obligations and 11.3% of our financial assets were denominated in U.S. dollars. In addition, certain expenses, including the costs of coal obtained from Transenergy, and a small portion of our revenue, are denominated in U.S. dollars. Our U.S. dollar expenses exceed our U.S. dollar-denominated sales. We do not hedge our exposure to foreign currency fluctuations.

Critical Accounting Policies

The preparation of financial statements in accordance with PFRS principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

With effect from January 1, 2019, we have adopted PFRS 16, which affects our recognition of leases in our financial statements. See "—Impact of PFRS 16" and "Risk Factors—Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information."

The main items subject to estimates and assumptions by management include, among others, impairment tests of long-lived assets, allowances for doubtful accounts and inventories, recognition of deferred income tax assets, provision for site restoration, estimating useful lives of property, plant and equipment, as well as the measurement of assets and liabilities related to employee benefits. Significant judgment by management is required to appropriately assess the amounts of these assets and liabilities.

We recognized goodwill of ₱27,859.7 million in connection with our acquisition of our subsidiaries in 2016. We test for impairment of goodwill annually as at the reporting date.

For a discussion of our critical accounting policies, see note 3 to our Unaudited Interim Financial Statements and note 3 to our Audited Financial Statements included elsewhere in this Prospectus.

Impact of PFRS 16

With effect from January 1, 2019, we have adopted PFRS 16, which affects our recognition of leases in our financial statements.

PFRS 16, *Leases*, supersedes Philippines Accounting Standards 17, *Leases* (and the related Philippine interpretations). The new standard introduces a single lease accounting model for lessees under which all leases are recognized on-balance sheet, allowing exemptions for short-term leases and leases of low value assets, which were adopted by us.

We have applied PFRS 16 using the full retrospective approach with the initial adjustment effects determined as of January 1, 2017. Accordingly, when reporting our consolidated financial statements after January 1, 2019, the amounts of the comparative prior periods will be restated to give effect to PFRS 16, such as in the case of the financial statements as of September 30, 2018, to the extent that the comparable period is as of a date after January 1, 2017. Financial information presented herein as of and for the nine-month period ended September 30, 2018 and 2019 was prepared on the basis of PFRS 16. Except as provided for in the tables below, financial information presented herein as of and for all other dates and periods ended prior to January 1, 2019 has not been adjusted to give effect to PFRS 16. For this reason, financial information presented herein for such periods may not be comparable. For a detailed discussion of the changes in our accounting policies that were implemented with effect from January 1, 2019 in connection with our adoption of PFRS 16, see note 3 to our Audited Financial Statements and note 3 to our Unaudited Interim Financial Statements included elsewhere in this Prospectus. Applying the full retrospective approach resulted in the following opening cumulative effect in our consolidated statement of financial position as of January 1, 2017:

	As of January 1, 2017
	(Unaudited)
Consolidated Statement of Financial Position	
Assets for the right-of-use	2,187.3
Lease liabilities (current)	207.3
Lease liabilities (non-current)	2,101.9
Deferred income tax assets	33.5
Deferred income tax liabilities	(3.1)
Retained earnings	(85.3)

The following tables show the unaudited pro forma adjustments to our consolidated statements of financial position as of December 31, 2017 and 2018 that would be required in order to give effect to PFRS 16 as of such dates.

	As reported as at December 31, 2017	Adjustments due to adoption of PFRS 16	Pro forma as at December 31, 2017
	(Audited)	(Unaudited)	(Unaudited)
	(in millions of Philippine pesos)		
Consolidated Statement of Financial Position			
Assets for the right-of-use	—	2,167.2	2,167.2
Lease liabilities (current)	—	264.0	264.0
Lease liabilities (non-current)	—	2,054.3	2,054.3
Deferred income tax assets	1,026.9	39.4	1,066.3
Deferred income tax liabilities	101.7	(5.9)	95.8
Retained earnings	2,067.7	(105.8)	1,961.9

	As reported as at December 31, 2018	Adjustments due to adoption of PFRS 16	Pro forma as at December 31, 2018
	(Audited)	(Unaudited)	(Unaudited)
Consolidated Statement of Financial Position			
Assets for the right-of-use	—	2,150.7	2,150.7
Lease liabilities (current)	—	453.7	453.7
Lease liabilities (non-current)	—	1,905.9	1,905.9
Deferred income tax assets	720.4	54.0	774.4
Deferred income tax liabilities	156.0	(8.6)	147.4
Retained earnings	1,127.6	(146.3)	981.3

The following tables show the unaudited pro forma adjustments to our consolidated statements of profit or loss for fiscal 2017 and fiscal 2018 that would be required in order to give effect to PFRS 16 for such periods.

	As reported for the year ended December 31, 2017	Adjustments due to adoption of PFRS 16	Pro forma for the year ended December 31, 2017
	(Audited)	(Unaudited)	(Unaudited)
	(in millions of Philippine pesos)		
Consolidated Statement of Profit or Loss			
Cost of sales and services	12,400.9	(75.8)	12,325.1
Operating expenses	7,397.0	(51.9)	7,345.2
Financial expense	858.4	152.9	1,011.3
Foreign exchange loss—net	66.7	4.1	70.8
Income tax expense	139.5	(8.8)	130.7

	As reported for the year ended December 31, 2018	Adjustments due to adoption of PFRS 16	Pro forma for the year ended December 31, 2018
	(Audited)	(Unaudited)	(Unaudited)
Consolidated Statement of Profit or Loss			
Cost of sales and services	14,307.1	(79.9)	14,227.2
Operating expenses	7,744.1	(74.3)	7,669.8
Financial expense	919.9	161.6	1,081.5
Foreign exchange loss—net	331.0	50.4	381.4
Income tax expense	971.0	(17.3)	953.7

See "Risk Factors—Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information."

Key Components of Results of Operations

Revenue

Revenue primarily comprises sales of cement, including bulk cement and bag cement, which together accounted for 98.4%, 99.0% and 99.9% of our revenue for fiscal 2016, fiscal 2017 and fiscal 2018, respectively, and 99.9% of our revenue for the nine-month periods ended September 30, 2018 and 2019. We have also sold very small quantities of ready-mix concrete and admixtures in the past. We sell the majority of our products for use in the residential sector. The industrial-commercial sector and the infrastructure sector each also account for a significant portion of our sales.

Our services include delivery of cement to customers that require delivery. In such cases, the price of delivery is included in the price of cement sold.

Cost of Sales

Cost of sales and services represents the production cost of goods sold, including electricity, fuel, raw materials, and supplies, personnel expenses, depreciation, depletion and amortization of assets involved in production, expenses related to storage in producing plants, as well as freight expenses of raw materials in plants and, in the past, delivery expenses for ready mix concrete. Cost of sales and services does not include (i) expenses related to personnel, equipment and services involved in sales activities and storage of product at points of sales and costs related to warehousing of products at selling points, which are included in administrative and selling expenses and (ii) freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers' facilities, which are included as part of distribution expenses. Administrative and selling expenses and distribution expenses are included in operating expenses.

Total Operating Expenses

Total operating expenses comprise administrative and selling expenses, and distribution expenses, in addition to insurance, utilities and administrative supplies, taxes and licenses, depreciation and amortization, advertising and travel expenses, among others. Administrative and selling expenses primarily comprise license fees paid to CEMEX pursuant to our Services Agreements with CEMEX, which are calculated as a percentage of our revenue, administrative services in connection with back office outsourcing, salaries and wages, advertising and travel expenses and utilities and administrative supplies. For a description of our Services Agreements with CEMEX, see "Related Party Transactions." Distribution expenses primarily comprise freight expenses (including the cost of acquiring, chartering and leasing trucks and vessels), liquid fuel to power our trucks and vessels and depreciation and amortization expenses in connection with other assets used in our distribution infrastructure. Because our APO Cement plant serves the islands in the Visayas and Mindanao regions, and to some extent the Luzon region, distribution expenses per tonne produced at our APO Cement plant exceed distribution expenses per tonne produced at our Solid Cement plant.

Other Income (Expenses), Net

Other income (expenses), net, primarily comprises reorganization expenses, as well as other expenses such as one time losses incurred as a result of the Landslide, results from the sale of assets, net, which relates to sales of property plant and equipment, and impairment losses on non-current assets, including property, machinery and equipment that were subsequently reclassified as assets held for sale, as well as one-off expenses such as listing expenses for our initial public offering in 2016.

Financial Expenses

Financial expenses comprise interest and charges in connection with our indebtedness to related parties and third parties, and, commencing with our adoption of PFRS 16 with effect from January 1, 2019, interest on lease liabilities.

Foreign Exchange Gain (Loss), Net

Foreign exchange gain (loss), net comprises foreign exchange gains and losses in connection with the effects of foreign exchange fluctuations on our assets and liabilities, as well as eliminated intra-group balances, denominated in currencies other than the Philippine peso. Together with CEMEX companies, we participate in a liquidity management program pursuant to which we invest excess liquidity with CEMEX and we may borrow from CEMEX to meet our own liquidity needs. Amounts that we invest or borrow under this liquidity management program are denominated in U.S. dollars. Certain of these amounts bear interest while others do not bear interest, and certain of these amounts are secured, while others are unsecured. In accordance with CEMEX's policy, all such transactions are entered into on an arm's length basis.

Other Financial Expenses, Net

Other financial expenses, net, comprises financial expense on employee benefit plans in connection with contributions to our pension plans, interest on investment with related parties in connection with CEMEX's liquidity management program, and financial income in connection with deposits and investments other than with related parties.

Income Tax Expense (Benefit)

Income tax expense (benefit) comprises current and deferred income taxes. For each of fiscal 2016, fiscal 2017 and fiscal 2018 and the nine-month periods ended September 30, 2018 and 2019, our statutory income tax rate was 30%. Our effective tax rate, based on our income tax expense divided by earnings before tax, was 28.5%, 17.5%, 2,377.8%, 756.9% and 25.7% for fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month periods ended September 30, 2018 and 2019, respectively.

In cases when our foreign subsidiaries pay dividends to us out of income that is not subject to income tax in the Philippines, the dividends that we receive are subject to income tax, which can materially impact our income tax expense. For example, in 2018, our income tax expenses of ₱971.0 million substantially relates to dividends received from our foreign subsidiaries.

Deferred income taxes result from temporary differences between our earnings for financial reporting purposes and our earnings for income tax purposes, which can give rise to deferred tax assets and deferred tax liabilities.

Deferred tax assets refer to temporary differences that are expected to be deductible in future periods with the effect, when the temporary differences are realized, of increasing our deferred income tax expense for a given period and decreasing our current income tax expense in such future periods. Our deferred tax assets primarily consist of balance sheet provisions, unrealized foreign exchange losses, net operating loss carryovers and asset valuation differences relating to the Company's purchase of its material subsidiaries in 2016.

Deferred tax liabilities refer to temporary differences that are expected to be taxable in future periods with the effect, when the temporary difference reverses, of decreasing our deferred income tax expense for a given period and increasing our current income tax expense in such future periods. Our deferred tax liabilities primarily consist of foreign exchange gains and asset valuation differences relating to the Company's purchase of its material subsidiaries in 2016.

Results of Operations

The following table summarizes our results of operations for each of fiscal 2016, fiscal 2017 and fiscal 2018 and our historical results of operations for the nine-month periods ended September 30, 2018 and 2019. These amounts have been derived from, and should be read in conjunction with, and are qualified in their entirety by reference to, our Audited Financial Statements and our Unaudited Interim Financial Statements included elsewhere in this Prospectus. Our Audited Financial Statements and our Unaudited Interim Financial Statements were prepared under PFRS. The following information presented as of and for the nine-month periods ended September 30, 2018 and 2019 was prepared on the basis of PFRS 16, which became effective on January 1, 2019. The following information presented for each of fiscal 2016, fiscal 2017 and fiscal 2018 has not been adjusted to give effect to PFRS 16. For this reason, financial information presented as of such dates and for such periods may not be comparable. See "—Impact of PFRS 16" and "Risk Factors—Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information."

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2016		2017		2018		2018		2019	
	(Audited)						(Unaudited)			
	(in millions of Philippine pesos, except for per share data and percentages of revenue)									
		% of Revenue		% of Revenue		% of Revenue		% of Revenue		% of Revenue
Revenue	24,286.8	100%	21,784.5	100%	23,417.7	100%	17,905.1	100%	18,223.5	100%
Cost of sales and services	(11,885.9)	(48.9%)	(12,400.9)	(56.9%)	(14,307.1)	(61.1%)	(10,632.4)	(59.4%)	(10,717.9)	(58.8%)
GROSS PROFIT	12,400.9	51.1%	9,383.5	43.1%	9,110.6	38.9%	7,272.8	40.6%	7,505.6	41.2%
TOTAL OPERATING EXPENSES	(7,455.2)	(30.7%)	(7,397.0)	(34.0%)	(7,744.1)	(33.1%)	(5,834.9)	(32.6%)	(5,420.9)	(29.7%)
OPERATING EARNINGS BEFORE OTHER INCOME (EXPENSES), NET	4,945.6	20.4%	1,986.6	9.1%	1,366.4	5.8%	1,437.9	8.0%	2,084.6	11.4%
Other income (expenses), net	(319.8)	(1.3%)	(226.2)	(1.0%)	(42.7)	(0.2%)	8.2	0.0%	32.2	0.2%
OPERATING EARNINGS	4,625.9	19.0%	1,760.4	8.1%	1,323.8	5.7%	1,446.1	8.1%	2,116.8	11.6%
Financial expenses	(1,236.0)	(5.1%)	(858.4)	(3.9%)	(919.9)	(3.9%)	(772.7)	(4.3%)	(1,026.4)	(5.6%)
Foreign exchange gain (loss)—net	(1,379.9)	(5.7%)	(66.7)	(0.3%)	(331.0)	(1.4%)	(545.7)	(3.0%)	127.9	0.7%
Other financial expenses—net	(32.7)	(0.1%)	(36.8)	(0.2%)	(32.1)	(0.1%)	(26.7)	(0.1%)	(40.9)	(0.2%)
EARNINGS BEFORE INCOME TAX	1,977.2	8.1%	798.4	3.7%	40.8	0.2%	101.0	0.6%	1,177.5	6.5%
Income tax expense	563.7	2.3%	139.5	0.6%	971.0	4.1%	764.4	4.3%	302.8	1.7%
NET INCOME (LOSS)	1,413.5	5.8%	658.8	3.0%	(930.2)	(4.0%)	(663.4)	(3.7%)	874.7	4.8%

Nine-month Period Ended September 30, 2019 Compared to Nine-month Period Ended September 30, 2018

Revenue. Revenue increased 1.8% from ₱17,905.1 million for the nine-month period ended September 30, 2018 to ₱18,223.5 million for the nine-month period ended September 30, 2019 due to a 5% increase in our average selling price for domestic gray cement as a result of price adjustments implemented in 2018. The increase in price was partially offset by a 3% decrease in the volume of cement sold in the nine-month period ended September 30, 2019, mainly reflecting a slowdown in construction activity related to the delayed approval of the 2019 Philippine national budget and the Philippine mid-term elections held in May 2019.

Cost of Sales and Services. Cost of sales and services increased 0.8% from ₱10,632.4 million for the nine-month period ended September 30, 2018 to ₱10,717.9 million for the nine-month period ended September 30, 2019, primarily due to higher costs for raw materials and increased volumes of purchased clinker and cement mainly due to the scheduled kiln shut-down at our Solid Cement plant in January 2019. Cost of sales as a percentage of revenue remained at 59% for the nine-month periods ended September 30, 2019 and September 30, 2018.

Gross Profit. As a result of the foregoing, gross profit increased 3.2% from ₱7,272.8 million for the nine-month period ended September 30, 2018 to ₱7,505.6 million for the nine-month period ended September 30, 2019.

Total Operating Expenses. Total operating expenses decreased 7.1% from ₱5,834.9 million for the nine-month period ended September 30, 2018 to ₱5,420.9 million for the nine-month period ended September 30, 2019.

Distribution expenses decreased 14.5% from ₱3,640.0 million for the nine-month period ended September 30, 2018 to ₱3,113.9 million for the nine-month period ended September 30, 2019 primarily resulting from lower double-handling costs and supply-chain-optimization initiatives to improve turnaround time and cost efficiency. Administrative and selling expenses increased 5.1% from ₱2,194.9 million for the nine-month period ended September 30, 2018 to ₱2,307.0 million for the nine-month period ended September 30, 2019. As a percentage of revenue, Administrative and selling expenses were 0.4 percentage points higher for the nine-month period ended September 30, 2019 compared to the same period in 2018 due to higher salaries and wages, outsourcing fees related to our customer service center and tax provisions.

Operating Earnings Before Other Income (Expenses), Net. As a result of the foregoing, operating earnings before other income (expenses), net increased 45.0% from ₱1,437.9 million for the nine-month period ended September 30, 2018 to ₱2,084.6 million for the nine-month period ended September 30, 2019.

Operating Earnings. As a result of the foregoing and other income, net of ₱8.2 million for the nine-month period ended September 30, 2018 and other income, net of ₱32.2 million for the nine-month period ended September 30, 2019 operating earnings increased 46.4% from ₱1,446.1 million for the nine-month period ended September 30, 2018 to ₱2,116.8 million for the nine-month period ended September 30, 2019.

Financial Expenses. Financial expenses increased 32.8% from ₱772.7 million for the nine-month period ended September 30, 2018 to ₱1,026.4 million for the nine-month period ended September 30, 2019 primarily due to higher benchmark interest rates and increased borrowings from related parties pursuant to the Solid Expansion Facility Agreement.

Foreign Exchange Gain (Loss)—Net. Net foreign exchange loss was ₱545.7 million for the nine-month period ended September 30, 2018 compared to a net foreign exchange gain of ₱127.9 million for the nine-month period ended September 30, 2019 primarily due to the appreciation in the value of the Philippine peso against the U.S. dollar for the nine-month period ended September 30, 2019 compared with the nine-month period ended September 30, 2018, resulting in foreign exchange gains in connection with our U.S. dollar-denominated transactions.

Earnings before income tax. As a result of the foregoing, earnings before income tax significantly increased from ₱101.0 million for the nine-month period ended September 30, 2018 to ₱1,177.5 million for the nine-month period ended September 30, 2019.

Net Income (loss). As a result of the foregoing and a significant decrease in income tax expense of 60.4% from ₱764.4 million for the nine-month period ended September 30, 2018 to ₱302.8 million for the nine-month period ended September 30, 2019, net income was ₱874.7 million for the nine-month period ended September 30, 2019 compared to a net loss of ₱663.4 million for the nine-month period ended September 30, 2018.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue. Revenue increased 7.5% from ₱21,784.5 million for fiscal 2017 to ₱23,417.7 million for fiscal 2018 primarily due to a 6.8% increase in the volume of cement sold resulting from debottlenecking initiatives to increase production and supply chain throughput by approximately 500,000 tonnes, in addition to increased construction activity in both the public and private sectors, and a 0.9% increase in our average selling price for cement, reflecting pricing adjustments to account for higher input costs particularly following the Landslide in September 2018.

Cost of Sales and Services. Cost of sales and services increased 15.4% from ₱12,400.9 million for fiscal 2017 compared to ₱14,307.1 million for fiscal 2018 primarily due to increased raw materials costs resulting from the September 2018 Landslide and higher fuel and power costs, resulting from higher global fuel prices and the impact of tax reform in the Philippines. Power and fuel costs accounted for 21.4% and 22.0%, respectively, of our cost of sales and services for fiscal 2017 and 21.3% of our cost of sales and services with respect to each of power and fuel costs for fiscal 2018.

Gross Profit. As a result of the foregoing, gross profit decreased 2.9% from ₱9,383.5 million for fiscal 2017 compared to ₱9,110.6 million for fiscal 2018.

Total Operating Expenses. Total operating expenses increased 4.7% from ₱7,397.0 million for fiscal 2017 compared to ₱7,744.1 million for fiscal 2018. Distribution expenses increased 9.7% from ₱4,317.6 million for fiscal 2017 compared to ₱4,735.3 million for fiscal 2018, due to higher costs for fuel and other inputs which were partially mitigated by initiatives to increase operational efficiency. Administrative and selling expenses decreased 2.3% from ₱3,079.3 million for fiscal 2017 to ₱3,008.8 million for fiscal 2018 primarily resulting from efforts to optimize costs and lower marketing expenses.

Operating Earnings Before Other Income, Net. As a result of the foregoing, operating earnings before other income, net decreased 31.2% from ₱1,986.6 million for fiscal 2017 compared to ₱1,366.4 million for fiscal 2018.

Operating Earnings. As a result of the foregoing and other expenses, net of ₱226.2 million in fiscal 2017 and other expenses, net of ₱42.7 million in fiscal 2018 (which primarily relates to non-recurring expenses incurred in connection with the Landslide), operating earnings decreased 24.8% from ₱1,760.4 million for fiscal 2017 compared to ₱1,323.8 million for fiscal 2018.

Financial Expenses. Financial expenses increased 7.2% from ₱858.4 million for fiscal 2017 compared to ₱919.9 million for fiscal 2018 primarily due to increased borrowings from related parties pursuant to the Solid Expansion Facility Agreement.

Foreign Exchange Loss—Net. Foreign exchange loss—net significantly increased from ₱66.7 million for fiscal 2017 compared to ₱331.0 million for fiscal 2018 primarily due to depreciation of the Philippine peso against the U.S. dollar.

Earnings before income tax. As a result of the foregoing and other financial expenses—net of ₱32.1 million in fiscal 2018, earnings before income tax decreased 94.9% from ₱798.4 million for fiscal 2017 compared to ₱40.8 million for fiscal 2018.

Net Income (Loss). As a result of the foregoing and income tax expense of ₱139.5 million for fiscal 2017 that significantly increased to ₱971.0 million for fiscal 2018, primarily due to dividends received from our foreign subsidiaries, we incurred a net loss of ₱930.2 million for fiscal 2018, compared with a net income of ₱658.8 million for fiscal 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue. Revenue decreased 10.3% from ₱24,286.8 million for fiscal 2016 to ₱21,784.5 million for fiscal 2017 primarily due to a 10.1% decrease in our average selling price for cement resulting from price reductions during the first seven months of the year due to heightened competitive conditions partially offset by a 0.5% increase in the volume of cement sold as public infrastructure spending compensated for a slowdown in private construction activity.

Cost of Sales and Services. Cost of sales and services increased 4.3% from ₱11,885.9 million for fiscal 2016 compared to ₱12,400.9 million for fiscal 2017 primarily due to higher fuel prices. Power and fuel costs accounted for 21.9% and 15.8%, respectively, of our cost of sales and services for the fiscal 2016 and 21.4% and 22.0%, respectively, of our cost of sales and services for fiscal 2017.

Gross Profit. As a result of the foregoing, gross profit decreased 24.3% from ₱12,400.9 million for fiscal 2016 compared to ₱9,383.5 million for fiscal 2017.

Total Operating Expenses. Total operating expenses decreased 0.8% from ₱7,455.2 million for fiscal 2016 compared to ₱7,397.0 million for fiscal 2017. Distribution expenses increased 9.0% from ₱3,961.6 million for fiscal 2016 compared to ₱4,317.6 million for fiscal 2017 primarily resulting from higher fuel costs and lower economies of scale in fleet utilization. Administrative and selling expenses decreased 11.9% from ₱3,493.6 million for fiscal 2016 to ₱3,079.3 million for fiscal 2017, primarily resulting from higher expenses related to organizational realignment initiatives involving Falcon in 2016.

Operating Earnings Before Other Income (Expenses), Net. As a result of the foregoing, operating earnings before other income (expenses), net decreased 59.8% from ₱4,945.6 million for fiscal 2016 compared to ₱1,986.6 million for fiscal 2017.

Operating Earnings. As a result of the foregoing and other expenses, net of ₱319.8 million in fiscal 2016 and other expenses, net of ₱226.2 million for fiscal 2017 primarily relating to impairment loss on property, machinery and equipment and reorganization expenses, operating earnings decreased 61.9% from ₱4,625.9 million for fiscal 2016 compared to ₱1,760.4 million for fiscal 2017.

Financial Expenses. Financial expenses decreased 30.6% from ₱1,236.0 million for fiscal 2016 compared to ₱858.4 million for fiscal 2017 primarily due to the refinancing of our long-term loan from New Sunward Holding B.V., a subsidiary of CEMEX with the BDO Facility, which incurs interest at a lower rate.

Foreign Exchange loss. Foreign exchange loss decreased 95.2% from ₱1,379.9 million for fiscal 2016 compared to ₱66.7 million, for fiscal 2017 primarily due to the refinancing of our long-term loan from New Sunward Holding B.V., a subsidiary of CEMEX, which was denominated in U.S. dollars, with the BDO Facility dominated in Philippine pesos, in addition to reduced foreign currency fluctuations.

Earnings Before Income Tax. As a result of the foregoing and other financial expenses – net of ₱36.8 million in fiscal 2017, earnings before income tax decreased 59.6% from ₱1,977.2 million for fiscal 2016 compared to ₱798.4 million for fiscal 2017.

Net Income. As a result of the foregoing and income tax expense of ₱563.7 million for fiscal 2016 and ₱139.5 million for fiscal 2017, net income decreased 53.4% from ₱1,413.5 million in fiscal 2016 compared to ₱658.8 million in fiscal 2017.

Liquidity and Capital Resources

Operating Activities

We have satisfied our operating liquidity needs primarily through our operations and expect to continue to do so for both the short and long-term. Although cash flow from our operations has historically met our overall liquidity needs for operations, servicing debt and funding capital expenditures, our operations are exposed to risks from changes in price, interest rates, inflation, governmental spending, social instability and other political, economic and/or social developments in Philippines, any one of which may materially impact our net income and cash from operations. Consequently, in order to meet our liquidity needs, we also rely on cost-cutting and operating improvements to optimize capacity utilization and maximize profitability, as well as borrowing under credit facilities, proceeds of debt and proceeds from asset sales. Our net cash flow provided by operating activities was ₱3,747.8 million for fiscal 2016, ₱2,117.8 million for fiscal 2017 and ₱1,925.0 million for fiscal 2018 and our net cash flow provided by operating activities was ₱2,330.7 million and ₱2,595.9 million for the nine-month periods ended September 30, 2018 and 2019, respectively. Our management is of the opinion that working capital is sufficient for our present requirements.

Together with CEMEX companies, we participate in a liquidity management program pursuant to which we invest excess liquidity with CEMEX and have the flexibility to borrow from CEMEX to meet our own liquidity needs. Amounts that we invest or borrow under this liquidity management program are denominated in U.S. dollars. Certain of these amounts bear interest while others do not bear interest, and certain of these amounts are secured, while others are unsecured.

Sources and Uses of Cash

Our primary sources and uses of cash for fiscal 2016, fiscal 2017 and fiscal 2018 and the nine-month periods ended September 30, 2018 and 2019 are set forth in the following table. The following information presented as of and for the nine-month periods ended September 30, 2018 and 2019 was prepared on the basis of PFRS 16, which became effective on January 1, 2019. The following information presented as of and for the years ended December 31, 2016, 2017 and 2018 has not been adjusted to give effect to PFRS 16. For this reason, financial information presented as of such dates and for such periods may not be comparable. See "—Impact of PFRS 16" and "Risk Factors—Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information."

	As of and for the Year Ended December 31,			As of and for the Nine Months Ended September 30,	
	2016	2017	2018	2018	2019
	(Audited)			(Unaudited)	
	(in millions of Philippine pesos, except for per share data)				
STATEMENT OF CASH FLOWS INFORMATION					
Net cash provided by (used in) operating activities	3,747.8	2,117.8	1,925.0	2,330.7	2,595.9
Net cash provided by (used in) investing activities	(42,850.7)	(1,529.3)	(3,335.6)	(749.7)	(1,869.2)
Net cash provided by (used in) financing activities	40,466.4	(882.1)	2,139.0	(194.9)	68.6
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,363.5	(293.5)	728.4	1,386.1	795.3
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(31.3)	14.7	27.0	73.0	(17.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	4.9	1,337.2	1,058.3	1,058.3	1,813.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	1,337.2	1,058.3	1,813.7	2,517.3	2,591.8

Nine-month Period Ended September 30, 2019 as Compared to Nine-month Period Ended September 30, 2018.

For the nine-month period ended September 30, 2019, cash and cash equivalents increased ₱778.1 million, net of foreign currency effects, as compared to fiscal 2018, while for the nine-month period ended September 30, 2018, cash and cash equivalents increased ₱1,459.1 million, net of foreign currency effects, as compared to fiscal 2017.

For the nine-month period ended September 30, 2019, our net cash flows provided by operating activities were ₱2,595.9 million, primarily comprising of operating profit before working capital changes amounting to ₱3,491.6 million, while for the nine-month period ended September 30, 2018 our net cash flows provided by operating activities were ₱2,330.7 million, primarily comprising of operating profit before working capital changes amounting to ₱2,633.5 million.

For the nine-month period ended September 30, 2019, our net cash flows used in investing activities were ₱1,869.2 million, resulting from investments in property, machinery and equipment amounting to ₱1,809.0 million and cash invested in other assets and noncurrent accounts receivable amounting to ₱69.6 million less cash received from the sale of property, machinery and equipment amounting to ₱9.4 million, while for the nine-month period ended September 30, 2018, our net cash flows used in investing activities were ₱749.7 million, resulting from investments in property, machinery and equipment and investment in shares of stock amounting to ₱808.3 million and cash invested in other assets and noncurrent accounts receivable amounting to ₱32.3 million less cash received from the sale of assets held for sale amounting to ₱90.9 million.

For the nine-month period ended September 30, 2019, our net cash flows provided by financing activities were ₱68.6 million, resulting from proceeds from loan from related parties amounting to ₱2,157.0 million less payments of bank loan and lease liabilities amounting to ₱1,805.1 million and ₱283.3 million, respectively, while for the nine-month period ended September 30, 2018, our net cash flows used in financing activities were ₱194.9 million, resulting from proceeds from loan from related parties amounting to ₱152.1 million less payments of bank loan and lease liabilities amounting to ₱105.1 million and ₱242.0 million, respectively.

Fiscal 2018. For fiscal 2018, there was an increase in our consolidated cash and cash equivalents of ₱755.4 million, net of foreign currency effects, as compared to fiscal 2017.

For fiscal 2018, our net cash flows provided by operating activities were ₱1,925.0 million, primarily comprising of net loss of ₱930.2 million, plus adjustments for non-cash items of ₱3,566.5 million and cash provided by working capital of ₱525.6 million, minus interest paid, net, taxes paid and benefits paid to employees of ₱1,237.0 million.

For fiscal 2018, our net cash flows used in investing activities were ₱3,335.6 million, resulting from advances to contractors of ₱2,069.6 million in connection with the expansion of the Solid Cement plant, investments in property, machinery and equipment of ₱1,254.5 million and cash invested in other assets and noncurrent accounts receivable of ₱101.5 million, less cash received from the sale of assets held for sale of ₱73.1 million and sales of shares of stock of ₱17.8 million.

For fiscal 2018, our net cash flows provided by financing activities were ₱2,139.0 million, resulting from proceeds from related parties loans of ₱2,279.1 million in connection with our drawdown under the Solid Expansion Facility Agreement, partially offset by repayment of bank loan under the BDO Facility of ₱140.1 million.

Fiscal 2017. For fiscal 2017, cash and cash equivalents decreased ₱278.9 million, net of foreign currency effects, as compared to fiscal 2016.

For fiscal 2017, our net cash flows provided by operating activities were ₱2,117.8 million, primarily comprising of net income of ₱658.8 million, plus adjustments for non-cash items of ₱2,856.0 million and cash provided by working capital of ₱35.7 million, minus interest paid, net, taxes paid and benefits paid to employees of ₱1,432.7 million.

For fiscal 2017, our net cash flows used in investing activities were ₱1,529.3 million, resulting from investments in property, machinery and equipment of ₱1,148.2 million, cash invested in other assets and non-current accounts receivable of ₱396.2 million and investments in shares of stock of ₱0.1 million, less cash received from the sale of property, machinery and equipment of ₱15.3 million.

For fiscal 2017, our net cash flows used in financing activities were ₱882.1 million, resulting from payment of long-term payable to a related party of ₱15,458.5 million in connection with our repayment under our long-term loan from New Sunward Holding B.V. and payment of bank loan of ₱105.1 million in connection with our partial repayment of the principal under the BDO Facility, partially offset by bank loan drawdown (net of transaction cost) of ₱13,831.6 million in connection with our drawdown under the same revolving loan facility and long-term loan from related parties (net of transaction cost) of ₱849.9 million in connection with our drawdown under the Solid Expansion Facility Agreement.

Fiscal 2016. For fiscal 2016, cash and cash equivalents increased ₱1,332.2 million, net of foreign currency effects, as compared to fiscal 2015.

For fiscal 2016, our net cash flows provided by operating activities were ₱3,747.8 million, primarily comprising of net income of ₱1,413.5 million, plus adjustments for non-cash items of ₱4,078.0 million, and cash invested in working capital of ₱164.7 million, minus interest paid, net, taxes paid and benefits paid to employees of ₱1,578.9 million.

For fiscal 2016, our net cash flows used in investing activities were ₱42,850.7 million, primarily comprising acquisition of subsidiaries, net of cash acquired in connection with our acquisition of our subsidiaries of ₱44,137.5 million, additions to property, machinery and equipment of ₱722.2 million, partially offset by proceeds from the sale of investments in shares of stock of ₱1,476.1 million, proceeds from the sale of investment property of ₱508.2 million in connection with our sale of land and other cash proceeds of ₱24.8 million.

For fiscal 2016, our net cash flows provided by financing activities were ₱40,466.4 million, comprising proceeds from long-term loan from related parties (net of transaction cost) of ₱40,760.7 million in connection with our drawdown under our long-term loan from New Sunward Holding B.V. and proceeds from issuance of common stock (net of transaction cost) of ₱27,145.2 million in connection with our initial public offering, partially offset by payment of a long-term payable to related parties of ₱27,439.4 million in connection with our repayment under our long-term loan from New Sunward Holding B.V.

Capital Expenditures

Our capital expenditures include expenditures for property, machinery and equipment and construction in progress, and comprise expansion capital expenditures, which expand our installed annual capacity, and maintenance capital expenditures, which do not expand our installed annual capacity.

For fiscal 2016, fiscal 2017 and fiscal 2018, and for the nine-month period ended September 30, 2019, the details of our capital expenditures for the periods indicated were as follows:

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2016	2017	2018	2019
		(Audited) (in millions of Philippine pesos)		(Unaudited)
Properties	85.4	62.0	88.0	32.0
Machinery and equipment	316.1	516.9	364.7	201.7
Construction in progress	928.7	750.1	965.0	2,192.7
Total capital expenditures	1,330.2	1,329.0	1,417.7	2,426.4

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2016	2017	2018	2019
		(Audited) (in millions of Philippine pesos)		(Unaudited)
Expansion capital expenditures (including capitalized borrowing costs)				
APO Cement plant expansion	45.6	289.6	25.0	—
Solid Cement plant expansion	750.6	195.0	248.0	2,030.0
Others	—	—	—	10.2
Total Expansion capital expenditures	796.2	484.6	273.0	2,040.2
Maintenance capital expenditures	534.1	844.4	1,144.7	386.2
Total capital expenditures	1,330.2	1,329.0	1,417.7	2,426.4

Indebtedness and other accounts payable

Indebtedness and other accounts payable to Related Parties

As of December 31, 2016, we had ₱17,401.4 million of total payables to related parties, of which ₱1,482.1 million were short-term and ₱15,919.3 million were long-term. As of December 31, 2017, we had ₱3,347.0 million of total payables to related parties, of which ₱2,273.4 million were short-term and ₱1,073.6 million were long-term. As of December 31, 2018, we had ₱5,204.0 million of total payables to related parties, of which ₱2,683.1 million were short term and ₱2,520.9 million were long-term. As of September 30, 2019, we had ₱7,729.0 million of total payable to related parties, of which ₱2,926.6 million were short-term and ₱4,802.4 million were long-term.

The following table sets forth certain details of our payables to related parties as of the dates specified.

	As of December 31,			As of September 30,
	2016	2017	2018	2019
	(Audited) (in millions of Philippine pesos)			(Unaudited)
Payable—current				
CEMEX, S.A.B. de C.V.(1)	—	6.9	26.3	30.9
CEMEX Asia(2)	0.4	215.2	1,074.1	1,225.5
Transenergy, Inc.(3)	533.5	1,066.2	674.7	458.4
CEMEX Construction Materials South, LLC(4)	573.8	567.1	599.9	—
ALQC(5)	28.7	28.9	25.6	102.2
CEMEX Operaciones(6)	—	—	—	404.1
CEMEX Central(6)	—	114.7	198.1	—
CEMEX Research Group, AG(7)	6.9	210.0	—	199.7
Sunbulk Shipping Limited(8)	—	—	37.8	44.8
IQAC(9)	221.4	36.6	17.4	26.8
CEMEX Asia Pte. Ltd.—Philippine Headquarters(10)	105.4	8.3	15.5	—
CEMEX Mexico, S.A. de C.V.(11)	—	9.4	9.8	426.4
Torino Re.(12)	—	—	—	3.9
Beijing CXP Import & Export Co.(13)	0.7	10.1	2.8	3.3
CEMEX Internacional, S.A. de C.V.(14)	—	—	0.7	0.7
CEMEX Strategic Philippines, Inc.(15)	11.0	—	—	—
Others	0.3	—	0.3	—
Payable—non current				
New Sunward Holding B.V.(16)	14,557.5	—	—	—
CEMEX Asia(2)	1,361.9	1,073.6	2,520.9	4,802.4
Total Amounts payable to related parties	17,401.4	3,347.0	5,204.0	7,729.0

Notes:

(1) On January 1, 2016, CEMEX Asia Research entered into an agreement with CEMEX, S.A.B. de C.V. for the right to use of its "marks" and to further license the "marks" with other CEMEX group companies operating in the Asia territory. The balance includes: (a) payable amounting to ₱26.3 million and ₱30.9 million as at December 31, 2018 and September 30, 2019, respectively, for the use of CEMEX "marks" which is payable in 30 days after receipt of invoice and is unsecured and noninterest-bearing.

(2) The balance includes (a) interest on short-term loan amounting to ₱0.4 million and ₱137.7 million, as at December 31, 2018 and September 30, 2019, respectively; (b) the short-term Operational Facility amounting to ₱1,073.6 million which bears 7.68% interest per annum, as at December 31, 2018 and September 30, 2019; and (c) other amounts equal to ₱14.2 million as at September 30, 2019. The long-term loan, which currently bears 9.20% interest per annum, pertains to the revolving facility agreement dated November 21, 2018 between Solid Cement and CEMEX Asia, allowing Solid Cement to withdraw in one or several installments a sum of up to US$75.0 million, which was amended on February 2019, increasing the facility to US$100.0 million. The interest rate of the long-term loan is being revalued semi-annually depending on the Company's financial ratios. The foregoing loans are unsecured. The loan of Solid Cement with CEMEX Asia is due to be paid in 2024. The loan of APO Cement with CEMEX Asia is due to be paid in 2020.

(3) The balance pertains to purchase of coal with a term of 30 days, noninterest-bearing and unsecured.

(4) The balance, which is unsecured, noninterest-bearing and due on demand, pertains to the purchase of equipment for the expansion of Solid Cement plant.

(5) The balance includes purchase of raw materials which is payable upon delivery amounting to ₱25.5 million and ₱101.5 million as at December 31, 2018 and September 30, 2019, respectively. These transactions are unsecured and are noninterest-bearing. APO Cement purchases the majority of its limestone, pozzolan and clay requirements from ALQC pursuant to a long-term supply agreement.

(6) In 2009, Solid Cement and APO Cement entered into separate service agreements with CEMEX Asia Pte. Ltd.—Philippine Headquarters, whereby the latter through CEMEX Asia Pte. Ltd.—Philippine Headquarters shall provide to Solid Cement and APO Cement 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, CEMEX Asia Pte. Ltd.—Philippine Headquarters also arranged for certain services to be performed by CEMEX Central and, accordingly, CEMEX Asia Pte. Ltd.—

Philippine Headquarters collected from each of Solid Cement and APO Cement as reimbursement of the fees billed by CEMEX Central for services rendered. In 2017, the arrangement between CEMEX Asia Pte. Ltd.—Philippine Headquarters and CEMEX Central was changed resulting in Solid Cement and APO Cement 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 through the service agreements with CEMEX Asia Pte. Ltd.—Philippine Headquarters. Effective August 1, 2019, CEMEX Central has merged into CEMEX Operaciones. In that regard, the payable balance amounted to ₱198.1 million and ₱404.1 million as at December 31, 2018 and September 30, 2019, respectively.

(7) The balance pertains to unpaid royalties/license fees which is unsecured, noninterest- bearing and due on demand.

(8) The balance, which is unimpaired, unsecured and noninterest-bearing with a 30-day term, pertains to international freight services.

(9) The balance includes (a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to ₱15.0 million and ₱26.8 million as at December 31, 2018 and September 30, 2019, respectively; and (b) collections from housing loan owned by IQAC amounting to ₱2.4 million as of December 31, 2018, which is unsecured, noninterest-bearing and due on demand. Solid Cement purchases the majority of its limestone, pozzolan and clay requirements from IQAC pursuant to a long-term supply agreement.

(10) The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes overpayment on transferred pension liabilities amounting to ₱15.5 million and nil as at December 31, 2018 and September 30, 2019, respectively.

(11) The balance, which is unsecured, noninterest-bearing and due on demand, pertains to purchase of equipment from CEMEX Mexico, S.A. de C.V.

(12) The balance, which is unimpaired, unsecured, noninterest-bearing pertains to insurance premiums.

(13) The balance pertains to the outstanding liability for the purchases of materials and spare parts, which is unsecured, noninterest-bearing and due on demand.

(14) The balance pertains to purchase of other production supplies including additives, fuel and others with a 30-day term as at December 31, 2018 which is unsecured and noninterest-bearing.

(15) The previous balance pertained to corporate services and administrative services rendered to us which has a term of 30 days, noninterest-bearing and is unsecured.

(16) The balance pertains to the Solid Expansion Facility Agreement. The loan had interest of 7.535% per annum and payable in four annual installments starting March 2020 until March 2023. The Company refinanced the loan in 2017.

Indebtedness to Third Parties

We maintain a multi-purpose promissory note line with BDO amounting to ₱450.0 million for each of Solid Cement and APO Cement. We have also entered into the BDO Facility, which is a senior unsecured peso term loan facility from BDO for a principal amount of up to the Philippine peso equivalent of US$280 million. As of December 31, 2016, 2017 and 2018, and September 30, 2019, the total amount outstanding under these facilities was nil, ₱13,907 million, ₱13,767 million, and ₱11,962 million, respectively.

Trend Information

Other than as disclosed elsewhere in this Prospectus, we are not aware of any trends, uncertainties, demands, commitments or events for fiscal 2018 or the nine-month period ended September 30, 2019 that are reasonably likely to have a material and adverse effect on our revenue, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a material effect on our financial condition, operating results and liquidity or capital resources.

Qualitative and Quantitative Market Disclosure

Interest Rate Risk, Commodity Price Risk, Foreign Currency Risk, Credit Risk and Liquidity Risk

Our management has overall responsibility for the development, implementation and monitoring of the conceptual framework and policies for an effective risk management.

Our risk management policies are intended to: (a) identify and analyze the risks we face; (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 our activities. By means of our policies and procedures for risk management, we aim to develop a disciplined and constructive control environment where all of our employees understand their roles and obligations.

Interest Rate Risk. We are currently exposed to interest rate risk primarily in connection with the floating interest rate tranche of the BDO Facility, which bears interest equivalent to market rates plus a spread; short-term investments in Lomez, which bear interest at a rate equivalent to the higher of the WAILRF rate minus 10 basis points and zero; and long-term loan payable to CEMEX Asia, which bears interest at a fixed rate to be revalued semi-annually based on our financial ratios. See "Risk Factors—Risks Relating to our Business—Our business, prospects, financial condition and results of operations could be affected by fluctuations in interest rates."

Commodity Price Risk. In the ordinary course of business, we are exposed to commodity price risk, including the exposure to diesel fuel and bunker prices and variations in prices of the underlying commodity. We have established specific policies to hedge with the objective of fixing diesel fuel prices. In 2019, we purchased an option contract to hedge the price of diesel fuel and, in 2018, we entered into a fixed-price contract for the supply of bunker. We also have hedged our exposure to coal prices in certain years and most recently entered into an arrangement in 2017 to hedge our exposure to the price of coal.

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. Our exposure to the risk of changes in foreign exchange rates relates 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. Our revenue and costs are generated and settled mainly in Philippine peso. For fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019, less than 5% of our revenue, were generated in U.S. dollars.

We are exposed to U.S. dollar-denominated financial obligations and a majority of our revenues are generated in Philippine pesos. Our only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As of September 30, 2019, we do not have any derivative financing hedging strategy in place to address this foreign currency risk.

Foreign exchange fluctuations occur when we incur monetary assets and liabilities in a currency different from our functional currency. These translation gains and losses are recognized in our consolidated statements of comprehensive income.

The following table presents a summary of the quantitative information on our exposure to foreign currencies that has been provided to our management on the basis of our risk management policy as of December 31, 2016, 2017 and 2018 and September 30, 2019. The following information presented as of September 30, 2019 was prepared on the basis of PFRS 16, which became effective on January 1, 2019. The following information presented as of December 31, 2016, 2017 and 2018 has not been adjusted to give effect to PFRS 16. For this reason, financial information presented as of such dates may not be comparable, particularly with respect to lease liabilities, which are directly impacted by PFRS 16. See "—Impact of PFRS 16" and "Risk Factors—Our adoption of PFRS 16 has resulted in significant changes to the presentation of our financial information."

	As of December 31,			As of September 30,
	2016	2017	2018	2019
		(Audited)		(Unaudited)
	(in millions of U.S. dollars)			
Cash and cash equivalents	2.3	9.9	10.0	9.8
Due from related parties	0.3	0.4	0.5	—
Trade payables[(1)]	(28.6)	(5.4)	(32.8)	(8.0)
Due to related parties	(342.6)	(43.8)	(77.7)	(122.0)
Lease liabilities	—	—	—	(16.8)
Net liabilities denominated in foreign currency	(368.6)	(38.9)	(100.0)	(137.0)

Notes

(1) Includes trade payables denominated in Euros of €8.5 million, €0.3 million, €1.7 million and €1.1 million as of December 31, 2016, 2017, 2018 and September 30, 2019, respectively.

For the management of foreign currency risks, we intend to reduce the impact of short-term fluctuations in our profits. Please refer to note 21 of our Audited Financial Statements and note 13 of our Unaudited Interim Financial Statements for discussion of the sensitivity of our earnings before income tax and equity to certain foreign currency fluctuations.

Credit Risk. Credit risk is the risk of financial loss we face if a customer or counterpart of a financial instrument does not meet its contractual obligations. Our credit risk originates mainly from trade accounts receivable. As of September 30, 2019, 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 constantly monitored according to the behavior of payment of our debtors. Credit is assigned on a customer-by-customer basis and is subject to assessments that consider the customers' payment capacity, as well as past behavior regarding due dates, balances past due and delinquent accounts. In cases deemed necessary, management requires guarantees from our customers and financial counterparties with regard to financial assets.

Our 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 purchase limits are established for each client, which represent the maximum purchase amount that requires different levels of approval. Customers who do not meet the solvency requirements imposed by us can only carry out transactions with us by paying cash in advance.

The aging of trade receivables, gross of allowance for impairment losses, as of September 30, 2019 was as follows:

	As of September 30, 2019
	(Unaudited) (in millions of Philippine pesos)
Current	908.3
Past due less than 60 days	95.6
Past due more than 60 days	87.2

Considering our best estimates of potential losses based on an analysis of aging and considering management's recovery efforts, our allowance for impairment losses as of December 31, 2016, 2017 and 2018 amounted to ₱10.6 million, ₱36.1 million and ₱24.1 million, respectively, and our allowance for impairment losses as of September 30, 2019 was ₱38.6 million.

Financial assets are classified either as high grade quality or standard quality. High grade quality financial assets are those assessed as having minimal credit risk. Trade and other accounts receivable that are neither past due nor impaired are of high grade quality. Other financial assets are classified as 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 quality of financial assets that were neither past due nor impaired are determined as follows:

- Cash in banks, cash equivalents and long-term time deposits are based on the credit standing or rating of the counterparty.
- Total receivables, amounts due from related parties and long-term loan receivable are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment.

Current trade receivables was ₱774.3 million as of December 31, 2016, ₱638.8 million as of December 31, 2017 and ₱630.1 million as of December 31, 2018. As of September 30, 2019, trade receivables increased to ₱908.3 million.

Liquidity risk. Liquidity risk is the risk that we will not have sufficient funds available to meet our obligations. We have fulfilled our operational liquidity needs primarily through our own operations and expect to continue to do so for both the short and long-term liabilities. Cash flow from our operations has historically covered our overall liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions. In order to meet our liquidity needs, we also rely on cost-control and operating improvements to optimize capacity utilization and maximize profitability. Our consolidated net cash flows provided by operating activities, as presented in our consolidated statements of cash flows, were ₱3,747.8 million, ₱2,117.8 million and ₱1,925.0 million for fiscal 2016, fiscal 2017 and fiscal 2018, respectively, and ₱2,595.9 million for the nine-month period ended September 30, 2019. Our 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 90 days' period generally. See "Risk Factors—Risks Relating to our Business—Any lack of liquidity may have an adverse effect on our operations"

As of September 30, 2019, we had material contractual obligations, including estimated interest payments and excluding the impact of netting agreements as set forth in the table below.

	Due in less than 1 year	**Due in 1-5 years**	**Due in more than 5 years**
	(in millions of Philippine pesos) (Unaudited)		
Trade payables	4,128.7	—	—
Unearned income, other accounts payable and accrued expenses(1)	1,069.5	—	—
Due to related parties	3,641.3	6,867.8	—
Bank loans	963.8	13,242.2	—
Lease liabilities	811.5	1,013.9	3,549.4
Total	10,614.8	21,123.9	3,549.4

Note:

(1) Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to ₱406.7 million.

Capital management

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

The Company's President has overall responsibility for the monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes to our external environment and the risks underlying our business operations and industry. Our capital is defined as "Stockholders' Equity" as shown in the statements of financial position of the Audited Financial Statements and Unaudited Interim Financial Statements included elsewhere in this Prospectus.

Divestitures

In fiscal 2016, fiscal 2017 and fiscal 2018, we sold assets for ₱1,985.3 million, ₱15.3 million and ₱90.9 million, respectively, primarily comprising non-core businesses and machinery and equipment. The significant divestitures in fiscal 2016 primarily comprised sales of securities in connection with our initial public offering. During the nine-month period ended September 30, 2019, we sold assets for ₱9.4 million.

CEMEX's Facilities Agreement Limitations Affecting Us

We are prohibited by the Framework Agreement from taking any actions that could reasonably result in CEMEX, S.A.B. de C.V. being in breach of, or in default under, any contract or agreement, including the Facilities Agreement. The Facilities Agreement contains certain covenants that limit CEMEX, S.A.B. de C.V.'s ability to permit us to take certain actions, including, but not limited to, the following (subject to certain limited exceptions):

Negative Pledge. We are limited in our ability to create liens, except for the following (among others):

- liens on our Common Shares created by virtue of such shares being held on trust for the holders of the convertible securities pending exercise of any conversion option related to executive compensation plans, where such lien is customary for such transaction;
- liens created over our assets in connection with indebtedness incurred for the purposes of financing certain (i) capital expenditures, (ii) joint venture investments and (iii) acquisitions by us or our subsidiaries, in an amount not to exceed the amount of such capital expenditure, joint venture investment or acquisition being incurred (provided that the aggregate amount incurred by us or our subsidiaries may not exceed US$500.0 million (or its equivalent) at any time);
- liens for taxes, assessments and other governmental charges the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by accounting principles applicable to CEMEX, S.A.B. de C.V. shall have been made;
- liens created pursuant to or in connection with any netting or set-off arrangements entered into in the ordinary course of trading (including any cash pooling or cash management arrangements in place with a bank or financial institution that constitute indebtedness permitted to be incurred under the Facilities Agreement);
- statutory liens of landlords and liens of carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by accounting principles applicable to CEMEX, S.A.B. de C.V. shall have been made;
- liens incurred or deposits made in the ordinary course of business in connection with (1) workers' compensation, unemployment insurance and other types of social security, or (2) other insurance maintained in accordance with the Facilities Agreement;
- attachment or judgment liens, unless the judgment it secures shall not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;
- liens granted in connection with or arising out of a lease, provided that such lien is over the right to use the asset or equipment that is the subject of the lease pursuant to the terms of the lease, or the rights of a member of the CEMEX group over the asset or equipment which is the subject of the lease; and
- certain liens in existence on June 30, 2017.

Financial Indebtedness. We are limited in our ability to incur indebtedness, except for the following indebtedness (among others):

- indebtedness incurred by us and our subsidiaries for the purposes of financing certain capital expenditures, joint venture investments and acquisitions by us and our subsidiaries in an amount not to exceed the amount of such capital expenditure, joint venture investment or acquisition being incurred (provided that the aggregate amount incurred by us and our subsidiaries may not exceed US$500.0 million (or its equivalent) at any time);
- certain indebtedness existing as of July 19, 2017;
- indebtedness that is owed to CEMEX, S.A.B. de C.V. or any of its subsidiaries;

- indebtedness that becomes indebtedness solely as a result of a change in accounting rules applicable to CEMEX, S.A.B. de C.V. and that existed prior to such change (and any replacements thereof or indebtedness incurred on substantially the same terms thereof);
- indebtedness under any derivatives transaction entered into for the purpose of managing a specific risk associated with an asset, liability, income or expense owed, incurred, earned or made (or reasonably likely to be owned, incurred, earned or made) by CEMEX, S.A.B. de C.V. or any of its subsidiaries, provided that such transaction is not entered into for speculative purposes;
- indebtedness incurred pursuant to or in connection with any cash pooling or other cash management agreements in place with a bank or financial institution, but only to the extent of offsetting our credit balances and/or the credit balances of our subsidiaries, in each case, pursuant to such cash pooling or other cash management arrangement; and
- indebtedness for taxes levied, assessments due and other governmental charges required to be paid as a matter of law or regulation in the ordinary course of trading.

Mergers. We are restricted from entering into amalgamations, demergers, mergers, *fusiones*, *escisiones* or other corporate reconstructions, where (1) as a result, the existing credit rating of CEMEX, S.A.B. de C.V. would be downgraded or the credit rating outlook of CEMEX, S.A.B. de C.V. would be negative, in each case, at the date of the announcement of the relevant corporate reconstruction, (2) a Default (as defined in the Facilities Agreement) is continuing or would result from the relevant corporate reconstruction or (3) the resulting entity, if it is not an obligor under the Facilities Agreement, does not assume the obligations of the obligor that is the subject of the merger.

Change of Business. We are limited in our ability to change the general nature of our business from that carried on at the date of the Facilities Agreement.

Payment Restrictions Affecting Subsidiaries. We are limited in our ability to enter into agreements that restrict our ability to declare or pay dividends or repay or capitalize intercompany debt, except for the following (among others):

- agreements relating to the transfer of receivables and related assets in connection with a receivables securitization program permitted under the Facilities Agreement provided that such agreements are customarily required by the institutional sponsor or arranger of such receivables securitization program in similar types of arrangements;
- customary provisions in joint venture agreements relating to dividends or other distributions in respect of such joint venture or the securities, assets or revenues of such joint venture;
- restrictions on distributions that are the subject of agreements to sell or otherwise dispose of stock or assets pending such sale or other disposition;
- our debt repayments to CEMEX, S.A.B. de C.V. or any subsidiary of CEMEX, S.A.B. de C.V.; and
- our entry into a working capital facility permitted under the Facilities Agreement that restricts our ability to pay dividends or repay or capitalize our indebtedness to CEMEX, S.A.B. de C.V. at any time.

Acquisitions. We are limited in our ability to acquire assets, except that we may (among other things) acquire assets, a company, shares, securities or a business or undertaking (or, in each case, any interest in any of them), provided that the aggregate amount of the consideration for such acquisitions does not exceed (together with all other amounts in respect of certain capital expenditures, joint venture investments and acquisitions by us then incurred) US$500.0 million (or its equivalent) at any time.

Joint Ventures. We are limited in our ability to enter into or invest in or transfer assets to any joint ventures, except that we may (among other things) enter into or invest in or transfer assets to joint ventures (by way of a subscription for shares in, loan to, guarantee in respect of the liabilities of or transfer of assets to that joint venture) if the aggregate amount of such investment does not at any time (together with all other amounts in respect of certain capital expenditures, joint venture investments and acquisitions by us and our subsidiaries then incurred) exceed US$500.0 million (or its equivalent) at any time.

Disposals. We are limited in our ability to dispose of certain assets, except (subject to certain conditions) for the following disposals (among others):

- disposals that are on an arm's length basis (except in the case of disposals between any of CEMEX, S.A.B. de C.V. or its subsidiaries and any of CEMEX, S.A.B. de C.V.'s subsidiaries);
- in the case of disposals between CEMEX, S.A.B. de C.V. or its subsidiaries and any of CEMEX, S.A.B. de C.V.'s subsidiaries, the disposal of an asset that is subject to the transaction security granted to secure the obligations owing under the Facilities Agreement, among us and the recipient of such asset grants equivalent security over such asset; and
- disposals of our Common Shares pursuant to an obligation in respect of an executive compensation plan.

Guarantees. We are limited in our ability to grant additional guarantees or indemnities, except for (subject to certain conditions) the following guarantees and indemnities (among others):

- endorsement of negotiable instruments in the ordinary course of trade, but excluding an *aval*;
- guaranties in connection with joint ventures permitted under the Facilities Agreement;
- performance guarantees and bonds entered into in the ordinary course of trade;
- indemnities given in the ordinary course of business in connection with our commercial or corporate activities, including, but not limited to, any disposal or acquisition permitted under the Facilities Agreement;
- indemnities given to professional advisers on customary terms as part of the terms of their engagement;
- guarantees of indebtedness permitted to be incurred by us under the Facilities Agreement; and
- other guarantees not to exceed US$500.0 million (or its equivalent value) at any time.

Share Capital. We are limited in our ability to issue shares, except that we may (among other things) issue shares in connection with executive compensation plans, a permitted acquisition, a permitted joint venture or in connection with any offering of our Common Shares.

Treasury Transactions. We are limited in our ability to enter into certain derivatives transactions other than for the purpose of managing a specific risk associated with an asset, liability, income or expense owed, incurred, earned or made (or reasonably likely to be owned, incurred, earned or made) by CEMEX, S.A.B. de C.V. or any of its subsidiaries, provided that such transaction is not entered into for speculative purposes.

Several of the restrictions listed above contain other customary or general qualifications and exceptions which can be used by CEMEX, S.A.B. de C.V. and by us.

In addition, the Facilities Agreement requires that CEMEX, S.A.B. de C.V., if it owns (directly or indirectly) any of our Common Shares, ensures that (a) it has the power to (i) cast, or control the casting of, at least 51% of the maximum number of votes that might be cast at our general meetings and (ii) appoint or remove all, or the majority, of our directors or other equivalent officers, and (b) it has the right to receive at least 51% of all dividends and other distributions in respect of its equity interests in us.

The Facilities Agreement also contains a number of affirmative covenants that, among other things, require CEMEX, S.A.B. de C.V. to provide periodic financial information to its lenders and other customary covenants and obligations with which CEMEX, S.A.B. de C.V. is required to cause us to comply due to the fact that we are a subsidiary of CEMEX, S.A.B. de C.V. In addition, the Facilities Agreement contains certain financial covenants with which CEMEX, S.A.B. de C.V. is required to comply. For the purposes of determining CEMEX, S.A.B. de C.V.'s compliance with such financial covenants, Operating EBITDA and total debt is calculated with respect to CEMEX, S.A.B. de C.V. and its subsidiaries. Although CEMEX, S.A.B. de C.V. has sought and obtained waivers and amendments to several of their debt instruments relating to a number of financial ratios and/or restrictions in the past, no assurance can be given that it will be able to do so should the need arise in the future. See "Risk Factors—Risks Related to Our Relationship with CEMEX—The Facilities Agreement contains several restrictions and covenants. CEMEX, S.A.B. de C.V.'s failure to comply with such restrictions and covenants could have a material adverse effect on us."

We cannot assure you that CEMEX, S.A.B. de C.V. will be able to comply with the restrictive covenants and limitations contained in the Facilities Agreement. CEMEX, S.A.B. de C.V.'s failure to comply with such covenants and limitations could result in an event of default thereunder, which could materially and adversely affect our business and financial condition. See "Risk Factors—Risks Related to Our Relationship with CEMEX—The Facilities Agreement contains several restrictions and covenants. CEMEX, S.A.B. de C.V.'s failure to comply with such restrictions and covenants could have a material adverse effect on us."

Recent Developments Relating to the Facilities Agreement

On November 4, 2019, CEMEX, S.A.B. de C.V. amended and restated its Facilities Agreement, dated as of July 19, 2017 (as amended and restated on April 2, 2019). The amendments included in the Facilities Agreement as of November 4, 2019 are as follows:

- amendments providing for an additional basket of up to US$500 million exclusively for share repurchases during the term of the Facilities Agreement;
- amendments providing for a new allowance for disposals of minority positions in subsidiaries of CEMEX, S.A.B. de C.V. that are not obligors under the Facilities Agreement of up to US$100 million per calendar year;
- amendments relating to the implementation of corporate reorganizations in Mexico, Europe and for the Trinidad Cement Group (as defined in the Facilities Agreement); and
- amendments to the consolidated leverage ratio and the consolidated coverage ratio (as defined and calculated in the Facilities Agreement).

CEMEX's Indenture Limitations Affecting Us

We are prohibited by the Framework Agreement from taking any actions that could reasonably result in CEMEX, S.A.B. de C.V. or any subsidiary of CEMEX, S.A.B. de C.V. being in breach of, or in default under, any contract or agreement, including its bond indentures. As of the date at the Offer, we and our subsidiaries will still be restricted subsidiaries of CEMEX, S.A.B. de C.V. under these indentures. Because of our status as a "restricted subsidiary" of CEMEX, S.A.B. de C.V. under these indentures, the covenants contained in these indentures limit CEMEX, S.A.B. de C.V.'s ability to permit us to take certain actions (subject to certain limited exceptions):

Limitation on Incurrence of Additional Indebtedness. We and our subsidiaries that are restricted subsidiaries under the bond indentures will not be able to incur indebtedness; however, we and our subsidiaries that are restricted subsidiaries under the bond indentures will be allowed to incur specific indebtedness, including the following indebtedness (among others):

- indebtedness outstanding on the issue date of the relevant bonds;
- hedging obligations, compensation related hedging obligations and any guarantees thereof and any reimbursement obligations with respect to letters of credit related thereto; provided that, upon the drawing of such letters of credit, such obligations are reimbursed within 30 days following such drawing;
- related party indebtedness between CEMEX, S.A.B. de C.V. and any restricted subsidiaries or between restricted subsidiaries;
- indebtedness arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; provided, that such indebtedness is extinguished within five business days of the incurrence; or (ii) any cash pooling or other cash management agreements in place with a bank or financial institution, but only to the extent of offsetting credit balances pursuant to such cash pooling or other cash management agreement;
- indebtedness represented by (i) endorsements of negotiable instruments in the ordinary course of business (excluding an aval), (ii) documentary credits (including all forms of letter of credit), performance bonds or guarantees, advance payments, bank guarantees, bankers' acceptances, surety or appeal bonds or similar instruments for our account, or guaranteeing our performance in the ordinary course of business,

(iii) reimbursement obligations with respect to letters of credit in the ordinary course of business, (iv) certain reimbursement obligations with respect to letters of credit and performance guarantees in the ordinary course of business, (v) other guarantees by CEMEX, S.A.B. de C.V. and/or any restricted subsidiary in favor of a bank or financial institution in respect of obligations of that bank or financial institution to a third party in an amount not to exceed US$500 million at any one time outstanding; provided that in the case of clauses (ii), (iii) and (iv), upon the drawing of such letters of credit or the incurrence of such indebtedness, such obligations are reimbursed within 30 days following such drawing or incurrence;

- indebtedness incurred to refinance certain existing indebtedness;
- capitalized lease obligations, sale and leaseback transactions, export credit facilities with a maturity of at least one year and purchase money indebtedness of, including guarantees of any of the foregoing by, CEMEX, S.A.B. de C.V. and/or any restricted subsidiary, in an aggregate principal amount at any one time outstanding not to exceed US$1 billion;
- indebtedness of CEMEX, S.A.B. de C.V. and/or any of its restricted subsidiaries in an aggregate amount not to exceed US$1 billion at any one time outstanding, provided that no more than US$250 million of such indebtedness at any one time outstanding (excluding any indebtedness under a permitted liquidity facility) may be incurred by restricted subsidiaries that are not guarantors (such as the Company and its subsidiaries), which amount shall be increased by the corresponding amount of other indebtedness of restricted subsidiaries other than the guarantors outstanding on the issue date and subsequently repaid from time to time, but in any event not to exceed US$500 million at any one time outstanding;
- (i) indebtedness of in respect of factoring arrangements or inventory financing arrangements or (ii) other indebtedness of CEMEX, S.A.B. de C.V. and/or any of its restricted subsidiaries with a maturity of 12 months or less for working capital purposes, not to exceed in the aggregate at any one time (calculated as of the end of the most recent fiscal quarter for which consolidated financial information of CEMEX, S.A.B. de C.V. is available) the greater of: (x) the sum of (i) 20% of the net book value of the inventory of CEMEX, S.A.B. de C.V. and its restricted subsidiaries, and (ii) 20% of the net book value of the accounts receivable of CEMEX, S.A.B. de C.V. and its restricted subsidiaries (excluding accounts receivable pledged to secure indebtedness or subject to a qualified receivables transaction) and (y) US$350 million;
- indebtedness for taxes levied, assessments due and other governmental charges required to be paid as a matter of law or regulation in the ordinary course of business;
- acquired indebtedness of CEMEX, S.A.B. de C.V. and/or any of its restricted subsidiaries in an aggregate amount at any one time outstanding not to exceed $200 million; and
- (i) any indebtedness that constitutes an investment that our Company is contractually committed to incur as of the issue date of the relevant bond in any person (other than a subsidiary) in which our Company maintains an investment in equity securities; and (ii) guarantees up to $100 million in any calendar year by CEMEX, S.A.B. de C.V. and/or any restricted subsidiary of indebtedness of any person in which CEMEX, S.A.B. de C.V. or any of its restricted subsidiaries maintains an equity investment.

Limitation on Liens. We and our subsidiaries that are restricted subsidiaries under the indenture are limited in our ability to incur liens against our properties and assets; however, we and our subsidiaries that are restricted subsidiaries under the bond indentures will be allowed to incur specific liens, including (among others):

- statutory liens of landlords and liens of carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by IFRS shall have been made and any other liens created by operation of law;
- liens incurred or deposits made in the ordinary course of business in connection with (i) workers' compensation, unemployment insurance and other types of social security or (ii) other insurance maintained in compliance with the Facilities Agreement (or any refinancing thereof);

- liens for taxes, assessments and other governmental charges the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by IFRS shall have been made;
- any attachment or judgment lien, unless the judgment it secures shall not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;
- liens existing on the issue date of the bonds and any liens renewing, extending or refunding any lien existing on the issue date;
- any lien on property acquired after the issue date of the relevant bonds that was existing on the date of acquisition of such property; provided that such lien was not incurred in anticipation of such acquisition, and any lien created to secure all or any part of the purchase price, or to secure indebtedness incurred or assumed to pay all or any part of the purchase price, of property acquired after the issue date; provided further that any such lien shall be created within nine months after, in the case of property, its acquisition, or, in the case of improvements, their completion;
- liens on receivables assets or capital stock of a subsidiary, in each case granted in connection with a qualified receivables transaction;
- liens granted pursuant to or in connection with any netting or set-off arrangements entered into in the ordinary course of business;
- any lien granted by CEMEX, S.A.B. de C.V. or any of its restricted subsidiaries to secure indebtedness under a permitted liquidity facility; provided that the maximum amount of such indebtedness secured by such lien does not exceed US$500 million at any time; and
- liens securing obligations of CEMEX, S.A.B. de C.V. and its restricted subsidiaries in an aggregate amount not in excess of the greater of 5% of the total consolidated tangible assets of CEMEX, S.A.B. de C.V. and its restricted subsidiaries or US$700.0 million.

Limitation on Restricted Payments. We are limited in our ability to make certain investments, subject to certain exceptions including, among others, exceptions for investments in CEMEX, S.A.B. de C.V., investments in cash and cash equivalents, and investments that do not exceed, together with other investments made by CEMEX, S.A.B. de C.V. and its restricted subsidiaries, (a) the greater of US$250.0 million and 3% of the consolidated tangible assets of CEMEX, S.A.B. de C.V. and its restricted subsidiaries, or (b) US$100.0 million in any fiscal year.

Limitation on Asset Sales. We are limited in our ability to sell our assets and also are subject to specific requirements on what must be done with the proceeds of a sale of our assets. To sell an asset we must receive consideration for the asset at least equal to the fair market value of such asset and at least 80% of such consideration must be in the form of cash or cash equivalents. Additionally, the proceeds from any sale of assets must be used within 365 days to repay senior indebtedness or purchase additional assets.

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries. Subject to certain exceptions, we are not allowed to create or permit any restriction on our ability to pay dividends or make other distributions to CEMEX, S.A.B. de C.V. or any of its restricted subsidiaries, pay indebtedness owed to CEMEX, S.A.B. de C.V., make loans, advances or investments in CEMEX, S.A.B. de C.V. or any of its restricted subsidiaries, or transfer property or assets to CEMEX, S.A.B. de C.V. or any of its restricted subsidiaries.

Limitation on Transactions with Affiliates. We may only enter into transactions with affiliates if the terms of such transaction are no less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis with a person that is not an affiliate of CEMEX, S.A.B. de C.V., subject to certain exceptions. For example, we may enter into transactions with CEMEX, S.A.B. de C.V., its restricted subsidiaries, pay reasonable fees to our officers, directors and employees, and make certain loans and advances to our officers, directors and employees up to a set limit.

The bond indentures also contain a number of affirmative covenants that, among other things, require CEMEX, S.A.B. de C.V. to provide periodic financial information to its bondholders and other customary covenants and obligations with which CEMEX, S.A.B. de C.V. is required to cause us to comply due to the fact that we are a “restricted subsidiary” of CEMEX, S.A.B. de C.V. under the indentures.

We can cease to be a “restricted subsidiary” of CEMEX, S.A.B. de C.V. if: (i) CEMEX, S.A.B. de C.V. no longer owns more than 50% of our total voting power or we are no longer consolidated with CEMEX, S.A.B. de C.V. under IFRS, or (ii) we are designated as an “unrestricted subsidiary” in accordance with the requirements of the bond indentures.

We cannot assure you that CEMEX, S.A.B. de C.V. or any of its restricted subsidiaries will be able to comply with the restrictive covenants and limitations contained in the bond indentures. Any failure by CEMEX, S.A.B. de C.V. or any of its restricted subsidiaries to comply with such covenants and limitations could result in an event of default thereunder, which could materially and adversely affect our business and financial condition.

BUSINESS

Overview

We are one of the leading cement producers in the Philippines, based on installed annual capacity as of September 30, 2019. We produce and market cement in the Philippines through direct sales using our extensive marine and land distribution network. Our cement manufacturing subsidiaries have been operating in the Philippines for over 20 years, and have well established brands, such as "APO", "Island" and "Rizal", each of which has a multi-decade history in the Philippines and is owned by CEMEX and licensed to us pursuant to the Trademark License Agreement. Our brand recognition and customer-centric direct sales approach have helped us develop a long-term customer base.

We offer a broad product mix of cement and work closely with other CEMEX companies to develop and introduce innovative techniques and equipment into our production. We offer bag cement and bulk cement, with bag cement accounting for over 75% of our cement sales volume in fiscal 2018, but with demand for bulk cement increasing as the number of infrastructure projects in the Philippines grows. We sell to both retail customers and institutional cement customers, with retail customers accounting for approximately 80% of our revenue for fiscal 2018 and the nine-month period ended September 30, 2019. Sales of cement accounted for almost all of our revenue after the elimination of transactions between consolidated entities for fiscal 2018 and the nine-month period ended September 30, 2019.

We are a subsidiary of CASE and our Common Shares are listed for trading on the PSE under the symbol "CHP." We are an indirect subsidiary of CEMEX, S.A.B. de C.V., one of the largest cement companies in the world based on installed annual capacity. CEMEX, S.A.B. de C.V.'s CPOs, each of which currently represents two "Series A" shares and one "Series B" share, are listed on the Mexican Stock Exchange and trade under the symbol "CEMEX.CPO." CEMEX, S.A.B. de C.V.'s American Depositary Shares, each of which currently represents ten CPOs, are listed on the NYSE and trade under the symbol "CX."

We operate two cement plants with aggregate installed annual capacity of 5.7 million tonnes of cement as of September 30, 2019. Our APO Cement plant in Cebu currently has three grinding lines with an installed annual capacity of 3.8 million tonnes of cement, as of September 30, 2019, and serves our customers in the Visayas and Mindanao regions, and to some extent the Luzon region, through our marine and land distribution network. Our Solid Cement plant in Rizal currently has three grinding lines with an installed annual capacity of 1.9 million tonnes of cement, as of September 30, 2019, and we are currently in the process of expanding the plant with a new integrated cement production line with additional installed annual capacity of 1.5 million tonnes, as described under "—Expansion of the Solid Cement Plant." We plan to apply a portion of the proceeds of the Offer to fund the expansion of our Solid Cement plant, including to pay outstanding amounts owed under the Solid Expansion Facility Agreement, as described under "Use of Proceeds." Our Solid Cement plant serves the Luzon region, which is by far the largest market in the Philippines. Our distribution infrastructure includes, as of September 30, 2019, five marine distribution terminals and 16 land distribution centers located across the Philippines. We distribute our products using our fleet, which we manage directly, and third-party transport. As of September 30, 2019, we leased 759 trucks for the distribution of bag and bulk cement, and we chartered 48 marine vessels for the waterborne distribution of bag cement in the Philippines and, as of the date of this Prospectus, four marine bulk vessels for the distribution of bulk cement.

For fiscal 2018 and the nine-month period ended September 30, 2019, we had sales volumes of approximately 5.4 million tonnes and 4.0 million tonnes, respectively, of domestic gray cement. Our revenue for fiscal 2018 was ₱23,417.7 million and our revenue for the nine-month period ended September 30, 2019 was ₱18,223.5 million.

History

CEMEX initially entered the Philippine market in 1997 with a minority investment of 30% in Rizal Cement Company, Inc., or Rizal Cement, a company which was established in November 1930. At the time of this initial investment, Solid Cement was a subsidiary of Rizal Cement. In 2002, Rizal Cement merged into Solid Cement with CEMEX and other investors owning an aggregate 100% interest in Solid Cement. Solid Cement at the time owned a 70% equity interest in IQAC, a company engaged in the mining business. In 1999, CEMEX together with other investors purchased an aggregate 99.9% interest in APO Cement. In the same year, APO Cement transferred its mining business to ALQC.

In 2011, our predecessor acquired our terminal facilities in Manila and more generally continued the process of expanding our distribution infrastructure, including in particular to enable us to distribute cement in bulk from our APO Cement plant, thereby taking advantage of the APO Cement plant's access to waterways.

In 2014, our predecessor continued our expansion at the APO Cement plant by adding a new cement mill with an additional installed annual capacity of 1.5 million tonnes of cement. The investment included adding marine terminals in Davao and Iloilo as well as expanding our bulk dispatch capabilities at our APO Cement plant.

In 2016, we completed our initial public offering and listing of Common Shares on the PSE.

In 2018, we entered into the principal project agreements with CBMI for the procurement, construction and installation of a 1.5 million tonnes per year new integrated cement production line at Solid Cement's plant, which we currently expect to commence operations during the second quarter of 2021. See "—Expansion of the Solid Cement Plant."

Key Strengths

Leading cement producer in the Philippines anchored by well-regarded brands

We believe that the APO Cement plant, being one of the largest cement plants in Visayas in terms of installed annual capacity, enables us to maintain a strong leadership position in Visayas while our Solid Cement plant enables us to be one of the top cement manufacturers catering to the Luzon market. We believe our leading position enables us to have the scale to succeed in the attractive Philippine market.

Our strong market position is anchored by our APO, Island and Rizal brands, each of which is a long-established brand with a multi-decade history in the Philippines, including over 75 years in the case of our APO brand and 100 years in the case of our Rizal brand. Our brands have been used in the construction of many heritage structures in the Philippines, including the Cultural Center of the Philippines, the Santo Domingo Church and the University of Santo Tomas, Asia's oldest existing university. CEMEX initially entered the Philippines market in the late 1990s. We believe our brands' reputation have been further strengthened as a result of our continuous investments and the brands' association with CEMEX. According to a study conducted by GoodThinking Research Inc. in 2017, in terms of brand awareness, our APO brand was ranked as the number one brand of cement in Cebu and Iloilo and the number two brand of cement in Davao and Bicol, and our Rizal brand was ranked as the number one brand of cement in South Luzon and the number four brand of cement in Metro Manila.

Customer-centric direct sales approach supported by extensive distribution infrastructure

We are dedicated to our customer-centric approach in the Philippines cement industry and are committed to providing building materials solutions that are convenient, reliable and efficient for our customers. Our direct sales model lies at the heart of our customer-centric approach. Our internal sales force markets and sells our products directly to over a thousand customers in our customer information system, including retailers, local hardware stores, building materials suppliers and end-users such as building contractors, developers and ready-mix concrete manufacturers.

We believe that we are able to achieve higher cash conversion from our sales and effectively reduce receivable credit risks as a result of our customer-centric approach. Our direct sales team consists of more than 30 employees whose primary responsibility is to establish and manage long-term customer relationships. Our sales team's close interactions with customers offer insights into customers' needs and create cross-selling opportunities for our products, which in turn reinforce the value of our brands. To monitor and evaluate our customers' experience of our products and services, we utilize an internal customer evaluation system, which we refer to as the net promoter score, that allows us to readily identify opportunities for improvement based on customer feedback. According to the results of this evaluation system, we improved our customer experience by 19 percentage points (as rated by the customer evaluation system) in the nine-month period ended September 30, 2019 compared to the nine-month period ended September 30, 2018.

To support our direct sales model, we have established an extensive distribution system with a view to ensuring that our products are available close to our customers. We believe this approach increases customer satisfaction by minimizing delivery times and increasing the reliability of supply. We continually invest in our distribution infrastructure, which comprises marine distribution terminals, land distribution centers and a large fleet of trucks and marine vessels that we manage directly. In 2019, we launched initiatives to optimize our distribution channels, including optimizing our vessel fleet, increasing the turnaround time of trucks and establishing warehouses in highly strategic locations, contributing to a three percentage point decrease year-over-year in overall distribution expenses as a percentage of overall sales in the nine-month period ended September 30, 2019. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." For greater visibility, our trucks are equipped with a tracking system that allows us to monitor the status of our deliveries.

In October 2018, we launched CEMEX Go, which is a digital end-to-end solution that provides an integrated experience for order placement, tracking of deliveries and managing invoices and payments for our main products. As of September 30, 2019, more than 90% of our clients have been on-boarded to use CEMEX Go and more than 90% of orders from on-boarded clients were placed through the platform.

Our customer-centric direct sales approach is also supported by our customer service call center and our customer information system. Our customer service call center is responsible for overall customer relationship management activities, such as order-taking and fulfillment, inquiries and complaint management. Our customer information system allows us to see the order type, quantity and delivery preferences that are typical of each of our customers over time and this facilitates better understanding of customers' needs, enabling us to tailor our product and service offerings for particular customers and markets. We believe that our customer-centric approach enhances customer loyalty.

To improve overall efficiency in managing our clients, our customer service center operations have been outsourced to a third-party beginning in October 2018. To ensure the quality of service of our third-party provider, we monitor specific key performance indicators, including response rate, handling time, and voice service quality.

Further, in 2018, we issued a "Service Manifesto" to all clients. The manifesto enumerates our specific commitments to clients in various service areas including time of delivery, customer wait time, operating hours of the plants and warehouses and other critical customer needs.

Strategically located plants and infrastructure

Our production plants and distribution infrastructure are strategically located to serve key markets in the Philippines. All of our domestic production of cement is sourced from our APO Cement plant and our Solid Cement plant. Our APO Cement plant is located in the heart of the Visayas, Cebu. This location, combined with our adjacent private jetty facility, provides us with a significant advantage in distributing cement into Visayas and Mindanao (though cement is also distributed into some areas of Luzon). This private jetty enables us to load bag and bulk cement into vessels using a conveyor belt attached to the cement plant, thus significantly reducing loading time and costs. Our Solid Cement plant in Rizal is strategically located to service the Luzon region, which is by far the largest market in the Philippines and includes the Metro Manila area. The following graphic shows the location and reach of our production plants in the Philippines.

Our distribution infrastructure, comprising marine terminals and land distribution centers, is also strategically located to ensure that our cement is available near to where our customers are located, thereby minimizing delivery times and increasing reliability of supply. While we have a significant presence in each of Luzon and the Visayas and Mindanao regions, the highest concentration of our marine terminals and land distribution centers is in the Visayas, serving islands in the Visayas and Mindanao regions, which require substantial distribution infrastructure to reach many customers.

Cost-effective producer with highly efficient operations

We believe we are among the most efficient cement producers in the Philippines. We focus on managing key cost drivers, encouraging innovation throughout our organization and leveraging the expertise and experience of

CEMEX to implement advanced techniques, such as kiln inertization to increase production output. We invest heavily in processes and equipment with a view to maximize operational efficiency, as measured primarily by Kiln Efficiency. As a result of our processes and equipment modifications in recent years, our cement facilities reached an average Kiln Efficiency of approximately 90% in both fiscal 2017 and fiscal 2018.

Our operations are among the highly efficient operations within CEMEX globally. Production and supply chain de-bottlenecking initiatives at our plants have generated an additional 500,000 tonnes of annual throughput in fiscal 2018 compared with our annual throughput in fiscal 2017. During the third quarter of 2019, our Solid Cement plant ranked as one of the best-in-class in operational efficiency and our APO Cement plant ranked as best-in-class in quality by CEMEX as compared to other plants within CEMEX. Also, APO Cement was ranked first in an analytical reliability evaluation (an evaluation completed within CEMEX to measure internal performance) in 2018, which measures the reliability of test results as reported by the plant's quality assurance laboratories, among CEMEX operations globally.

We have also undertaken efforts to increase energy efficiency, expand our use of alternative fuels, reduce carbon dioxide emissions and manage our use of raw materials and water. For example, in April 2015, we and Sinoma, commenced operations of the waste heat recovery facility at our Solid Cement plant. This facility allows us to capture waste heat generated by our kiln and convert it into electricity. In addition, we continue to rely on alternative fuels to manage our fuel costs. We entered into a similar arrangement with Sinoma to implement a second waste heat recovery facility in our APO Cement plant. We seek to optimize our fuel mix with available alternative fuels, such as rubber tires, waste plastic, rice husks and other alternative fuels, including refuse-derived fuels, at our Solid Cement plant. Our use of alternative fuel represents approximately 17% of the overall fuel used to fire our kiln at our Solid Cement plant in 2018.

For fiscal 2016, fiscal 2017 and fiscal 2018, our capital expenditures were ₱1.3 billion, ₱1.3 billion and ₱1.4 billion, respectively, in each case, primarily relating to equipment modernization initiatives and our expansion of the Solid Cement plant. For the nine-month period ended September 30, 2019 our capital expenditures were ₱2,426.4 million, of which ₱386.2 million related to maintenance capital expenditures, ₱2,030.0 million (inclusive of capitalized borrowing costs of ₱132.1 million) mainly related to our expansion of the Solid Cement plant, and other expansion capital expenditures of ₱10.2 million. See "—Expansion of the Solid Cement Plant." We have also applied CEMEX practices and technologies to reduce the duration of major shutdowns, provide our kilns with better fuel mixes, implement preventative maintenance strategies and enhance the quality and reliability of our supply of grid electricity by improving our electricity connection infrastructure. Our Solid Cement kiln achieved extended uninterrupted production with no shutdown in fiscal 2017 and fiscal 2018.

Benefit from synergies with CEMEX, a world-class operator

CEMEX, S.A.B. de C.V. is one of the largest cement companies in the world with installed annual capacity as of December 31, 2018 of approximately 93 million tonnes. We estimate that CEMEX, S.A.B. de C.V. is the world's second largest ready-mix concrete company with annual sales volume of approximately 53 million cubic meters in fiscal 2018, one of the world's largest aggregates companies with annual sales volume of approximately 150 million tonnes in fiscal 2018 and one of the world's largest traders of cement and clinker, having traded approximately 10 million tonnes of cement and clinker in fiscal 2018. Many aspects of our business benefit from our relationship with CEMEX, including research and development, alternative fuels and energy management, branding and global sourcing, corporate services, technology, training and professional development, and access to financing.

We benefit from a continuous transfer of knowledge with CEMEX, and the CEMEX Research Group. Access to CEMEX's broad product portfolio, experience and exposure to multiple sectors allows us to benefit from best practices, technologies and know-how in production techniques, marketing and sales strategies. These benefits enable us to introduce innovative and differentiated products and services to our customers and implement techniques to improve our operational efficiency and reduce production costs, such as our adoption of alternative fuel sources that we believe has allowed us to outpace market competitors in the use of alternative fuels and energy management. CEMEX's expertise has also helped us capture synergies and exploit cross-selling opportunities associated with CEMEX's trading network and brand recognition. For example, we have been able to leverage CEMEX's scale to obtain certain raw materials such as coal and clinker at favorable prices pursuant to global sourcing arrangements with a CEMEX trading affiliate.

We are able to access the global expertise within CEMEX as it relates to our ongoing plant expansion, which includes personnel that has developed cement plants throughout the world. Moreover, we benefit from synergies related to access to certain of CEMEX's corporate services, such as treasury, information and technology support, legal and tax planning services, as well as from an exchange of knowledge and experience provided by employees who come to our offices on assignment from other CEMEX offices. We also have access to systems for our accounting and other technology services. These services include the deployment and implementation of the CEMEX Go digital platform, which we believe is the first platform of its kind in the cement industry in the Philippines.

Furthermore, we currently benefit from direct financial support from CEMEX, such as in November 2018, when CEMEX supported Solid Cement with the Solid Expansion Facility Agreement, originally for US$75 million, and increased in February 2019 and November 2019 to US$100 million and US$160 million, respectively. See "Risk Factors—Risks Related to our Relationship with CEMEX—We benefit from significant advantages from our relationship with CEMEX and there can be no assurances that we will continue to benefit from the same advantages in the future."

As the construction industry in the Philippines develops further, product innovation and technology will become an increasingly important element of our responses to customer needs. Industry-leading capabilities will increasingly be required to succeed in the market. We believe our ability to continue to leverage CEMEX's expertise following the Offer has significant value that will impact our margins. Our arrangements with CEMEX are designed to continue and enhance our relationship with CEMEX. Please see "—Relationship with CEMEX" and "Related Party Transactions" for descriptions of these arrangements.

Experienced and dedicated management team

We are led by a senior management team with substantial operating experience and industry knowledge and a proven track record of successfully steering us through each stage of the economic cycle and acquiring and integrating related businesses and assets. Our senior management team is highly experienced in the construction materials industry. The management team has been working together in the Philippines for many years and is comprised of a mix of Philippine citizens and expatriates who bring extensive experience from cement operations in other parts of the world. As such, our management team has extensive knowledge of and familiarity with the operating environment in the Philippines to formulate strategies that meet local market demands and trends. The team's continuity and knowledge of the Philippine market and the building materials solutions industry has helped us establish long-standing relationships and loyalty with our customers, suppliers and institutions. We expect CEMEX to continue to support our operations through the Services Agreements.

Business Strategies

We plan to continue focusing on our core business, the production and sale of cement, leveraging CEMEX's global presence and extensive operations worldwide, and managing costs and maintaining profitability.

The following are the core elements of our business strategy, which is in part a means of implementing CEMEX's global priorities, namely, Health and Safety, Customer-Centricity, Increasing Efficiencies, Cost-Reduction and Pricing Initiatives.

Expand our integrated cement capacity in the largest market in the Philippines

The Philippines is the fourth largest economy in Southeast Asia, according to the IMF, and is among the fastest growing economies in the region, according to the Asian Development Bank. We have operated at nearly full capacity utilization since 2014 and we plan to increase our installed annual capacity in order to maintain our ability to serve our markets and continue to benefit from the growing Philippine market. In June 2014, we completed the expansion of installed annual capacity of our APO Cement plant from 2.3 million tonnes to 3.8 million tonnes per annum. In October 2018, we entered into the principal project agreements with CBMI for the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of our Solid Cement plant by 1.5 million tonnes. We currently expect that the new production line will commence operations during the second quarter of 2021 at a total cost of approximately US$235 million. As of December 31, 2018, we had invested approximately US$64 million in connection with this expansion project, and we expect to invest US$66 million in 2019, US$86 million in 2020 and US$19 million in 2021. The planned expansion of our Solid Cement plant represents an increase of approximately 26% over our current aggregate installed annual capacity across our APO Cement and Solid Cement plants of approximately 5.7 million tonnes per year. We believe that this planned expansion will allow us to maintain our market position in the Philippines, improve the distribution channels for our cement and enable us to continue to benefit from the Philippines' favorable long-term demand outlook.

Our expansion of the Solid Cement plant, which is strategically located to service the Luzon region, is central to our continuing strategy of focusing on the largest market in the Philippines and we believe that the planned expansion will allow us to serve the Luzon, Visayas and Mindanao markets from plants that are closer to these markets, reducing the need for imports and inter-island transfers and improving the profitability of our operations. We are focused on markets with considerable infrastructure needs and housing requirements, where we have a substantial share of the market and benefit from competitive advantages.

Continue to enhance profitability by optimizing distribution channels and plant operations

We intend to continue to focus on optimizing our operations by investing in processes and equipment to manage costs and enhance efficiency. We frequently evaluate alternatives to increase output from the existing lines at our plants through modifications and enhancements that do not require substantial capital investment. For example, we redesigned the clinker cooling system at our APO Cement plant, which increased the plant's daily production capacity by up to 500 tonnes per day. Furthermore, through production and supply chain de-bottlenecking initiatives at our plants, we have generated an additional 500,000 tonnes of annual throughput in fiscal 2018 compared with our annual throughput in fiscal 2017. As a result of the implementation of our distribution channel and plants operations optimization strategies, our distribution expenses as a percentage of revenue decreased from approximately 20% in the nine-month period ended September 30, 2018 to 17% for the nine-month period ended September 30, 2019.

Our relationship with CEMEX is expected to continue to offer opportunities to adopt cost-reducing technologies developed by CEMEX globally for application in the Philippine market. For example, we introduced customized grinding aids, developed in coordination with the CEMEX Research Group, that we believe will increase mill efficiency with limited additional investment. We have also leveraged CEMEX's expertise to achieve greater efficiency and reliability of our equipment, and as a result, our Kiln Efficiency has averaged approximately 90% for fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019. We also remain focused on energy efficiency, alternative fuels usage, reduced emissions and optimal use of raw materials and water. For example, we intend to complete the installation of a second waste-heat recovery system at our APO Cement plant. We believe that these cost-saving measures better position us to quickly adapt to potential increases in demand and thereby benefit from the operating leverage we have built into our cost structure.

Further strengthen our distribution network

We intend to continue to invest in our distribution infrastructure and manage distribution through our fleet of trucks and vessels that we lease and charter. In addition to reliable and consistent product delivery for our customers, our increasingly efficient distribution network helps us to maintain close and long-term customer relationships. For example, production and supply chain de-bottlenecking initiatives at our plants generated approximately 500,000 tonnes of additional annual throughput in fiscal 2018 compared with our annual throughput in fiscal 2017. We plan to develop our distribution network in order to nurture and enhance customer relationships with a view to maintaining and expanding our share of the market. In particular, we are focused on investments to enhance the efficiency and durability of our distribution infrastructure in the Visayas and Mindanao regions.

Provide superior customer experience through CEMEX Go—a proprietary end-to-end digital platform—and agile client servicing

We are focused on the local implementation of CEMEX's global strategy of becoming the most customer-oriented building materials solutions group by providing our customers with targeted products and services to stay ahead of a rapidly changing market that is characterized by increasingly demanding and sophisticated customer requirements. We seek a clear understanding of our customers' needs and aim to meet them with high-quality building materials solutions targeted for specific uses, ranging from home construction, improvement and renovation to industrial and marine/hydraulic applications. Our innovation strategy is supported by our relationship with CEMEX, which affords us access to innovative products developed by CEMEX. In addition to any of our own future innovation initiatives in the Philippines, we may from time to time bring products developed by CEMEX globally to the Philippine market, and, in the process, grow our market position by being one of the most customer-centric companies in the construction materials industry. In addition, we believe that by offering innovative products and services that create value for our customers, we can enhance our ability to command premium pricing.

In October 2018, we launched the CEMEX Go digital platform, an end-to-end integrated platform which covers the full customer journey, includes all products and services, and is compatible with all devices. CEMEX Go can be accessed from a laptop or any mobile device to give customers access to view the placement process from ordering and delivery, all the way to invoicing and payment. Once an order is placed, the customer can track its delivery path in real-time. Supplemental documents like contracts and terms of reference per project can also be accessed and viewed. Through CEMEX Go's Order and Product Catalogue, customers have complete control over their orders. Common transactions like ordering, payment and delivery status queries can all be done anytime without calling dispatch.

Across the different markets where this application was launched by CEMEX, the Philippines has had one of the fastest adoption rates within the CEMEX group. As of September 30, 2019, more than 90% of orders from on-boarded clients were placed using this digital platform.

We also seek to provide agile client servicing through initiatives such as our net promoter score, which is a systematic measure of how our customers experience our products and services based on customer feedback. In our net promoter score evaluation, our customers rate the likelihood of recommending us based on their customer experience. With the information that we derive from customer evaluations covering various aspects of our products and services, we are able to monitor and evaluate the customer experience of our products and services and readily identify opportunities for improvement as needed. According to the results of this evaluation system, we improved our customer experience by 19 percentage points (as rated by the customer evaluation system) in the nine-month period ended September 30, 2019 compared to the nine-month period ended September 30, 2018.

With information from customer surveys covering various aspects of our products and services, we are able to monitor and evaluate the customer experience of our products and services and readily identify opportunities for improvement as needed.

Ensure safe and sustainable business operations

Our objectives include providing resilient infrastructure and energy-efficient building solutions, implementing a high-impact social strategy to empower communities, enabling a low-carbon and resource-efficient industry and embedding our core values into every action.

We intend to maintain our focus on sustainable and socially responsible construction by, among other things, developing products, services and building solutions for a low-carbon economy, low-income housing programs and large-scale infrastructure projects; increasing our use of alternative fuels and raw materials; and optimizing air quality, waste management and recycling, among other things. Our use of refuse-derived fuels to heat our kilns is part of a United Nations-certified clean development mechanism. The use of alternative fuels is also an important part of our energy strategy that highlights our commitment to operational efficiency and sustainable development. We believe that fostering sustainable and socially responsible development for our surrounding communities starts with providing a work environment that is safe and healthy for our employees and contractors and is mindful of our surrounding communities. To this end, we have implemented a health and safety management system that helps us pursue our health, safety and sustainability goals.

Providing Resilient Infrastructure and Energy-Efficient Building Solutions. Providing enhanced value to our customers and end users through sustainable products is one of our main strategies. In order to develop a new product or solution, the first step is to fully understand our customers, which requires a clear definition of what they require to build, the relevant challenges, what the product technology must achieve and how the product or solution will be applied. As a result, we believe that the products we offer to the market not only provide top class technology, but also embed knowledge of our customers' needs and how they wish to achieve their goals. As urban populations grow and climate change causes more extreme weather, we believe that the need for resilient infrastructure is growing exponentially. We intend to continue our focus on balancing this increasing demand for resilient infrastructure with products, construction practices and maintenance that have minimal impact on the environment.

Implementing a High-Impact Social Strategy to Empower Communities. We believe that the sustainability of our operations is directly related to the well-being and development of our stakeholders and surrounding communities. Accordingly, wherever we operate we strive to build mutually beneficial relationships with key stakeholders including, among others, our neighbors, members of academia and non-governmental organizations. We believe we are able to create innovative solutions to social challenges and create more sustainable communities by bringing together our economic, educational and human resources. We strive to collaborate with our surrounding communities in order to identify their needs and concerns so that we may address them. By leveraging our strengths and experience, we work with communities to jointly develop project proposals that are relevant to each community

Enabling a Low-Carbon and Resource-Efficient Industry. We dedicate significant efforts to address key sustainability-related issues, from biodiversity and conservation to renewable energy, climate change and emissions monitoring. Climate change poses significant challenges to our society, and we are committed to applying our skills and, technologies to contribute to the development of a low-carbon economy. In addition, we have been certified with ISO 50001 Energy Management System, the leading international standard for reducing energy consumption and improving energy efficiency.

Embedding our Core Values into Every Action. As part of our values, we intend to (i) promote a healthy and safe working environment by making health and safety one of our top priorities; (ii) focus on our customers by providing them with valuable business solutions that meet their needs; (iii) pursue excellence by seeking to achieve high industry standards in our overall performance; (iv) leverage our knowledge, and the global knowledge of CEMEX; and (v) act with integrity by complying with our code of ethics. One of our strategic goals is to become one of the most customer-oriented companies in our industry. We believe that our success is dependent upon the success of our customers. As a result, we strive to become our customers' best option in all of our markets. We value our employees and believe that our people are one of our competitive advantages that allow us to be successful. We are proud to have incurred zero employee lost time injuries during fiscal 2016, fiscal 2017 and fiscal 2018. We are a dynamic organization that provides growth opportunities for our people, helping them fulfill personal career ambitions. We identify future leaders, encouraging them to develop innovative processes and assess risks and opportunities for improvement among our operations. In addition, we foster an open dialogue at all times, encouraging our employees to raise questions and speak up when something is off track and provide ideas for how to solve issues that may arise.

Relationship with CEMEX

We have a significant ongoing commercial and operational relationship with CEMEX, which is fundamental to our business. Please see "Related Party Transactions."

Through our Framework Agreement and the CEMEX Agreements, we expect to rely on CEMEX to make substantial contributions to our strategy and operations. See "Related Party Transactions." We regard CEMEX as a supportive and valued partner in our business, whose interests in most respects closely align with our own.

As of December 31, 2019, CEMEX, S.A.B. de C.V. indirectly owned 3,469,412,498 of our Common Shares through the Principal Shareholder and other intermediary holding companies, representing beneficial ownership of approximately 66.78%. As a result, CEMEX has the power to elect the majority of the members of our Board, some of whom may have other relationships with CEMEX, and CEMEX generally will have the power to control matters requiring shareholder approval or consent subject to the rights of minority shareholders under Philippine law.

CEMEX operates in the same highly competitive industry as we do. The Framework Agreement provides, among other things, the guidelines under which we and CEMEX may compete geographically regarding the production, marketing, sale and distribution of our products, doing business with customers and also investment opportunities, subject to certain limitations. Pursuant to the Framework Agreement:

- CEMEX has agreed not to compete with us in the Philippines; and
- we and CEMEX are permitted to compete with each other anywhere else in the world; provided, however, that in any country where competition between CEMEX and us is not prohibited under the Framework Agreement, CEMEX has a first priority right over any investment opportunity and we must refrain from taking advantage of any such investment opportunity in any such country without the prior consent of CEMEX and the Principal Shareholder.

Pursuant to the CEMEX Agreements, we receive from CEMEX a variety of ongoing administrative, professional and technical services, including, but not limited to, human resources, energy, accounting and tax, legal, strategic planning and treasury services. In addition, CEMEX has granted us the right to use different trademarks, names and intellectual property assets owned and developed by CEMEX, such as the name “CEMEX” and other related names and trademarks, processes and information technology, software, industrial models, procurement, commercial and distribution systems. In exchange for such services and the right to use such trademarks, names and intellectual property assets, we have agreed to pay CEMEX, S.A.B. de C.V. consistent with market practice and arm’s-length principles, CEMEX Fees represented approximately 5% of our revenue in fiscal 2018, of which approximately 3.8% is in respect of services provided under the Trademark License Agreement and the Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement, and, approximately 1.2% is in respect of services provided under the Services Agreements. The CEMEX Fees are payable on a quarterly basis. We will continue to pay the CEMEX Fees to CEMEX, S.A.B. de C.V. as long as CEMEX, S.A.B. de C.V. provides such services to us and the CEMEX Fees reflect market practice and arm’s-length principles.

CEMEX’s Global Vision and Us

As a member of the CEMEX group, we have adopted CEMEX’s unified global vision in our own vision, which includes the following core principles:

Purpose. We expect to make the future better for our people, our customers, our shareholders, and the communities with which we interact. We address society’s growing infrastructure demand by offering high-quality products and innovative solutions. We expect to drive sustainable development and improve the lives of people and communities around us by developing and delivering what we deem to be the best solutions in cement.

Mission. We seek to create sustainable value by providing industry-leading products and solutions to satisfy the construction needs of our customers.

Strategy. We aim to create value for our customers by implementing the core elements of our business strategy described above and we seek to continue to improve our overall business by growing profitably and maximizing our overall performance.

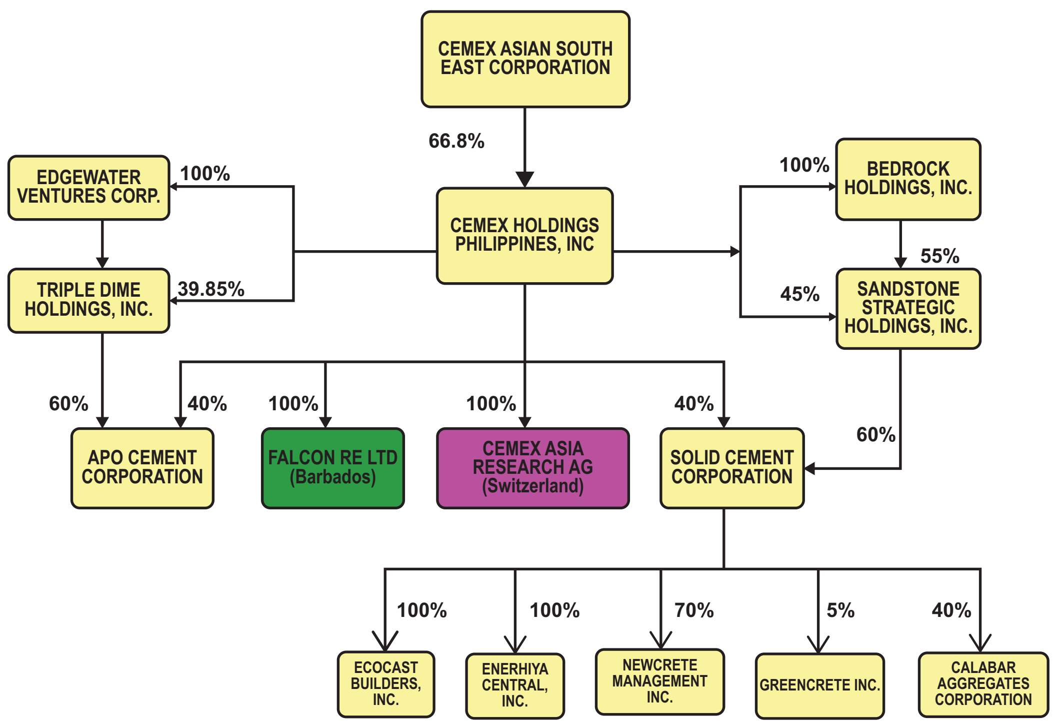
Operating model. We recognize the value of developing common practices to improve the way we operate. We strive to replicate best practices from within our operations and also from across CEMEX, apply them, and leverage our internal knowledge. We participate in global networks created by CEMEX which define specific policies and goals that directly impact our results. In general, we leverage our knowledge and scale to establish best practices and common processes with other CEMEX companies worldwide which we expect will allow us to operate our business more effectively and obtain the best use of our assets.

Values. We intend to: (i) protect the safety of all our employees by being accountable to each other for our actions and behaviors and trying to be an industry leader by example; (ii) focus on our customers by aligning ourselves closely with their business and their needs and, following through with our commitments, resolving problems quickly and making it easy to do business with us; (iii) pursue excellence in all aspects of our business and interactions with customers by challenging ourselves to constantly improve and build upon our strong reputation around the world for quality and reliability; (iv) work together with other CEMEX companies to leverage our collective strength and global knowledge to share best practices, replicate good ideas and collaborate across boundaries; and (v) act with integrity by remaining honest and transparent in all our interactions, complying with our code of ethics, and caring for our people, communities and natural resources.

Corporate Structure

We are a holding company that operates our business through subsidiaries which, in turn, hold interests in our cement companies as well as in other businesses.

The following diagram provides a summary of our organizational and ownership structure as of September 30, 2019 and has been simplified to show only our relevant intermediate holding companies. The diagram excludes Ecopavements, Inc. and Ecocrete, Inc., each of which is 100% owned by Solid Cement, has ceased operations and is in the process of being wound down.



Our Subsidiaries

The following are brief descriptions of our principal operating subsidiaries and their principal activities and assets:

- *APO Cement.* APO Cement was incorporated in the Philippines on December 27, 1961 primarily to engage in the production and marketing of cement. We own a direct 40% equity interest in APO Cement as well as an indirect 60% equity interest through our subsidiary, Triple Dime Holdings, Inc. APO Cement owns and operates the APO Cement plant and primarily produces products which carry the "APO" cement brand.

- *Solid Cement and its subsidiaries.* Solid Cement was incorporated in the Philippines on September 14, 1987. We own a direct 40% equity interest in Solid Cement as well as an indirect 60% equity interest through our ownership of Sandstone Strategic Holdings, Inc. Solid Cement owns and operates the Solid Cement plant and primarily produces products which carry the "Island" and "Rizal" cement brands.

- *Falcon Re Ltd.* Falcon was incorporated in Barbados on May 9, 2016. Falcon is a wholly-owned subsidiary of the Company, and reinsures the CEMEX Reinsurer in respect of a portion of our property risks, non-damage business interruption and political risks, professional liability risks and cyber risks.

- *CEMEX Asia Research A.G.* CEMEX Asia Research A.G. was incorporated in Switzerland on December 18, 2015. We own a direct 100% equity interest in CEMEX Asia Research A.G., which is the licensee for the certain licensed trademarks and intangible assets to which we have access through our agreements with Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement and the Trademark License Agreement with CEMEX, S.A.B. de C.V. and its affiliate, CEMEX Research Group AG.

The following are brief descriptions of our investment holding company subsidiaries and their principal assets:

- *Edgewater Ventures Corp.* and *Triple Dime Holdings.* Edgewater Ventures Corp. was incorporated in the Philippines on April 23, 1998 and Triple Dime Holdings, Inc. was incorporated in the Philippines on May 13, 1998. We own a 100% equity interest in Edgewater Ventures Corp., which is an investment holding company that owns a direct 60.15% equity interest in Triple Dime Holdings, Inc. We own the remaining 39.85% equity interest in Triple Dime Holdings, Inc. directly. Triple Dime Holdings owns a direct 60% equity interest in APO Cement.

- *Bedrock Holdings, Inc.* and *Sandstone Strategic Holdings*. Bedrock Holdings, Inc. was incorporated in the Philippines on October 30, 1998 and Sandstone Strategic Holdings was incorporated in the Philippines on November 12, 1998. We own a direct 100% equity interest in Bedrock Holdings, Inc., which is an investment holding company that owns a direct 55% equity interest in Sandstone Strategic Holdings, Inc. We own the remaining 45% equity interest in Sandstone Strategic Holdings, Inc. directly. Sandstone Strategic Holdings owns a direct 60% equity interest in Solid Cement.

- *Ecocast Builders, Inc.* Ecocast Builders, Inc. was incorporated in the Philippines on October 16, 2014 to primarily provide its customers with materials and solutions for cement-intensive housing and pavement projects. We own an indirect 100% equity interest in Ecocast Builders, Inc through our 100% equity interest in Solid Cement.

- *Enerhiya Central, Inc.* Enerhiya Central, Inc. was incorporated in the Philippines on February 26, 2013, to primarily sell, broker, market and/or aggregate electricity to industrial, commercial and institutional clients. Enerhiya Central, Inc. has not yet started commercial operations. We own an indirect 100% equity interest in Enerhiya Central, Inc. through our 100% equity interest in Solid Cement.

- *Newcrete Management Inc.* Newcrete Management Inc. was incorporated in the Philippines on November 14, 2012, to provide management services related to technical support, concrete sales, concrete products, special building materials and other related products and services. Newcrete Management Inc. has not yet started commercial operations. We own an indirect 70% equity interest in Newcrete Management Inc. through our 100% equity interest in Solid Cement.

The following are brief descriptions of companies in which our subsidiary, Solid Cement, has minority investments:

- *Calabar Aggregates Corporation*. Calabar Aggregates Corporation was incorporated in the Philippines on January 31, 1991. Calabar Aggregates Corporation, a company in which we own an indirect 40% equity interest through our indirect 100% equity interest in Solid Cement, is a joint venture with Philippine Investment Management Consultants (PHINMA), Inc. that was formed in 1997. This company is currently inactive.

- *Greencrete Inc.* Greencrete Inc. was incorporated in the Philippines on November 14, 2012. We own an indirect 5% equity interest in Greencrete Inc. through our indirect 100% equity interest in Solid Cement. Greencrete Inc. has not yet started commercial operations.

Our Products and Brands

The products we sell primarily comprise gray ordinary Portland cement, masonry or mortar cement, and blended cement. Our cement is sold under the APO, Island and Rizal brand names. Our Island and Rizal brands are primarily sold to our customers in Luzon, whereas our APO brand cement is primarily sold to our customers in the Visayas and Mindanao regions. According to a study conducted by GoodThinking Research Inc. in 2017, our APO brand was the most popular brand of cement in the Visayas (Cebu, Iloilo, and Bacolod), and the second most popular brand of cement in Davao and Bicol. Meanwhile, our Rizal brand was the most popular brand of cement in South Luzon and the fourth most popular brand of cement in Metro Manila.

Cement

Cement is a binding agent that, when mixed with sand, stone or other aggregates and water, produces either ready-mix concrete or mortar. We provide our customers with high-quality branded cement and services in both bagged and bulk formats. We rely on our professional knowledge and experience to develop customized products that fulfill our customers' specific requirements and foster efficient and sustainable construction. Sales of cement accounted for 98.4%, 99.0% and 99.9% of revenue after the elimination of transactions between consolidated entities for fiscal 2016, fiscal 2017 and fiscal 2018, respectively, and 99.9% of our revenue for the nine-month period ended September 30, 2019. We offer bag cement and bulk cement, with bag cement accounting for over 75% of our cement sales volume in both fiscal 2018 and for the nine-month period ended September 30, 2019. We sell to both retail and institutional cement customers, with our retail customers accounting for approximately 80% of our revenue in fiscal 2018 and the nine-month period ended September 30, 2019.

We deliver our bagged, branded product to a large number of distribution outlets so that our cement is available to end-users in a point of sale near to where the product will be used. We strive to develop brand identity and recognition for our bagged product.

The following chart sets forth certain details of our products:

Product	Brands	Description	Product Specifications and National Standards Met	Target Market
Gray Ordinary Portland	*APO Portland Cement*	General-purpose Type I Portland cement made for high performance applications. It passes the specifications of Type II cement as moderately sulfate resistant and is suitable for applications near bodies of water.	PNS 07:2005 ASTM C150:2009	Institutional cement customers, developers, contractors and ready-mix operators
	Island Portland Cement	General-purpose Portland cement made for high performance applications. Achieves higher compressive strength in less time compared to other Portland cement.	PNS 07:2005 ASTM C150:2009	
Masonry or mortar	*Rizal Masonry Cement*	Type M masonry cements. Minimizes the carbon footprint of regular Portland cement by up to 32% and allows better moisture retention and adhesion strength.	PNS ASTM C91:2005	Retailers
	APO Masonry Cement			
	Palitada King Masonry	Type S masonry cement. Superior properties for use in masonry applications, as it's less prone to rapid dehydration during dry, hot, or windy days. Minimizes shrinkage and stresses that lead to cracking.	PNS ASTM C91:2005	Institutional cement customers, retailers
Blended	*Rizal Portland Super*	All-purpose Type 1P cement formulated with natural minerals that add beneficial properties, such as increased strength and durability over time. Used for general construction applications where structures are exposed to moderate sulfate environments.	PNS 63:2006 ASTM C595:2009	Retailers
	APO Portland Premium		PNS 63:2006 ASTM C595:2009	

Production Process

Cement

We source our limestone, pozzolans and clay primarily from ALQC and IQAC. These raw materials are delivered from the quarry to our crushing facilities on trucks that we lease from third parties. The crushed raw materials are then delivered by conveyor-belt to our production facilities, where we manufacture cement through a closely controlled chemical process. Prior to CEMEX's initial investment in our plants, we used both the wet process and the dry process to produce cement. Currently, all of our plants use the dry process, which is more energy efficient than the wet process. In the dry process, the limestone and clay are first pre-homogenized, a process that consists of combining different types of limestone and clay. The resulting mix is typically dried, and then prepared for the kiln. In the kiln, the raw materials are processed at a very high temperature to produce clinker. Clinker is the intermediate product used in the manufacturing of cement.

The clinker is then cooled down, mixed with gypsum (which we source from third parties in the Philippines and from abroad) and fed in specified proportions into a cement grinding mill where they are ground into an extremely fine powder and mixed with grinding aids including admixtures and other cement additives, which we produce or source from third parties, to produce finished cement. Generally, the production process for blended cement is more environmentally friendly than the production process for ordinary Portland cement as the former uses less clinker, which has a more energy intensive production process.

Production Facilities

As of September 30, 2019, all of our cement was produced at two cement plants, the APO Cement plant in Cebu in the Visayas region, and the Solid Cement plant in Rizal in Luzon.

The following chart shows the Kiln Capacity, installed annual capacity and sales volumes for our cement plants as of the dates and for the periods set forth below.

	As of and for the years ended December 31,			As of and for the Nine Months Ended September 30,
	2016	2017	2018	2019
	(millions of tonnes)			
Capacity and Sales Volumes				
APO Cement				
Kiln Capacity[(1)]	3.5	3.5	3.5	3.5
Installed Annual Capacity[(1)]	3.8	3.8	3.8	3.8
Solid Cement				
Kiln Capacity[(1)]	1.5	1.5	1.5	1.5
Installed Annual Capacity[(1)(3)]	1.9	1.9	1.9	1.9
Total				
Kiln Capacity[(1)]	5.0	5.0	5.0	5.0
Installed Annual Capacity[(1)(3)]	5.7	5.7	5.7	5.7
Sales Volumes[(2)]	5.1	5.0	5.4	4.0

Notes:

(1) In cases where our Kiln Capacity is currently lower than our installed annual capacity, we would need to purchase clinker from third parties in order to produce cement equivalent to our installed annual capacity.

(2) Refers to sales of domestic gray cement.

(3) In October 2018, we entered into the principal project agreements with CBMI for the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of our Solid Cement plant by 1.5 million tonnes. We currently expect that the new production line will commence operations during the second quarter of 2021 at a total cost of approximately US$235 million. See "—Expansion of the Solid Cement Plant" and "Use of Proceeds."

In 1999, the APO Cement plant had an installed annual capacity of 2.3 million tonnes of cement. In fiscal 2014, we expanded our APO Cement plant by adding an additional 1.5 million tonnes of installed annual capacity through the addition of a new cement mill. This new mill gave us the ability to process all of the APO Cement plant's clinker capacity. Our APO Cement plant is adjacent to a quarry from which we receive materials from ALQC, and it also has its own jetty facility where we dock the bulk vessels and cargo vessels managed by us as they are loaded with our cement in bagged or bulk form. The principal manufacturing installations of our APO Cement plant are located on various parcels of land leased by us from ALQC. For more information on our lease agreement with ALQC, please see "Related Party Transactions."

Since 1998, the Solid Cement plant has had an installed annual capacity of 1.9 million tonnes of cement. We are in the process of expanding the installed annual capacity of our Solid Cement plant with an integrated cement production line that is currently expected to add approximately 1.5 million tonnes of installed annual capacity by the second quarter of 2021. This represents an increase of approximately 26% over our current aggregate installed annual capacity of about 5.7 million tonnes per year. See "—Expansion of the Solid Cement Plant", "Risk Factors—Risks Relating to Our Business—Our planned expansion of our Solid Cement plant currently under development may not be completed on schedule, or at all, or within the allocated budget" and "Use of Proceeds." In relation to our Solid Cement plant expansion, we began importing cement in 2015 to establish a customer base for the 1.5 million tonnes of new installed annual capacity before the expansion comes online and to maintain market share. We plan to continue to import cement if cement demand exceeds our installed annual capacity before the completion of the Solid Cement plant expansion or otherwise.

In fiscal 2015, we improved kiln performance and efficiency at our APO Cement plant through our inertization project. We also made investments at our Solid Cement plant in fiscal 2015 aimed at decreasing energy costs, increasing the reliability of our energy sourcing and reducing our CO_2 emissions through the construction of a waste heat recovery unit manufactured by Sinoma. This facility captures waste heat produced by the kiln and converts it into useable energy using a steam turbine and electric generation system; it can provide the Solid Cement plant with up to approximately 25% of its total current power requirements. Our Solid Cement plant is strategically located to service the Luzon region, which is by far the largest market in the Philippines. The principal manufacturing installations of our Solid Cement plant are located on various parcels of land that we lease from IQAC.

We have been working to achieve greater efficiency and reliability at our cement plants. As a result, our Kiln Efficiency has averaged approximately 90% for fiscal 2016, fiscal 2017, fiscal 2018 and the nine-month period ended September 30, 2019. We believe that by utilizing CEMEX best practices and technologies to reduce further the downtime for maintenance of our kilns, we may be able to increase the capacity of our kilns with limited additional investment.

We are committed to sustainable cement manufacturing operations at our plants, which includes striving for higher efficiencies and lower clinker factors as well as reducing the environmental impact of our operations. For example, we have implemented a waste heat capture system at the Solid Cement plant and increased our use of refuse-derived fuels to heat our kilns. In addition, we operated all plants with optimized grinding stations that, together with the use of cementitious materials and cement admixtures, reduced the use of clinker, allowing us to reduce operating costs and gain operational flexibility.

Expansion of the Solid Cement Plant

In October 2018, we entered into the principal project agreements with CBMI for the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of our Solid Cement plant by 1.5 million tonnes. We currently expect that the new production line will commence operations during the second quarter of 2021 at a total cost of approximately US$235 million.

On April 25, 2019, Solid Cement held its ceremonial groundbreaking for the new line. Various works have already been ongoing, including the mobilization of equipment and site development.

As of September 30, 2019, civil works, mainly related to excavation and foundation works for the different buildings and structures of the project, were in progress. The vertical cement mill for the new line also arrived during the three-month period ended September 30, 2019. Preparatory activities have been underway, in coordination with Meralco, in connection with the construction of a new power line to provide additional support to the existing power infrastructure servicing our Solid Cement plant.

In connection with our new integrated cement production line to expand the installed annual capacity of our Solid Cement plant by 1.5 million tonnes, which is currently expected to commence operations during the second quarter of 2021, the Philippines Board of Investments (BOI) approved certain tax incentives, including an income tax holiday in respect of income directly attributable to the project during a four year period beginning in December 2020 or the actual commencement of commercial operations, whichever is earlier, and a waiver of the duty that would otherwise be payable in respect of the imported capital equipment, spare parts and accessories directly needed and exclusively used for the operation of the project.

We plan to apply a portion of the proceeds of the Offer to fund a portion of the cost of the expansion of the Solid Cement plant. See "Risk Factors—Risks Relating to Our Business—Our planned expansion of our Solid Cement plant currently under development may not be completed on schedule, or at all, or within the allocated budget" and "Use of Proceeds."

Distribution Infrastructure

The following graphic shows our distribution infrastructure across the Philippines.

We have organized our distribution infrastructure so that our cement is available near to our customers. While we have a significant presence in the cement market in Luzon, the Visayas and Mindanao regions, the highest concentration of our marine terminals and land distribution centers is in the Visayas region. In the past five years, gross value added in constructions has registered a compounded annual growth rate of 12% and 16% in the Visayas and Mindanao regions, respectively, according to the Philippines Statistics Authority.

Our distribution facilities at our APO Cement plant, which includes an adjacent private jetty, provide us with a significant advantage in distributing cement into the Visayas and Mindanao regions. These jetty facilities receive cement from our APO Cement plant in bulk and bagged form. We have three bagging facilities at the APO Cement plant, and two on our private jetty at the port. Our bagging facilities package cement in either 40 kilogram bags or large 1.0 tonne sacks. Bag cement is either loaded onto cargo ships or container vessels that are docked at our jetty. Cement bags that are loaded into container vessels are capable of being transported in rainy weather conditions, whereas loading cement bags on cargo ships requires dry weather conditions. The bagging facilities at the jetty allow us to simultaneously bag and load cement onto vessels docked on either side of the jetty. Our jetty also contains a pneumatic transfer system that can transport bulk cement from our APO Cement plant onto a bulk vessel docked at the end of the jetty. This transfer system allows us to continue our distribution efforts in rainy weather conditions. Currently, we are the only cement producer in the Philippines whose distribution infrastructure includes a private jetty for its exclusive use, where cement can be loaded and distributed in both bagged and bulk form. We believe that being the only cement producer in the Philippines with such facilities, in addition to our APO Cement plant's location in the heart of the Visayas, gives us a natural advantage in distributing our cement into the Visayas region in larger volumes and at a lower cost.

Marine distribution terminals such as our terminal facilities in Manila are an important part of our distribution infrastructure. Bulk cement that arrives at a marine distribution terminal is either bagged at a bagging facility at the terminal or loaded onto our bulk carrier trucks. From bulk vessel to storage silo to bulk carrier trucks, our pneumatic transfer and loading systems at the marina terminal allow us to transport bulk cement efficiently even in rainy conditions. The cement is then taken from the marine distribution terminal and is either transferred directly to a customer or to other land distribution centers that are closer to our customers. Some of our marine distribution terminals are located on parcels of land that we lease from ALQC and IQAC, while others are located on parcels of land that we lease from third parties. For more information on our lease agreements with IQAC and ALQC, please see "Related Party Transactions."

Our land distribution centers are warehouses where we store our cement before it is distributed to our customers. Our land distribution centers are leased from third parties. For more information on our lease agreements with IQAC and ALQC, please see “Related Party Transactions.”

We charter marine vessels exclusively for the transport of bag cement. From time to time, we also utilize voyage charter arrangements to transport our bag cement on marine vessels. Under our time and voyage charter arrangements, the party from which we lease the vessel is responsible for providing crewing and technical management, while we are responsible for paying fuel costs and voyage expenses.

We also utilize a fleet of bulk cement vessels and have a loading system that allows us to load and transport cement in rainy weather. We charter our vessels from third-party owners pursuant to bareboat or time charters and rely on third parties for the manning of these vessels. Time charter arrangements have similar characteristics to our time charters for vessels transporting bag cement. For bareboat charter arrangements, we outsource crewing and all other services related to the vessel’s operation.

In our cement business, our leased trucks transport bagged and bulk products. The trucks we use to distribute our products are equipped with GPS-tracking, which tracks the progress of the products from our facilities to our customers. We lease our trucks from third parties who typically provide the personnel to operate the trucks. If the required personnel are not provided by the truck owners, we hire independent contractors to operate the trucks. While we do not provide the operating, loading and unloading personnel for our leased trucks and chartered vessels, we coordinate and control the scheduling, routing and movement of these trucks and vessels.

Energy

We rely heavily on fuel and electricity. The fuel costs included in our costs of sales represented approximately 15.8%, 22.0% and 21.3% of our cost of sales for fiscal 2016, fiscal 2017 and fiscal 2018, respectively and 20.0% of our cost of sales for the nine-month period ended September 30, 2019. We also purchase liquid fuel for our vessels and trucks in the distribution of our products and our results of operations are therefore affected by fluctuations in the cost of these commodities. These costs represented approximately 9.3%, 11.5% and 11.9% of our distribution expenses in fiscal 2016, fiscal 2017 and fiscal 2018, respectively, and 10.0% of our distribution expenses for the nine-month period ended September 30, 2019. Electricity costs represented approximately 21.9%, 21.3% and 21.3% of our cost of sales for fiscal 2016, fiscal 2017 and fiscal 2018, respectively and 19.1% of our cost of sales for the nine-month period ended September 30, 2019.

Fuel

We require fuel to fire our kilns and operate the trucks and vessels used in the distribution of our products. We primarily use coal to fire our kilns and, to a lesser degree, alternative fuels, including rubber tires, waste plastic, rice husks, among others. We currently obtain all of our imported coal from Transenergy, a CEMEX subsidiary that sources coal, petroleum coke and other products on a group-wide basis with a view to obtaining favorable pricing. We also obtained coal from a domestic supplier at a price which was subject to a floor and a cap.

We continue to focus on the use of alternative fuels to manage our fuel costs. We seek to optimize our fuel mix with available alternative fuels, using rubber tires, waste plastic, rice husks and other alternative fuels. In 2018, the usage of alternative fuels at our Solid Cement plant amounted to approximately 17% of the overall fuel used to fire its kiln.

Our cement plants use electricity from the electricity grid, in addition to electricity produced from in-house generators primarily powered by heavy fuel oil and partially by waste heat production. We use liquid fuel in the distribution of our products. We obtain our supply of liquid fuel, including heavy fuel oil, from domestic suppliers at prices that vary with the applicable spot price. In our use of these fuels in our operations, we comply with all relevant Philippine emissions standards. For more information on Philippine emissions standards, please see “Business—Environmental Matters.”

Electricity

We source electricity by purchasing grid electricity from third parties, from in-house generators at our plants and, with respect to our Solid Cement plant, through our Sinoma waste-heat-to-energy facility. Electricity costs in the Philippines are among the highest in Asia. Electricity cost and availability are impacted by limited numbers of suppliers, a complex regulatory framework, low grid reliability, the geography of the Philippines and the climate and weather conditions in the Philippines.

We have back-up bunker-fired generators at both our APO Cement plant and Solid Cement plant. The power generation plant at our APO Cement plant has a rated capacity of approximately 67 megawatts, and the APO Cement plant when running at full utilization requires approximately 48 megawatts of power. The power generation plant at our Solid Cement plant has a rated capacity of approximately 16 megawatts of power, and the Solid Cement plant when running at full utilization requires up to approximately 24 megawatts of power.

In 2012, we entered into a 15-year build-and-operate arrangement with Sinoma, to implement a waste-heat recovery system at our Solid Cement plant. The Sinoma facility captures waste heat generated by our kilns and converts it into electricity. Sinoma built the facility at our Solid Cement plant on land that was leased to it by IQAC. The term of this lease is the same as the 15-year term of the build-and-operate arrangement. Pursuant to this arrangement, Sinoma owns the facility and is responsible for the maintenance, repairs and operations of the facility and, subject to certain conditions, is obligated to deliver all of the electricity generated by the facility to us. Moreover, subject to certain conditions, we are obligated to purchase all of the electricity generated by the facility. This waste heat recovery facility has a rated capacity of approximately six megawatts of power for our Solid Cement plant. In fiscal 2018 and the nine-month period ended September 30, 2019, respectively, this waste heat recovery facility provided 17.4% and 19.4% of the electricity consumed by our Solid Cement plant. In March 2017, we also entered into a 15-year build-and-operate arrangement with Sinoma to implement a waste-heat-to-energy facility at the APO Cement plant.

Each of the APO Cement and Solid Cement plants purchases grid electricity for its power needs depending on the cost of grid electricity compared with electricity produced from our power generation plants. The Solid Cement plant is always reliant on grid electricity for at least part of its power requirements, while the APO Cement plant can rely entirely on its power generation plant when needed. The Government's Retail Competition and Open Access (RCOA) program provides large end-users in the Philippines with the ability to choose their electricity suppliers. Once the user has chosen a provider, the user is required to purchase electricity from the provider under the applicable contract with the provider. RCOA has been implemented in both Luzon and Visayas regions. See "Risk Factors—Risks Relating to Our Business—Higher electricity and fuel costs, or the reduction or interruption in supply thereof, may adversely affect our business, prospects, financial condition and results of operations" and "Regulation."

We have electricity supply agreements at contracted prices with San Miguel Electric Corp. for both of the APO Cement plant and Solid Cement plant. The electricity supply agreement for the APO Cement plant will expire on December 25, 2020, while the electricity supply agreement of Solid Cement plant will expire on December 25, 2022.

Raw Materials and Suppliers

The primary raw materials used in our cement production are limestone, pozzolans, clay and gypsum. Raw materials costs represented approximately 10.8%, 12.1% and 10.9% of our costs of sales for fiscal 2016, fiscal 2017 and fiscal 2018, respectively, and 11.3% and 12.0% of our cost of sales for the nine-month periods ended September 30, 2018 and 2019, respectively.

The raw materials are delivered directly to our facilities by trucks and conveyor belts. We purchase the majority of our limestone, pozzolans and clay requirements from ALQC and IQAC pursuant to our Major Raw Materials Agreements. These agreements each have 15-year terms and automatic renewals of two years. For more information on our Major Raw Materials Agreements, please see "Related Party Transactions."

Raw materials sourced from ALQC and IQAC

Most of the quarries from which ALQC and IQAC mine raw materials, such as limestone, pozzolan and clay are located near our cement production plants, which reduces our pre-production transport time and costs. The aggregate cost of raw materials purchased from ALQC and IQAC represented 5.2%, 4.5% and 3.5% of our costs of sales for fiscal 2016, fiscal 2017 and fiscal 2018, respectively, and 4.0% and 4.8% of our cost of sales for the nine-month periods ended September 30, 2018 and 2019, respectively.

CEMEX's engineers and geologists prepared their own reserves estimates of ALQC's and IQAC's Mineral Rights, which are regularly reviewed by CEMEX's and our corporate staff, along with the technical executives associated with our business units. In certain circumstances the services of third-party geologists and/or engineers are engaged by CEMEX to validate these estimates. Holders of Mineral Rights in the Philippines have the legal right to enter upon the Land Rights of another party in order to mine the minerals underlying their Mineral Rights, subject to a requirement to compensate the land owner for any damage caused by their activities on the land. Notwithstanding this right, each of ALQC and IQAC mines only on land for which it has both Mineral Rights and Land Rights. We believe that ALQC and IQAC will continue pursuing opportunities to obtain additional Land Rights and Mineral Rights to supplement their existing limestone quarry contract areas. For more information on the raw materials sourcing relationship we have with ALQC and IQAC, and on our reliance on ALQC to procure additional Land Rights, please see "Risk Factors—Risks Relating to Our Business—We rely on ALQC and IQAC to supply the majority of our primary raw materials. If ALQC or IQAC are unsuccessful in discovering, developing or supplying the amount of raw materials we require to sustain production of products, our business, prospects and results of operations would be adversely affected" and "Related Party Transactions."

The following table sets forth certain information concerning the Mineral Rights and Land Rights owned by our suppliers, ALQC and IQAC, as of September 30, 2019. These reserve estimates were provided by ALQC and IQAC upon our request and we were advised by ALQC and IQAC that these reserve estimates are compliant with the terminologies and guidelines set forth in the Philippine Mineral Reporting Code. The Company has not independently verified these reserves estimates.

Raw Materials	Estimated Reserves in Land Covered by Mineral Rights[1]	Estimated Reserves in Land Covered by Mineral Rights and Land Rights	2018 Annual Usage[2]
	(millions of tonnes)		
Raw Materials Available to Solid Cement[3]			
Limestone[4]	394.4	178.6	1.5
Silica	2.0	2.0	< 0.0
Pozzolan	3.8	3.8	0.1
Raw Materials Available to APO Cement[5]			
Limestone[6]	375.0	113.8	3.1
Pozzolan[6]	31.0	4.8	0.5

Notes:

(1) Represents the estimated reserves volumes according to CEMEX internal estimates and includes estimated reserves at locations for which ALQC and IQAC do not have Land Rights. See "Risk Factors—Risks Relating to Our Business—We rely on ALQC and IQAC to supply the majority of our primary raw materials. If ALQC or IQAC are unsuccessful in discovering, developing or supplying the amount of raw materials we require to sustain production of products, our business, prospects and results of operations would be adversely affected."

(2) Based on our current aggregate installed annual capacity of 5.7 million tonnes of cement, without giving effect to the planned expansion of our Solid Cement plant.

(3) Mineral Rights and Land Rights held by IQAC to mine raw materials to be made available to us for production at our Solid Cement plant pursuant to the IQAC Supply Agreement.

(4) Internal reserves estimates are in part based on the report of Ardex Mining and Geoservices, Inc.

(5) Mineral Rights and Land Rights held by ALQC to mine raw materials to be made available to us for production at our APO Cement plant pursuant to the ALQC Supply Agreement.

(6) CEMEX's internal reserves estimates are in part based on the report by Mr. Rolando Peña, a licensed geologist and duly accredited member of the Geological Society of the Philippines.

On March 7, 2016, APO Cement entered into a Master Agreement for Supply and Mineral Processing with ALQC (the "ALQC Supply Agreement") and Solid Cement entered into a Master Agreement for Supply and Mineral Processing with IQAC (together with the ALQC Supply Agreement, the "Major Raw Materials Agreements"). Each of the Major Raw Materials Agreements provide for the purchase and sale by APO Cement and Solid Cement, as the case may be, of limestone, greywacke or pozzolan, clay and other rock materials that are extracted from the areas covered by ALQC's and IQAC's Mineral Production Sharing Agreements ("MPSA") with the Government.

Each of APO Cement and Solid Cement relies on the Major Raw Materials Agreements for the procurement of raw materials to manufacture their cement. The Major Raw Materials Agreements became effective January 1, 2016 and will expire on December 31, 2035. The initial term of each agreement shall be deemed extended for successive periods of 24 months, unless a party to the relevant agreements provides written notice of non-renewal at least 120 business days prior to the date of the relevant extension. The price for the materials sold under the Major Raw Materials Agreement must reflect applicable market conditions and shall be computed based on production cost plus an arm's length mark-up. The price formula shall be reviewed on an annual basis. In the event that a supplier under the applicable Major Raw Materials Agreement is unable to supply and meet the requirements of APO Cement or Solid Cement, as the case may be, APO Cement or Solid Cement, as the case may be, shall be entitled to find alternative sources of the materials otherwise to be supplied under the applicable Major Raw Materials Agreement. If a supplier is unable to comply with delivery schedules, quantity requirements, or quality specifications for a period of at least two consecutive months, APO Cement or Solid Cement, as the case may be, at its sole option, is entitled to serve a written notice to the applicable supplier of its intention to terminate the relevant Major Raw Materials Agreement.

Under the relevant regulations of the DENR's Mines and Geosciences Bureau ("MGB"), each supplier, as a contractor in an MPSA, must submit a copy of the relevant Major Raw Materials Agreement to the Director of the MGB (copy furnished the DENR Regional Director concerned) for registration before such agreement is made. Each supplier shall regularly inform the Director of the MGB in writing of any revisions to, changes in or additions to the relevant Major Raw Materials Agreement. The MGB's regulations further require that insofar as sales to the supplier-contractor's affiliate(s) are concerned, prices shall be at arm's length standard, and competing offers for large scale and long-term contracts shall be procured.

Raw materials sourced through CEMEX or third-parties

We also purchase gypsum and other raw materials from third-party suppliers in and outside of the Philippines. The raw materials we source through third parties are typically contracted on a cost and freight basis to the ports we utilize in Manila and Cebu. We then engage third-party hauling companies to transfer these materials to our plants at our cost. If material losses occur as these materials are being transferred to our plants, they are charged to the inbound hauling service providers. In cases where we are responsible for transport, we use our own fleet and third-party transport.

We also have the ability to purchase clinker through global sourcing arrangements with CEMEX. For details on our global sourcing arrangements with CEMEX, please see "Related Party Transactions." As our Solid Cement plant undergoes expansion, we are anticipating a shortage in clinker, and plan to purchase additional amounts through these arrangements. Please see "Risk Factors—Risks Relating to Our Business—Our planned expansion of our Solid Cement plant currently under development may not be completed on schedule, or at all, or within the allocated budget."

Customers

We sell cement directly to retail customers such as hardware stores. We also sell cement directly to institutional customers such as contractors, developers and ready-mix operators. In fiscal 2018, sales to our retail customers and institutional customers accounted for 80.1% and 19.4% of our revenue from cement sales, respectively.

Many of our customers resell our products to a variety of end-users, such as households, small and large contractors and ready-mix concrete producers, while the cement we sell directly to institutional customers is used in a variety of private and public infrastructure projects. Our reach extends through a wide section of the Philippine archipelago.

Of the total volume of cement sold by us for fiscal 2018, approximately 24% was bulk cement and 76% was bag cement. For fiscal 2018, the top ten cement customers represented approximately 18.1% of cement sales, and no single cement customer represented more than 5% of our cement sales.

Sales and Marketing

Sales

Pursuant to our direct sales model, we sell substantially all of our cement to the domestic market through our internal sales force and not through third-party cement distributors. We have a commercial department responsible for our nationwide sales activities, with key sales offices in the Metro Manila area, Cebu, Iloilo, Bacolod, Cagayan de Oro, and Davao. Our commercial department comprises three key groups: area sales managers, our customer service center, and the credit group.

Our area sales managers interact with our customers. Our internal sales force undergoes a series of training and development programs under a CEMEX global initiative called the Commercial Academy. This program follows a designed curricula, proprietary to CEMEX, which includes modules on The CEMEX Sales Process, Customer Relationships, Sales Management & Planning, Common Commercial Language, and other specialty and advanced programs. Our area sales managers, who are the face of the brands to the end consumers, are given regular training and update on cement technology and product promotion. Merchandising materials are regularly distributed to provide more communication materials for our area sales managers.

In October 2018, we launched the CEMEX Go digital platform, an end-to-end integrated platform which covers the full customer journey, includes all products and services and is compatible with all devices. CEMEX Go can be accessed from a laptop or any mobile device to give customers access to view the placement process from ordering and delivery, all the way to invoicing and payment. Once an order is placed, the customer can track its delivery path in real-time. Supplemental documents like contracts and terms of reference per project can also be accessed and viewed. Through CEMEX Go's Order and Product Catalogue, customers have complete control over their orders. Common transactions like ordering, payment and delivery status queries can all be done anytime without calling dispatch.

Across the different markets where this application was launched by CEMEX, the Philippines has had one of the fastest adoption rates within the CEMEX group. As of September 30, 2019, more than 90% of orders from on-boarded clients were placed using this digital platform.

Our customer service call center is responsible for overall customer relationship management activities, such as order-taking and fulfillment, inquiries and complaint management. The information provided by a customer upon completing an order form is logged in our customer database, which allows us to see the order type, quantity and delivery preferences that are typical of each of our customers over time. To improve overall efficiency in managing our clients, our customer service center has been outsourced to a third-party beginning in October 2018. To ensure service quality, we monitor specific key performance indicators, including response rate, handling time, and voice service quality. We believe our team of area sales managers and customer service agents facilitate an understanding of our customers' needs and positions us to tailor our product and service offerings for particular customers and markets.

Our credit group is responsible for customer risk assessment and the management of our receivables, as well as for providing our customers with payment and financing options.

We sell our cement at prices based on the quality of our products, market demand, our production costs, energy costs, transportation costs, inventory levels, competitors' prices and credit terms. Our delivery fulfillment commitments vary based on the type of delivery required for a particular order. Inland orders are delivered by truck and have delivery commitment times of within 24 to 48 hours. Delivery of offshore orders requires a combination of our fleet of vessels and trucks, and the delivery commitment times are agreed upon in advance with the customer. For fiscal 2018, approximately 60.7% of our cement sales were made to cash-paying customers, and approximately 39.3% of our cement sales over that same period were purchased on credit. For our cash sales, we require customers to make full payment on the contract price before they take delivery of our products. For our credit sales to institutional accounts, we typically grant a credit period of seven to ten days. Our customers pay by either cash or bank transfers. We do not generally have any control over the prices charged by our customers to end-users, but we do provide suggested retail price guidance to our customers.

Marketing

Our marketing efforts complement our direct-to-customer sales and distribution strategy for each of APO Cement and Solid Cement. Our efforts include monitoring market developments and customers preferences for our products and services and taking a proactive approach in seeking feedback to continuously improve our product and service offerings to our customers.

Competition

We compete primarily on the basis of quality, market presence, distribution network, diversity of product offerings, sales strategy, brand image and pricing. We believe we compete favorably on the basis of each of these factors. As of September 30, 2019, our major competitors in the Philippine cement market were Holcim Philippines, Inc., Republic Cement Group, Taiheiyo Cement Philippines, Inc., Northern Cement Corporation, Goodfound Cement Corporation, Mabuhay FilCement Inc., Eagle Cement Corporation, and Big Boss Cement Inc., as well as importers that import cement from Vietnam, China, Thailand and other countries in the region. These competitors may compete with us for the same target customers.

Potential entrants into the Philippine cement market face various impediments to entry, including, among others: (i) access to raw materials; (ii) the time-consuming and expensive process of building brand recognition and establishing a distribution network; (iii) the lack of port infrastructure and the high inland transportation costs resulting from the low value-to-weight ratio of cement; (iv) the broad portfolio of products with enhanced properties offered by incumbent competitors including us; (v) the extensive capital expenditure requirements; and (vi) the length of time required to construct new plants.

In addition to domestic competition, the Philippines currently is undergoing, and historically had, period(s) involving significant imports of cement from foreign-based producers. See "Risk Factors—We operate in highly competitive markets and if we do not compete effectively, our results of operations would be harmed" and "Risk Factors—Risks Relating to Our Business—The price of cement is subject to significant fluctuations and an oversupply of cement could adversely affect our profitability."

Seasonality

Construction activity, and thus demand for our products, decreases substantially during periods of heavy or sustained rainfalls. Consequently, demand for our products is significantly lower during the rainy season in the Philippines, which typically begins in June and ends in November. Our sales volumes generally increase between March and May because of better weather conditions. Adverse weather conditions can adversely affect our business, prospects, financial condition and results of operations if they occur with unusual intensity, during abnormal periods, or last longer than usual in our major markets, especially during peak construction periods.

Research and Development

CEMEX's research and development efforts, which are concentrated at the CEMEX Research Group, help us in achieving our goal of increasing our share of the markets in which we operate. CEMEX's research and development efforts have developed new products for our cement business that respond to our customers' needs and have developed new processes, equipment and methods to optimize operational efficiencies and reduce our costs. Pursuant to our Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement and the

Trademark License Agreement, we are able to access the research and development capabilities of CEMEX Research Group through our enjoyment and utilization in the Philippines of certain licensed trademarks and intangible assets developed and owned by CEMEX Research Group. We do not incur research and development costs. Rather, in exchange for the intangible assets and tools including research and development activities made available to us pursuant to the Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement and the Trademark License Agreement, we pay CEMEX Research Group and CEMEX royalty and trademark fees, which for fiscal 2016, fiscal 2017 and fiscal 2018, as reflected in our Audited Financial Statements, were ₱943.0 million, ₱827.8 million and ₱883.5 million, respectively, and accounted for 3.9%, 3.8% and 3.8% of our revenue, respectively. For the nine-month period ended September 30, 2019, such royalty fees, as reflected in our Unaudited Interim Financial Statements as of and for the nine-month period ended September 30, 2019, were ₱664.8 million and accounted for 3.6% of our revenue. Furthermore, in the event we incur costs for research and development activities undertaken in the Philippines, such costs are reimbursed to us by the CEMEX Research Group. We expect to continue to perform research and development efforts in coordination with CEMEX through our Services Agreements. For more details on the Service Agreements, please see "Related Party Transactions."

We believe CEMEX's research and development efforts have helped us to maintain or increase our share of the market in the Philippines. We also believe our access to CEMEX's research and development will continue to allow us to be selected as the supplier for other projects in the future.

Employees

As of September 30, 2019, we employed a total of 706 full-time employees in the Philippines. A breakdown of our employees by function is shown below:

Employee Function	Number of Employees(1)
Corporate and Administration	159
Cement Business (commercial sales and administration, cement operations and technology, and logistics)	537
Other Businesses	10
Total	706

Note:

(1) As at September 30, 2019, our subsidiary, CEMEX Asia Research, employed four employees and Falcon employed a total of four employees (which include two individuals employed under a secondment agreement). The foregoing employees are employed outside of the Philippines and are not included in the table above.

For non-managerial employees of our Solid Cement and APO Cement plants, labor conditions, including wages and benefits, are governed by collective bargaining agreements negotiated at the plant level. These employees are represented by labor unions. Our Solid Cement plant has a rank and file union as well as a supervisors union, and our APO Cement plant has two rank and file unions. Each of these unions is associated with the Trade Union Congress of the Philippines. Under the Philippine Labor Code, a labor union serves as the certified collective bargaining representative of the relevant bargaining unit (i.e., rank and file; supervisors unit) for a period of five years, whereby the bargaining unit will then conduct a certification election to determine who its collective bargaining agent will be for the next five years. Accordingly, we negotiate our collective bargaining agreements with the newly elected collective bargaining representative every five years for the general and political terms. The economic terms, such as the salary, allowances and all monetary and non-monetary benefits to which the collective bargaining members are entitled, can be renegotiated after a period of three years from the execution of the collective bargaining agreement. With respect to our Solid Cement plant, our collective bargaining agreement with the supervisors' union will expire on December 31, 2022 and our collective bargaining agreement with the rank and file union will expire on February 28, 2023. With respect to our APO Cement plant, our collective bargaining agreement with each union will expire on December 31, 2021. We believe that our relations with employees and their unions are generally good.

We do not currently anticipate any significant increase or decrease in the number or allocation of our employees over the next twelve months. Compensation for our employees includes basic salary plus statutory and voluntary benefits. We are subject to laws and regulations in the Philippines, such as the Social Security Act of 1997. The National Health Insurance Act and the Home Development Fund Law, that require us to deduct and withhold certain contributions from an employee's salary and remit them to the applicable social program on behalf of that employee. For fiscal 2016, fiscal 2017 and fiscal 2018, our employee benefits expenses were ₱104.8 million, ₱124.2 million and ₱114.0 million, respectively.

We also use independent contractors in our business for the more labor-intensive tasks such as the maintenance of our facilities, the operation of our fleet and the loading and unloading of bag cement.

Properties

As of the date of this Prospectus, we do not own any land. The following table sets forth certain information concerning the land and floor space leased by us from ALQC, IQAC and other entities for our plants, offices and other facilities as of December 31, 2018.

	Land and/or Floor Space (square meters)
APO Cement plant	453,884
Solid Cement plant	635,013
Marine distribution centers	60,724
Land distribution centers	40,476
Company headquarters	2,192
Sales offices	136

Under the APO Cement and Solid Cement lease agreements with ALQC and IQAC, respectively, ALQC and IQAC are entitled to the exclusive use and possession of the parcels of land underlying the APO Cement plant, the Solid Cement plant and certain other facilities ("Subject Properties") over which ALQC and IQAC, respectively, has beneficial ownership or possessory rights. By virtue of these lease agreements, ALQC and IQAC also grant the right of easement or right-of-way over other properties owned or possessed by them that are necessary for APO Cement or Solid Cement, respectively, in order for such entity to have reasonable access to and from the Subject Properties for the conduct of their businesses. Each of APO Cement and Solid Cement uses the Subject Properties for its various business activities including the manufacture of cement as well as the temporary storage and distribution of its products and raw materials.

The term of the lease of the Subject Properties is 25 years, effective from January 1, 2016, and extendable for another 25 years, unless the lessee opts not to renew. The lease between Solid Cement and IQAC (as amended) covers an approximate aggregate area of 650,013 square meters, and annual rent payments of approximately ₱28.8 million plus VAT are due for the first two years of the lease. The lease between APO Cement and ALQC covers an approximate aggregate area of 453,884 square meters, and annual rental payments of approximately ₱58.2 million plus VAT are due for the first two years of the lease. For every two-year period thereafter, the annual rental fee will be reviewed and adjusted, if necessary, to ensure that the rental fee reflects market conditions. For fiscal 2016, fiscal 2017 and fiscal 2018, the rent under the lease for each period with respect to ALQC was ₱58.2 million and the rents under the lease with respect to IQAC was ₱32.9 million, ₱24.7 million and ₱28.8 million, respectively.

The lessee has a right of first refusal in the event that the lessor sells the Subject Properties or any portion thereof. If the lessee does not exercise such right, the lessor shall ensure that the purchaser shall be bound in writing by the terms and conditions of the lease agreement (including the provisions of renewal of the lease term).

In the event that any party commits a breach of its obligations under their respective lease agreement, and such defaulting party is unable to rectify or cure its breach within the prescribed time, the non-defaulting party shall have the right to demand specific performance or to immediately terminate the relevant lease agreement.

In case of termination due to the default of APO Cement or Solid Cement, the ALQC or IQAC, as the case may be, shall have the right to forfeit advance rental payments, if any, by way of liquidated damages.

Intellectual Property

We rely on trademarks to establish and protect our business interests. We believe that our trademarks and intellectual property rights are important to our success and competitive position. As a multinational corporation, all of the trademarks and intellectual property of CEMEX and its member subsidiaries, as well as the protection and enforcement thereof, are managed centrally by the CEMEX head office in Mexico with the assistance of the local operating companies. We have license rights to use the "CEMEX" name, and the "APO", "Island" and "Rizal" brands from CEMEX Research Group, a subsidiary of CEMEX, pursuant to the Trademark License Agreement. See "Related Party Transactions—Trademark License Agreement."

An application to register the "CEMEX and Design, Building the Future" trademark in the Philippines was filed by us in 2001, as evidenced by Certificate of Registration No. 4-2001-008296 issued by the Philippine Intellectual Property Office. The mark, which covers at least thirteen classes of goods, was eventually registered in favor of CEMEX, S.A.B. de C.V. on July 30, 2006. In addition, CEMEX, S.A.B. de C.V. has obtained the registration of the coined composite mark "Building the Future" as evidenced by Certificate of Registration No. 4-2008-010882 issued by the Philippine Intellectual Property Office on March 9, 2009.

There can be no assurance that the actions we have taken will be adequate to prevent imitation by others or to prevent others from using our name in violation of our intellectual property rights. We closely monitor products released in the market that may mislead consumers as to the origin of such products and attempt to utilize the goodwill of our brands and other proprietary rights.

Insurance

We maintain insurance policies that include coverage for commercial general liability risks, marine liabilities, hull and cargo risks, political risks and supply chain business income risks.

Substantially all insurance premiums paid by APO Cement and Solid Cement are paid to a third party insurer in the Philippines, which reinsures most risks with an affiliate of CEMEX. In May 2016, we incorporated Falcon as a wholly-owned Barbados entity to create its own reserves and reinsure the CEMEX Reinsurer in respect of our property, non-damage business interruption, political risks insurance, cyber liability and professional liability insurance. As of the date of this Prospectus, we expect Falcon to continue to retain 10% of the CEMEX Reinsurer's risk in connection with our property insurance and 100% of the CEMEX Reinsurer's risk in connection with our earthquake and wind stop loss, non-damage business interruption and political risks insurance. See "Risk Factors—Risks Related to Our Business—Our insurance coverage may not cover all the risks to which we may be exposed and we effectively self-insure a portion of our risks."

Health and Safety Matters

We are subject to a variety of laws, rules and regulations in the Philippines that impose limitations, prohibitions, and standards relating to health and safety. In particular, the Occupational Safety and Health Standards promulgated by the Department of Labor and Employment, prescribes the minimum set of standards, rules, and regulations for the welfare and protection of workers in all places of employment. Apart from domestic rules, we are also guided by global benchmarks and standards on occupational health and safety, which is a key focus of our management. We have formulated management policies and adopted rules in accordance with applicable laws and regulations such as our production safety measures, the handling of hazardous materials, guidelines on high risk operations, and we also conduct regular training on occupational health and safety.

We have procedures in place to ensure that our health and safety rules and requirements are adhered to. We also encourage our management to promote awareness of the importance of health and safety in the workplace. We have achieved zero employee lost time for injury for the last three years from fiscal 2016 to fiscal 2018. Moreover, since 2001, each of our plants have sustained their environmental certifications and Health and Safety certifications from SGS Philippines, Inc., an inspection, verification, testing and certification company in the Philippines. Each of our plants has consistently been recognized by health and safety monitoring entities such as the Safety Organization of the Philippines, or SOPI.

Environmental Matters

We are subject to a broad range of environmental laws and regulations in the Philippines, such as the Philippine Clean Air Act of 1999, the Philippine Clean Water Act of 2004 and the regulatory framework established by the Philippine Environmental Impact Statement System. These laws and regulations impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental damage or contamination. Pursuant to these standards we are often required to obtain certificates or permits from a government body prior to commencing construction or operations of our facilities. These standards expose us to the risk of substantial environmental costs and liabilities, including liabilities associated with divested assets and past activities, even conducted by prior owners or operators. In addition, the discovery of contamination at our facilities could require us to incur substantial clean-up costs. See "Risk Factor—Risks Relating to our Business—Our operations are subject to environmental laws and regulations."

Each of our production plants has a pollution control officer and a team dedicated to monitoring the environmental impacts of our production of cement. We focus on sustainable construction through the development of large-scale infrastructure projects; the increase in our use of alternative fuels and raw materials and the optimization of air quality, waste management and recycling. We have a crisis management protocol to address remediate accidents that may occur from time to time at our facilities. Additionally, we successfully implemented a United Nations-certified clean development mechanism that substitutes conventional fossil fuels with more environmentally friendly local biomass products such as rice husks. The biomasses are now used in cement kilns to serve as fuel in the clinker production process, which is an important component of the cement-making process. The use of alternative fuels is an important part of our energy strategy and highlights our commitment to operational efficiency and sustainable development.

Legal Proceedings

In September 2015, we suffered an oil spill at our Solid Cement facility involving approximately 2,000 liters of heavy fuel oil that overflowed from one of our storage tanks, the majority of which was recovered within seven days of the incident. However, due to heavy rain conditions, a portion was carried towards drainage areas that led to the Teresa river. As a result of the incident, three separate administrative proceedings were initiated against us before the Laguna Lake Development Authority (LLDA), the Environmental Management Bureau of the Department of Environment and Natural Resources and the City of Antipolo, Rizal.

The City of Antipolo issued a Notice of Violation requiring Solid Cement to explain why no administrative cases should be filed for violations of the Clean Water Act of 2004 and other related environmental laws such as the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and the Philippine Environmental Impact Statement System. Solid Cement submitted its response to the City of Antipolo and the local government did not take further action against Solid Cement, although the Office of the Mayor officially endorsed the matter to the LLDA for proper action.

On September 10, 2015, LLDA issued an ex-parte order directing Solid Cement to show cause why no cease and desist order should be issued against the operation of its plant in Antipolo, Rizal for threats to life, public health, safety and welfare. In its resolution dated May 19, 2016, the LLDA resolved to dismiss this case on the condition that Solid Cement pays a fine of ₱200,000 to the LLDA. Following payment of the fine, the LLDA issued a decision dated June 20, 2016 dismissing the case.

The Notice of Violation issued by the DENR-EMB cited Solid Cement's alleged failure to comply with the conditions of its Environmental Compliance Certificate when the company allegedly failed to strictly manage all external and chemical processes and immediately undertake response activities. Solid Cement filed on October 5, 2015 its reply. The company received on September 6, 2017 the resolution of the DENR-EMB that, while recognizing Solid Cement's swift response to the situation (including citing that the clean-up was 100% complete in seven days, as well as the good results of the water sampling test conducted after the spill), imposed a fine of ₱50,000 for violation of the conditions of Solid Cement's Environmental Compliance Certificate (ECC), particularly the failure to prevent the oil-spill incident from happening. Solid Cement paid the fine. See "Risk Factors—Risks Relating to our Business—We are subject or may become subject to litigation proceedings and investigations that could harm our reputation, business, prospects, financial conditions and results of operation if an unfavorable ruling were to occur."

On September 20, 2018, the Landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines, a site located within an area covered by the mining rights of ALQC. The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO Cement and implemented to address the disruption in the supply arrangement with ALQC.

On November 19, 2018, the Company and APO Cement were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu, against the Company, APO Cement, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for "Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems."

In the complaint, among other allegations, plaintiffs (i) claim that the Landslide occurred as a result of the defendants' gross negligence; and (ii) seek, among other relief, (a) monetary damages in the amount of approximately ₱4.3 billion, (b) the establishment of a ₱500 million rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO Cement and the Company are made liable for payment of monetary damages and establishment of a rehabilitation fund.

In an order dated August 16, 2019, the Regional Trial Court denied plaintiffs' Application for Temporary Environment Protection Order. By denying such application, the Regional Trial Court found that the applicants did not sufficiently establish that they will suffer grave injustice and irreparable injury by the continued operations of ALQC while the proceedings are pending.

Among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Company, APO Cement and ALQC held the position that the Landslide occurred due to natural causes and deny liability, fault and negligence. In an order dated September 30, 2019, the Regional Trial Court partially granted the affirmative defenses of the private defendants and ruled, among others, that the subject case against the Company and APO Cement is dismissed for failure to state a cause of action. The court also ruled that: (i) the 22 plaintiffs who failed to sign the verification and certification against forum shopping are dropped as party-plaintiffs; (ii) the subject case is not a proper class suit, and that the remaining 17 plaintiffs can only sue for their respective claims, but not as representatives of the more than 8,000 alleged victims of the landslide incident; (iii) plaintiffs' cause of action against ALQC for violation of Section 19(a) of Republic Act No. 10121 is dismissed; (iv) there is a misjoinder of causes of action between the environmental suit and the damage suit; and (v) the damage suit of the remaining plaintiffs will proceed separately upon payment of the required docket fees within 30 days from receipt of order, otherwise, the case for damages will be dismissed. The September 30, 2019 order is not yet final and may be appealed by the parties thereto.

As of the date of this Prospectus, because of the current status and preliminary nature of the lawsuit, considering all possible defenses available, the Company cannot assess with certainty the likelihood of an adverse result in this lawsuit, and in turn, the Company cannot assess if a final adverse resolution, if any, would have a material adverse impact on the Company's consolidated results of operations, liquidity and financial condition.

We are involved in various legal proceedings involving, but not limited to, environmental claims, claims regarding the procurement and supply of products and services, claims and disputes regarding the transportation of goods and services and similar types of claims brought against us that have arisen in the ordinary course of business. We also receive various information requests from governmental and administrative authorities when such authorities are conducting periodic or general reviews of the markets in which we operate. We believe we have made adequate provisions to cover both current and contemplated general and specific litigation risks, and we believe these matters will be resolved without any significant effect on our operations, financial position and results of operations. We are sometimes able to make and disclose reasonable estimates 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 legal proceedings, we 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 believe that disclosure of such information on a case-by-case basis would seriously prejudice our position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, we have disclosed qualitative information with respect to the nature and characteristics of the contingency, but have not disclosed the estimate of the range of potential loss. As of September 30, 2019, we have made reserve provisions for outstanding legal claims in an amount equal to ₱3.1 million. See "Risk Factors—Risks Relating to our Business—We are subject or may become subject to litigation proceedings and investigations that could harm our reputation, business, prospects, financial conditions and results of operation if an unfavorable ruling were to occur."

MATERIAL CONTRACTS

Senior Unsecured peso Term Loan BDO Facility with BDO

On February 1, 2017, the Company signed a Senior Unsecured peso Term Loan BDO Facility with BDO for a loan amount of up to the Philippine peso equivalent of US$280 million, the proceeds of which were applied to refinance our borrowings from New Sunward Holding B.V., which is an indirect subsidiary of CEMEX, S.A.B. de C.V. The term loan provided by BDO has a tenor of seven 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. On December 8, 2017, the Company, together with APO Cement and Solid Cement, entered into a supplemental agreement to the facility agreement with BDO pursuant to which it was agreed that (i) the commencement date for compliance with certain financial covenants under the facility agreement would be in June 2020; (ii) debt service reserve accounts were created; and (iii) additional debt incurrence restrictions be put in place. One of these debt incurrence restrictions agreed is based on a financial ratio that measures, on a consolidated basis, our ability to cover its interest expense using its Operating EBITDA (as defined in the facility agreement) and is measured by dividing Operating EBITDA by the financial expense for the last twelve months as of the calculation date. On December 14, 2018, the Company and BDO entered into another supplemental agreement to the facility agreement that provides an option, only for certain potential events of default under the facility agreement, for our ultimate parent company, CEMEX, S.A.B. de C.V.'s subsidiaries, or any of CEMEX, S.A.B. de C.V. which is not a direct or indirect subsidiary of the Company, to pay all amounts outstanding under the facility agreement before they become due and payable prior to their maturity in certain events.

On May 15, 2019, the Company entered into an agreement with BDO to amend further the facility agreement to, among others, (i) conform the facility agreement with certain changes required due to PFRS 16 taking effect as of January 1, 2019, (ii) exclude from certain financial covenants in the facility agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid Cement that have been made or are to be made to the Company or its subsidiaries by any subsidiary of CEMEX S.A.B. de C.V., and (iii) allow for certain loans taken by the Company and its subsidiaries with any CEMEX S.A.B. de C.V. subsidiary to be paid with proceeds from any equity fundraising activity conducted by us without having to pay a prepayment fee to BDO under the facility agreement.

None of the foregoing amendments and supplements has the effect of increasing the debt level, maturity date, or interest cost under the facility agreement.

Tripartite Charter Agreement (MV Sider Vivara)

A tripartite agreement was entered into in 2014 between APO Cement, as charterer, Yortel Shipping Inc. ("Yortel") as owner, and Credit Suisse AG ("Credit Suisse") as mortgagee for the vessel MV Sider Vivara (the "Vivara"). The Vivara was mortgaged by Yortel to Credit Suisse, pursuant to a loan agreement, and as such, Credit Suisse has a first preferred Panama mortgage over the Vivara and an assignment over all the rights, title, and interest of Yortel to the Vivara's insurances, earnings, and requisition compensation. Yortel and APO Cement entered into a bareboat charter over the Vivara on October 28, 2013, which was amended on February 10, 2014, June 3, 2016 and June 1, 2018. The bareboat charter agreement, as amended, will expire on May 1, 2022.

The tripartite agreement contains a statement in which APO Cement acknowledges the existence of such mortgage and assignment, and agrees to pay the fees due under the bareboat charter agreement directly to Credit Suisse, and further that Yortel acknowledges several restrictions as to its rights as an owner, particularly with respect to transferability or disposal of the Vivara. Additionally, Credit Suisse agrees not to interfere with the possession of APO Cement as charterer unless in pursuance of its rights under the mortgage.

The tripartite agreement further states that, in the event that Credit Suisse is entitled to exercise its power of sale, APO Cement shall have a right of first offer to the Vivara, and only after APO Cement has declined such right shall Credit Suisse be authorized to offer the Vivara to a third party. In this event, the bareboat charter agreement shall be deemed to be terminated.

Tripartite Charter Agreement (MV Sider Procida)

A tripartite agreement was entered into in 2014 between APO Cement as charterer, Denton Shipping Inc. ("Denton") as owner, and Corner Banca SA ("Corner") as mortgagee for the vessel MV Sider Procida (the "Procida"). The Procida was mortgaged by Denton to Corner, pursuant to a loan agreement, and as such, Corner has a first preferred Panama mortgage over the Procida and an assignment over all the rights, title, and interest of Denton to the Procida's insurances, earnings, and requisition compensation. Denton and APO Cement entered into a bareboat charter over the Procida on October 30, 2014, which was amended on August 31, 2016, and on June 1, 2018. The bareboat charter agreement, as amended, will expire on May 1, 2022.

The tripartite agreement contains a statement in which APO Cement acknowledges the existence of such mortgage and assignment, and agrees to pay the fees due under the bareboat charter agreement directly to Corner, and further that Denton acknowledges several restrictions as to its rights as an owner, particularly with respect to transferability or disposal of the Procida. Additionally, Corner agrees not to interfere with the possession of APO Cement as charterer unless in pursuance of its rights under the mortgage.

The tripartite agreement further states that, in the event that Corner is entitled to exercise its power of sale, APO Cement shall have a right of first offer to the Procida, and only after APO Cement has declined this shall Corner be authorized to offer the Procida to a third party. In this event, the bareboat charter agreement shall be deemed terminated.

Time Charter for Valbella

A general time charter party agreement was entered into by APO Cement as charterer, and Lefkada Shipping S.A. as registered owner ("Lefkada") and Orophil Shipmanagement Corporation as the disponent owners for the vessel MV NAAC Valbella (the "Valbella") on January 28, 2018. The charter period has a term of 30 months from delivery to APO Cement, with two additional 12-month periods, at APO Cement's option. The agreement sets forth the charter hire per day, and states that during the term of the agreement, Lefkada has the option to sell the Valbella, under the condition that the Valbella shall remain with APO Cement until the agreement has expired. Under the contract, Lefkada further warrants that the Valbella shall have full and valid protection and indemnity insurance.

Time Charter for Kota Padang

A time charter party agreement was entered into by APO Cement and Magnificent Shipmanagement Corporation, as charterers, and PT Indobaruna Bulk Transport as owner for the vessel MV Kota Padang on March 14, 2018. The duration of the agreement was one year from delivery to charterers. The agreement was last amended on July 18, 2019, extending the duration of the agreement until September 30, 2020 with an additional six months extension, at charterers' option. The agreement sets forth the charter hire per day.

Other Material Agreements

We have entered into certain other material agreements with ALQC, IQAC and other related parties and third parties. For discussions of these agreements, see "Business—Properties", "Business—Raw Materials—Raw materials sourced from ALQC and IQAC" and "Related Party Transactions."

REGULATION

Philippine Mining Act

Republic Act No. 7942, otherwise known as the Philippine Mining Act of 1995, governs the exploration, development, utilization and processing of all mineral resources and includes measures to protect the government. Grantees of mineral agreements from the DENR (which may be in the form of a MPSA, co-production agreement or joint venture agreement) have the right to conduct mining operations, which covers mining activities involving exploration, feasibility, development, utilization, and mineral processing.

Consumer Act

Republic Act No. 7394 ("R.A. No. 7394"), as amended, otherwise known as the Consumer Act of the Philippines, establishes quality and safety standards with respect to the composition, contents, packaging, and advertisement of goods, services, and credits, debts or obligations which are primarily for personal, family, household, or agricultural purposes. R.A. No. 7394 recognizes the policy of the state to protect against hazards to health and safety, promote the exercise of consumer rights, and provide adequate means of redress and prohibits the manufacture, importation, exportation, sale, offering for sale, distribution, and transfer of any consumer product which is not in conformity with an applicable consumer product quality or safety standard. It is primarily enforced by the Department of Health, the Department of Agriculture, and the Department of Trade and Industry.

Specifically, R.A. No. 7394 assures consumer product quality and safety standards by establishing requirements on the following: (a) performance, composition, contents, design, construction, finish, packaging of a consumer product; (b) kind, class, grade, dimensions, weights, material; (c) the methods of sampling, tests and codes used to check the quality of the products; (d) precautions in storage, transporting and packaging; and (e) that a consumer product be marked with or accompanied by clear and adequate safety warnings or instructions, or requirements respecting the form of warnings or instructions.

Environment

Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System was established by virtue of P.D. No. 1586. Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to project construction and operation. Through its regional offices or through the Environmental Management Bureau ("EMB"), the DENR determines whether a project is environmentally critical or located in an environmentally critical area. As a prerequisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB. A project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office, without prejudice to the power of the DENR to require a more detailed EIS. The EIS refers to both the document to be submitted to the EMB and the environmental impact assessment of a project, including a discussion of direct and indirect consequences to human welfare and ecology as well as environmental integrity. The IEE refers to the document to be submitted to the DENR and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, at a minimum, they contain all relevant information regarding the environmental effects of a project. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS system. The EIS system successfully culminates in the issuance of an ECC. The ECC is a government certification that (1) the proposed project or undertaking will not cause a significant negative environmental impact, (2) the proponent has complied with all the requirements of the EIS system, and (3) the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it will comply with the mitigation measures suggested therein. The ECC contains specific measures and conditions that the project proponent must undertake before and during the operation of a project, and in some cases, during the abandonment phase of the project, to mitigate identified environmental impact. Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose significant public risks to life, health, property and the environment. The EGF is intended to answer for damages caused by such projects as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support activities of a multi-partite monitoring team that will be organized to monitor compliance with the ECC and applicable laws, rules, and regulations.

As it is standard in our industry, we incur expenses for the purposes of complying with applicable local and international environmental rules and regulations. In fiscal 2018, we incurred approximately ₱26.4 million of environmental compliance costs**.**

Toxic Substances, Hazardous and Nuclear Wastes Control Act

The Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 ("R.A. No. 6969") mandates control and management of the import, manufacture, process, distribution, use, transport, treatment and disposal of toxic substances and hazardous and nuclear wastes. R.A. No. 6969 is primarily enforced by the DENR, with the assistance of the Inter-Agency Technical Advisory Council. It seeks to protect public health and the environment from unreasonable risks posed by these substances. Persons (natural or juridical) who generate or produce hazardous wastes, through any commercial, industrial or trade activities, are required to register with the EMB Regional Office having jurisdiction over the location of the waste generator. A DENR I.D. Number shall be issued upon registration. This is a one-time permit unless there is a change in the hazardous wastes produced.

In addition, waste generators are required to (1) notify the DENR of the type and quantity of waste generated in accordance with the form and in a manner approved by the DENR and pay the prescribed fee; (2) provide the DENR, on a quarterly basis, with certain information including the type and quantity of the hazardous waste generated, produced or transported outside in a form approved by the DENR; (3) continue to own and be responsible for the hazardous waste generated or produced in the premises until the hazardous waste has been certified by the waste treater as adequately treated, recycled, reprocessed or disposed of; (4) prepare and submit to the DENR comprehensive emergency contingency plans that conform with DENR guidelines to mitigate spills and accidents involving hazardous wastes; and (5) train and inform personnel and staff on (a) the implementation of the emergency contingency plan, and (b) the hazards posed by the improper handling, storage, transport, and use of hazardous waste and their containers.

Aside from R.A. No. 6969, those involved in hazardous waste management are also required to comply with the requirements of other specific environmental laws, such as Presidential Decree No. 984 (National Pollution Control Decree of 1976), Presidential Decree No. 1586 (Environmental Impact Statement System Law), RA 8749 (Philippine Clean Air Act of 1999) and RA 9003 (Ecological Solid Waste Management Act of 2000) and their implementing rules and regulations.

Philippine Clean Air Act

The Philippine Clean Air Act of 1999 ("R.A. No. 8749") focuses primarily on pollution prevention and provides for a comprehensive management program for air pollution. Consistent with the policies of R.A. No. 8749, all planned sources of air pollution that have the potential to emit 100 tonnes per year or more of any regulated air pollutant, or when required under the ECC, must secure an Authority to Construct and Permit to Operate from the EMB prior to commencement of construction or operation. The Authority to Construct is a one-time permit while the Permit to Operate must be renewed at least 30 days before its expiration date.

Philippine Clean Water Act

The Philippine Clean Water Act of 2004 ("R.A. No. 9275") focuses primarily on water quality management in all water bodies and the abatement and control of pollution from land based sources. All owners or operators of facilities that discharge regulated effluents pursuant to this Act are required to secure a permit to discharge. The discharge permit shall be the legal authorization granted by the DENR to discharge wastewater.

The DENR, as part of the permitting procedure, also urges the adoption of waste minimization and waste treatment technologies when such technologies are deemed cost effective. The DENR also develops procedures in relation to the current water quality guideline or the projected water quality guideline of a given receiving water body with total pollution loadings from various sources, so that effluent quotas can be properly allocated in the discharge permits. Effluent trading may be allowed in each management area.

For compliance with R.A. No. 9275, fiscal and non-fiscal incentives are provided such as the inclusion in the investment priorities plan and tax and duty exemption of donations, legacies and gifts for the support of waste management programs.

Health and Safety

Occupational Safety and Health Standards Law

On August 17, 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires providing complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

The Occupational Health and Safety Standards promulgated by the Department of Labor and Employment pursuant to the Occupational Safety and Health Standards Law provides for the standards applicable to all places of employment to protect employees against the dangers of injury, sickness or death through safe and healthful working conditions. These standards provide for the training of personnel and employees in occupational health and safety, establishment of a health and safety committee, requirement of notification and record-keeping of accidents and/or occupational illnesses, required health and safety standards in the premises of the establishment, occupational health and environmental control, requirement of personal protective equipment and devices, rules for handling hazardous materials, gas and electric welding and cutting operations, hazardous work processes, explosives and general handling of materials and storage, electricity safety, construction safety, fire protection and control and occupational health services.

Labor Legislation

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997, the National Health Insurance Act of 1995, as amended, and the Home Development Fund Law of 2009.

Social Security Act

Under the Social Security Act of 1997, social security coverage is compulsory for all employees not over 60 years of age. An employer is obligated to deduct and withhold from each employee's monthly salary, wage, compensation or earnings, the employee's contribution; and the employer, for its part, makes a counterpart contribution for the employee, and remits both amounts to the Social Security System ("SSS"). This enables the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits. The Social Security Act of 1997 imposes penal sanctions if an employer fails to remit the contributions to the SSS. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The National Health Insurance Act

The National Health Insurance Act created the National Health Insurance Program ("NHIP") to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. All members of the SSS and Government Service Insurance System ("GSIS") are automatically members of the NHIP. The Philippine Health Insurance Corporation ("PhilHealth") administers the NHIP, and an employer is required to deduct and withhold the contributions from the employee's salary, wage or earnings, make a counterpart contribution for the employee, and remit both amounts to PhilHealth. The NHIP subsidizes personal health services required by the employee subject to certain terms and conditions under the law. The National Health Insurance Act imposes penal sanctions if an employer does not remit the contributions to PhilHealth. For corporate employers, the penalty is imposed on its president and members of the board of directors.

Home Development Fund Law

The Home Development Fund Law ("R.A. No. 9679") created the Home Development Mutual Fund ("HDMF"), a national savings program for private and government employees and other earning groups as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS and GSIS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF. R.A. No. 9679 also imposes penal sanctions if the employer does not remit the contributions to the HDMF.

The Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum lump sum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year.

Permits

Set out below are the Philippine regulatory permits material to our business. Based on the opinion issued by our external counsel, Atty. Karen S. Ong, and unless otherwise indicated below, the material permits and licenses required for our operations are valid and subsisting.

APO Cement (each item delineated with a "*" means that the application process is on-going)

Type of Permit	Issue Date indicated in the Permit	Expiry Date indicated in the Permit
Mayor's Permit for the Cement Plant in Naga, Cebu	17-Jan-19	31-Dec-19*
MGB Permit to Operate Refuse Derive Fuel Facility	22-May-18	21-May-19*
EMB Permit to Operate Air Pollution Source and Control Installments	18-Feb-15	25-Sep-19*
MGB Permit to Operate Air Compressor (Machinery No. MGB APO L2-1 to L2-11)	29-Jan-18	13-Jan-19*
MGB Permit to Operate Elevator (Machinery No. MGB APO L2-1)	3-Feb-17	13-Jan-18*
EMB Permit to Operate Air Pollution Source and Control Installments (Re: Davao Terminal)	12-Nov-19	21-May-24
MGB Permit to Operate Pressure Vessel MGB- APO-L2-37	6-Sep-18	18-Aug-19*
MGB Permit to Operate Pressure Vessel (Pressure Vessel No. MGB- MGB-APO-L2-31, 33, 34 and APO L1-32 and L1-37)	6-Sep-18	16-Jul-19*
MGB Permit to Operate Internal Combustion Engine (Machinery No. MGB APO-L2-1 to APO-L2-6)	29-Jan-18	13-Jan-19*
MGB Permit to Operate Internal Combustion Engine (Machinery No. MGB APO L1-1)	6-Sep-18	16-Jul-19*
EMB Discharge Permit	18-Feb-15	25-Sep-19*
MGB Permit to Operate Air Compressor (Machinery No. MGB APO L1-1, L1-2, L1-12, L2-13, L2-14 and L2-15)	6-Sep-18	16-Jul-19*
MGB Permit to Operate Air Compressor (Machinery No. MGB APO L2-16 to MGB APO L2-20)	6-Sep-18	16-Jul-19*

Type of Permit	Issue Date indicated in the Permit	Expiry Date indicated in the Permit
Environmental Compliance Certificate No. ECC-98A-07CE-006 for the Proposed Fuel Tank Farm Project	20-Jan-98	N/A
Environmental Compliance Certificate No. ECC-R6-0696-1003-534-120-A for the Cement terminal facility expansion at Iloilo Commercial Port Complex	19-Jul-13	N/A
Environmental Compliance Certificate No. ECC-R11-1312-0263 (For the cement terminal and warehouse facility in Davao City)	10-Jan-14	N/A
Environmental Compliance Certificate No. ECC-CO-1308-0027 (for the expansion of APO Cement plant and jetty)	10-Dec-13	N/A
NTC Coastal Radio License No. 7FC-04917R	11-Jan-19	31-Jan-20
Bureau of Product Standard license to use Philippine Standard Quality Certification Mark for its Portland Cement Type I and II (License No. Q-0256)	04-Apr-18/25-Apr-18	22-Dec-20
Bureau of Product Standard license to use Philippine Standard Quality Certification Mark for its Blended Hydraulic Cement with Pozzolan—Type IP and P (License No. Q-0257)	21-Oct-16	20-Oct-19*
PSALM Certificate of Registration	4-May-04	N/A
Bureau of Product Standard license to use Philippine Standard Quality Certification Mark for its Masonry Cement Type M (License No. Q-1389)	8-Mar-18	8-Oct-20
DOTC Statement of Compliance of a Port Facility	18-Dec-12	17-Dec-17*
ERC Certificates of Compliance Nos. 15-01-GN 49-16727V and 15-11-M-00025V for the Generation Facilities in Naga	26-Jan-15	9-Dec-19* Pending application with ERC for conversion to COC for Self-Generation
TSD Registration Certificate	17-Sep-19	17-Sep-20
Cement Kiln Co-Processing Registration Certificate	17-Sep-19	17-Sep-20

Solid Cement (each item delineated with a "*" means that the application process is ongoing)

Type of Permit	Issue Date indicated in the Permit	Expiry Date indicated in the Permit
Mayor's Permit for the Cement Plant in Antipolo City	23-Jan-19	31-Dec-19*
Bureau of Product Standard license to use Philippine Standard Quality Certification Mark for Blended Hydraulic Cement with Pozzolan (License No. Q-0840)	4-Aug-17	3-Aug-20
Bureau of Product Standard license to use Philippine Standard Quality Certification Mark for Portland Cement License No. Q-0092	4-Aug-17	3-Aug-20
ERC Certificate of Compliance No. 14-03-GXT-51-055L	16-Nov-18	15-Nov-23
Environmental Compliance Certificate No. ECC-CO-1708-0016 for Cement Manufacturing and Quarry Expansion Project	13-Dec-17	N/A
LLDA Clearance	8-Oct-18	N/A
LLDA Discharge Permit	27-Sep-18	10-Jun-20
MGB Permit to Operate Internal Combustion Engines	9-May-19	8-May-20
MGB Permit to Operate Pressure Vessels	9-Mar-19	8-Mar-20
MGB Certificate of Electrical Inspection	9-May-19	8-May-20
EMB Chemical Control Order Registration Certificate	21-Aug-00	N/A
EMB Permit to Operate Air Pollution Source and Control Installments (Cement Mill/Finish Mill)	12-Dec-18	27-Dec-19*
EMB Permit to Operate Air Pollution Source and Control Installments (Additional Installations)	12-Dec-18	31-Dec-19*
TSD Registration Certificate	14-Feb-19	14-Feb-20
Cement Kiln Co-Processing Registration Certificate	14-Feb-19	14-Feb-20
Environmental Compliance Certificate No. ECC-NCR-1301-0024 for Admixture Processing and Associated Facilities	14-Feb-13	N/A

Type of Permit	Issue Date indicated in the Permit	Expiry Date indicated in the Permit
Environmental Compliance Certificate No. ECC-NCR-1305-0198 for Concrete Batching Plant and Diesel Storage Tank	14-Jun-13	N/A
Environmental Compliance Certificate No. ECC-NCR-9612-0417 (Amended) for the Cement Terminal at the Manila Harbor Center	15-Oct-14	N/A

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The Company's Board is entrusted with the responsibility for our overall management and direction. The Board meets on a quarterly basis at least, or more frequently as required, to review and monitor our financial position and operations. The Company's amended articles of incorporation provide that the Board will consist of eight directors. Copies of the Company's amended articles of incorporation, amended by-laws, minute books and other corporate books and records will be available for inspection by the Company's shareholders at our registered office at 34/F Petron Megaplaza, 358 Sen. Gil. J. Puyat Avenue, Makati City, Philippines 1200, Philippines, or upon request.

The following table sets forth information regarding the Company's Board as of the date of this Prospectus:

Name	Age	Citizenship	Position	Date initially elected to the Board
Joaquin Miguel Estrada Suarez	55	Spain	Chairman of the Board	February 29, 2016
Ignacio Alejandro Mijares Elizondo	44	Mexico	President and CEO; Director	July 4, 2017
Larry Jose Zea Betancourt	57	England	Director	April 2, 2019
Antonio Ivan Sanchez Ugarte	49	Spain	Director	December 6, 2017
Alejandro Garcia Cogollos	45	Spain	Vice President—Planning and Administration; Director	April 25, 2018
Alfredo Panlilio	56	Philippines	Independent Director	June 3, 2016
Pedro Roxas	63	Philippines	Independent Director	June 3, 2016
Eleanor M. Hilado	56	Philippines	Independent Director	June 6, 2019

Below are summaries of the business experience and credentials of the members of the Board:

Joaquin Miguel Estrada Suarez. Joaquin Miguel Estrada Suarez holds a degree in economics from the Universidad de Zaragoza and holds an M.B.A. from the Instituto de Empresa. Mr. Estrada joined CEMEX in 1992 and has held several executive positions, including head of operations in Egypt and Spain, as well as head of trading for Europe, the Middle East and Asia. He is president of CEMEX's operations in Asia, Middle East and Africa and is also responsible for CEMEX's global trading activities. From 2008 to 2011, he served as a member of the board of directors of COMAC (Comercial de Materiales de Construcción S.L.), president and member of the board of OFICEMEN (Agrupación de Fabricantes de Cemento de España), and member of the board of IECA (Instituto Español del Cemento y sus Aplicaciones), he was also the president of CEMA (Fundaciòn Laboral del Cemento y el Medioambiente) from 2010 to 2011. Mr. Estrada serves as the Company's Chairman of the Board, a position he has held since October 25, 2016. He was initially elected to the Company's Board on February 29, 2016, and was re-elected as director during our annual stockholders' meetings held on June 7, 2017, on June 6, 2018 and on June 6, 2019.

Ignacio Alejandro Mijares Elizondo. Ignacio Alejandro Mijares Elizondo holds a Bachelor's degree in Industrial Engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey, and obtained a Master of Business Administration degree from Stanford Graduate School of Business in 2000. He joined CEMEX in 2001 and has held several management positions, including President of CEMEX Puerto Rico (2010-2011) and Vice President for Planning and Administration for CEMEX Mexico (2011-2017). He also served as a member of the Executive Committee and Board member of ABC Capital (2011-2017) and was a member of the Executive Committee and Board member of Grupo Cementos Chihuahua (2013-2017). Mr. Mijares was appointed as country head for CEMEX in the Philippines effective from July 1, 2017. On July 4, 2017, he was elected to the Board and elected as the Company's President and Chief Executive Officer. He was re-elected as a member of the Board during the Company's annual stockholders' meetings held on June 6, 2018 and on June 6, 2019. Mr. Mijares is also the Chairman of the Board of Directors of the following subsidiaries: APO Cement Corporation, Solid Cement Corporation, Triple Dime Holdings, Inc., Edgewater Ventures Corporation, Sandstone Strategic Holdings, Inc., Bedrock Holdings, Inc., Ecocrete, Inc., Enerhiya Central Inc., Ecocast Builders, Inc., Ecopavements, Inc., and Newcrete Management, Inc. Mr. Mijares is the Chairman of the Board of Directors and President of CASE and CEMEX Strategic Philippines, Inc., each of which is an affiliate. He is also a member of the board of directors of Impact Assets Corporation and Albatross Holdings, Inc.

Larry Jose Zea Betancourt. Larry Jose Zea Betancourt holds a Bachelor's degree in Chartered Accountancy. Mr. Zea joined the operations of CEMEX in Venezuela in 1992. He participated in the CEMEX International Management Program in 1998. He was the Director of Controllership of CEMEX Egypt from 2000 until 2003, then the Regional Controllership Director—Asia from 2003 to 2006. After a one year stint as Regional Controllership Director—Eastern Europe and as Controllership Director for the United Kingdom and Northern Europe from 2007 to 2010, Mr. Zea assumed the position of Business Services Organization (BSO) Director for the United Kingdom from 2010 to 2015 and was subsequently promoted to the position of CEMEX BSO Director for Europe, Middle East and Africa in 2015 and retained this responsibility until 2018. Mr. Zea is currently the CEMEX BSO Director for Asia, Middle East and Africa, a position he assumed in January 2019. As CEMEX BSO Director, Mr. Zea is responsible for BSO services pertaining to accounting, tax administration, financial information, payments to suppliers, treasury, risk, HR administration, payroll, IT services and processes, and Internal Control that are performed in various business units of CEMEX in the covered area. Mr. Zea was elected to the Board on April 2, 2019 and was re-elected as member of the Board at the Company's annual stockholders' meeting held on June 6, 2019. Mr. Zea is a member of the Company's Audit Committee.

Antonio Ivan Sanchez Ugarte. Antonio Ivan Sanchez Ugarte holds a law degree from Deusto University (Bilbao, Spain) and obtained a Master of Laws (Executive LLM) degree with honors from the Northwestern University Pritzker School of Law (Chicago, USA). After several years of private law practice, he joined CEMEX as International Legal Counsel in 2001 based in Madrid, Spain. In September 2017, he was appointed as the Head of CEMEX Legal for Asia, Middle East and Africa Region. On December 6, 2017, he was elected as a member of the Board, in view of the retirement of Mr. Vincent Paul Piedad from the organization. The election of Mr. Sanchez as a member of the Board was effective on January 1, 2018. He was re-elected as a member of the Board during the Company's annual stockholders' meetings held on June 6, 2018 and then on June 6, 2019.

Alejandro Garcia Cogollos. Alejandro Garcia Cogollos holds a Bachelor's degree in Management and Business Administration from the Universidad Carlos III de Madrid, and obtained an MBA from Escuela de Administración de Empresas (EAE) (Barcelona). Mr. Garcia joined CEMEX Spain in 1999. He became the Controllership Manager of various subsidiaries of the CEMEX Group based in the Netherlands in 2001, a position he held until 2006 when he was assigned to assume the position of Controllership Manager of the CEMEX operations in the United Arab Emirates. Since 2011, he was the Planning & Administration Director for CEMEX UAE. In view of the retirement of Mr. Hugo Losada from the organization and his resignation from our Board of Directors and as an executive officer of the Company on April 25, 2018 at a meeting during which a majority of the members were present, Mr. Garcia was elected as a member of the Company's Board and as Vice President for Planning and Administration. He was re-elected as a member of the Board during the Company's annual stockholders' meetings held on June 6, 2018 and on June 6, 2019. Mr. Garcia is a member of the Company's Nomination Committee.

Alfredo Panlilio. Alfredo Panlilio holds a B.S. degree in Business Administration in 1984 from San Francisco State University in California and a Master of Business Administration degree from the J.L. Kellogg School of Management at Northwestern University in Illinois, USA and from The Hong Kong University of Science and Technology in 2009. From 1992 to 1997, Mr. Panlilio worked at IBM as an executive lead in various industries, including manufacturing, transportation, travel, and utilities. He then spent two years with ABS CBN, the Philippines' biggest TV network, where he marshaled synergies among the network's various subsidiaries. In 1999, Mr. Panlilio became the Senior Vice President and head of the Corporate Business Group of the Philippine Long Distance Telephone Company ("PLDT"), the Philippines' leading telecommunications firm, a role he served until 2002. In 2003, he was appointed to lead PLDT's Carrier Business Group, where he managed the formulation and implementation of domestic and international inter-carrier requirements. In 2004, Mr. Panlilio became the President and CEO of PLDT Global Corporation to grow the international retail business and maximize revenue potential of the PLDT Group of Companies. In 2010, PLDT acquired the Philippines' largest distribution utility, Manila Electric Company ("Meralco"), and Mr. Panlilio was appointed as Senior Vice President of Meralco and served as Meralco's Head of Customer Retail Services and Corporate Communications. On July 1, 2019, he assumed the role of EVP and Chief Revenue Officer of PLDT and was appointed President and CEO of Smart Communications in August 2019. He is a member of the Board of Directors of MGEN Renewable Energy, Inc., an indirect subsidiary of Meralco. Mr. Panlilio also serves as president of the MVP Sports Foundation, the umbrella sports advocacy organization of the Metro Pacific Group, President of Samahang Basketbol ng Pilipinas, PBA Governor for the Meralco Bolts, and the Treasurer of the National Golf Association of the Philippines. Mr. Panlilio is an independent director on our Board. He was initially elected to the Board on June 3, 2016 and assumed office effective from July 14, 2016. He was re-elected as independent member of the Board during the Company's annual stockholders' meetings held on June 7, 2017, on June 6, 2018 and on June 6, 2019. Mr. Panlilio is the Chairman of the Company's Nomination Committee and a member of the Company's Audit Committee.

Pedro Roxas. Pedro Roxas holds a B.S. Degree in Business Administration from the University of Notre Dame. Since 1978, Mr. Roxas has been a member of the board of directors of Roxas Holdings Inc. ("RHI"), the largest integrated sugar business in the Philippines. In 1995, he was appointed as Chairman of both the board of directors and executive committee of RHI. Mr. Roxas later became the Chief Executive Officer and Chairman of the board of directors of Roxas and Company, Inc., the holding company of RHI. In addition to his leadership at RHI, Mr. Roxas has extensive experience serving as an independent director for companies such the Philippine Long Distance Telephone Company, Manila Electric Co., BDO Private Bank, Brightnote Assets Corporation and Mapfre Insular Insurance Corporation. He is Chairman of the board of directors of Hawaiian-Phil Co., the President of Philippine Sugar Millers Association, and a member of the board of directors & the President of Fundacion Santiago. Mr. Roxas is a Trustee and the Treasurer of the Philippine Business for Social Progress, and Trustee of the Roxas Foundation, Inc. Mr. Roxas serves as an independent member of the Board. He was initially elected to the Board on June 3, 2016 and assumed office effective from July 14, 2016. He was re-elected as independent member of the Board during the Company's annual stockholders' meetings held on June 7, 2017, on June 6, 2018 and on June 6, 2019. Mr. Roxas is the Chairman of the Company's Audit Committee and Member of the Company's Nomination Committee.

Eleanor M. Hilado. Eleanor M. Hilado earned her Bachelor of Arts degree in Economics, Cum Laude, from the University of the Philippines. A former banker by profession, Ms. Hilado's 32-year banking career had its beginnings at the Far East Bank and Trust Company. Thereafter, Ms. Hilado joined the Development Bank of the Philippines as Sector Head of its Institutional Banking Group and was primarily responsible for professionalizing and revitalizing the corporate lending business of the institution immediately following its financial rehabilitation. In 1991, she joined the Corporate Banking Group of PCIBank and served as Assistant Vice President and Division Head until March 1997. In October 1997, Ms. Hilado's banking career was further broadened when she assumed senior management positions at PCI Capital Corporation, then the country's preeminent investment bank. In June 2007, she became First Vice President of BDO Capital & Investment Corporation, and was subsequently promoted to Senior Vice President in February 2009, a position she held until February 2018. At BDO Capital & Investment Corporation, Ms. Hilado led industry advocacy efforts to deepen the domestic bond markets by actively working with the Securities and Exchange Commission and the Philippine Dealing and Exchange Corporation to simplify registration requirements for issuers of public securities, on the one hand, and promoting investor education for publicly-issued debt and equity securities, on the other. Throughout her investment banking career, Ms. Hilado was instrumental in expanding the breadth and depth of issuer names and types of capital markets securities available in the domestic bond and equity markets. As Senior Vice President of BDO Capital & Investment Corporation, Ms. Hilado was involved in the implementation of certain capital markets transactions which were pursued with the participation of BDO Capital & Investment Corporation during the period 2016-2017. Concurrent with her position and responsibilities at BDO Capital & Investment Corporation, Ms. Hilado also served as President of Armstrong Securities, Inc. and a member of its Board of Directors, a member broker of the Philippine Stock Exchange and one of three stock brokerage firms of the BDO Unibank Group from 2008-2018. Ms. Hilado is affiliated with the Canadian American School Manila, being a member of its Board of Advisors since 2016. She is also a member of the Board of Governors of the Home for Alternative Learning and Motivational Strategies (a division of the Birthright Educators Foundation).

Ms. Eleanor serves as an independent member of the Board. Ms. Eleanor was elected as a member of the Board, and a member of the Company's Audit Committee and Nomination Committee on June 6, 2019.

Term of Office

The members to the Board are elected during each regular meeting of the Company's shareholders and hold office for one year and until their successors are elected and qualified. The Company's regular meetings of shareholders are held on the 1st Wednesday of June of each year, except when such date falls on a legal holiday, in which case the meeting is held on the following business day.

Corporate Governance

We adopted our initial Manual on Corporate Governance (the "Manual") on March 7, 2016. Our policy of corporate governance is based on the Manual. The Manual, which complies with SEC rules, lays down the principles of good corporate governance in the entire organization. The Manual provides that it is the Board's responsibility to initiate compliance to the principles of good corporate governance, to foster our long-term success and to secure our sustained competitiveness in a manner consistent with our fiduciary responsibility. This Manual was amended on October 25, 2016, May 10, 2017, February 6, 2018 and March 22, 2018.

As of the date of this Prospectus, the Company has three independent directors namely, Alfredo Panlilio, Pedro Roxas, and Eleanor M. Hilado. We consider as an independent director one who, except for director's fees and shareholdings, is independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with the directors' exercise of independent judgment in carrying out his responsibilities as one of our directors.

The Manual embodies our policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Manual further provides for the rights of all shareholders and the protection of the interests of minority shareholders. Any violation of the Manual is punishable by a penalty ranging from reprimand to dismissal, depending on the frequency of commission as well as the gravity thereof.

Committees of the Board

The Board has constituted two committees to effectively manage our operations: (i) the Audit Committee and (ii) the Nomination Committee.

Audit Committee

The Company's Audit Committee is currently comprised of four members, three of whom are independent directors. The Audit Committee is responsible for, among other things, the following functions: (i) assist the Board in the performance of its oversight responsibility for: our financial reporting process; our system of internal control; our audit process and the monitoring of compliance with applicable laws, rules and regulations; (ii) supervise the effectiveness of our internal control procedures and corporate risk management systems; (iii) perform oversight functions over our internal and external auditors, ensuring that the internal and external auditors act independently from each other, and that each are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; (iv) review the annual internal audit plan to ensure its conformity with our objectives; (v) organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; (vi) monitor and evaluate the adequacy and effectiveness of our internal control system, including financial reporting control and information technology security*;* (vii) review the reports submitted by the internal and external auditors; (viii) review the quarterly, half-year and annual financial statements before their submission to the Board; (ix) coordinate, monitor and facilitate compliance with laws, rules and regulations; (x) evaluate and determine non-audit work, if any, required of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to our overall consultancy expenses and (xi) establish and identify the reporting line of the internal auditor to enable them to properly fulfill their duties and responsibilities.

On October 25, 2016, the Audit Committee promulgated the Charter for the Audit Committee, which sets out the basic governance and process framework of the Audit Committee, in accordance with SEC Memorandum Circular No. 4, series of 2012.

Additionally, on February 6, 2018, the Audit Committee promulgated its Internal Audit Charter which sets out its purposes, membership, structure, operations, reporting process, resources and other relevant information in accordance with SEC Memorandum Circular No. 4, series of 2012.

The Audit Committee must be comprised of at least three directors, preferably with an accounting and financial background. Two of the members must be independent directors, including the chairman of the Audit Committee. The Audit Committee reports to the Board and is required to meet at least once every three months.

Nomination Committee

The Company's Nomination Committee is currently comprised of four members, three of whom are independent directors. The Nomination Committee is responsible for, among other things, the following functions: (i) be responsible for providing shareholders with an independent and objective evaluation of and assurance that the members of the Board are competent and will foster our long-term success and secure our competitiveness; (ii) review and evaluate the qualifications of persons nominated to the Board as well as other appointments that require Board approval and (iii) assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

Following the favorable endorsement of the Nomination Committee, the Board of Directors approved the Charter for the Nomination Committee on October 25, 2016.

The Nomination Committee must be comprised by at least three directors, including one independent director. The Nomination Committee reports directly to the Board and is required to meet at least once a year.

Directors' Compensation

Standard Arrangements

The members of the Company's Board will be compensated according to the provisions of the Company's by-laws. Under the Company's by-laws, the member of the Board shall receive compensation for the discharge of the duties of supervision and collegiate decision-making proper to said management body. The Board approved in a special meeting held on June 3, 2016 the following honorarium fee/per diem for independent directors: (i) an honorarium fee/ per diem equivalent to ₱450,000 (computed on an annual basis) for acting as director and (ii) an honorarium fee/per diem equivalent to ₱90,000 (computed on an annual basis) per committee membership.

Other Arrangements

There are no other arrangements pursuant to which any of the members of the Board is compensated, directly or indirectly, for any service provided as director.

Executive Officers

Our executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning our business operations, prospects, financial condition and results of operations for its review. The following table presents information concerning executive officers and their respective positions as of the date of this Prospectus:

Name	Age	Citizenship	Position	Date originally appointed
Ignacio Alejandro Mijares Elizondo	44	Mexico	President and Chief Executive Officer	July 4, 2017
Steve Kuansheng Wu	53	Taiwan	Treasurer/ Chief Financial Officer/Business Services Organization Director	December 6, 2017
Jannette Virata Sevilla	57	Philippines	Corporate Secretary and Compliance Officer	Corporate Secretary: September 17, 2015 Compliance Officer: August 24, 2016
Irma D. Aure	43	Philippines	Vice President—Human Capital and Organization	July 24, 2019 (effective on July 15, 2019)
Alejandro Garcia Cogollos	45	Spain	Vice President—Planning and Administration	April 25, 2018
Edwin P. Hufemia	48	Philippines	Vice President for Supply Chain	October 24, 2017
Roberto Martin Z. Javier	45	Philippines	Vice President for Commercial—Institutional Segment	October 24, 2017
Arturo Manrique Ramos	51	Mexico	Vice President—Cement Operations and Technical	September 27, 2017
Everardo Sanchez Banuet	46	Mexico	Vice President for Commercial—Distribution Segment	January 30, 2019 (effective on February 15, 2019)
Adrian V. Bancoro	41	Philippines	Tax Director	February 29, 2016
Pierre Ignatius C. Co	29	Philippines	Investor Relations Director	June 6, 2019 (effective on June 7, 2019)
Kristine G. Gayem	38	Philippines	Energy Director	July 24, 2018
Jose Mauro Gallardo Valdes	35	Mexico	Enterprise Risk Management Manager	June 6, 2018
Ma. Virginia Lacson—Del Rosario	51	Philippines	Customer Experience Director	October 24, 2017
Chito S. Maniago	39	Philippines	Director for Corporate Communications and Public Affairs	June 6, 2018
Dino Martin W. Segundo	48	Philippines	Legal Director	June 6, 2018
Juan Carlos Soto Carbajal	44	Spain	Procurement Director	January 30, 2019
Rolando S. Valentino	45	Philippines	Internal Auditor	August 24, 2016

Below are summaries of the business experience and credentials of our executive officers:

Ignacio Alejandro Mijares Elizondo. See "—Board of Directors."

Steve Kuansheng Wu. Steve Kuansheng Wu holds an MBA (Finance), an MBA (Accounting), and a Bachelor's degree in Business Mathematics. He has participated in CEMEX's Achieve Leadership Program and its International Management Program, and, since 2001, he has held positions in the accounting areas for several business units of CEMEX in Asia. In 2011 he became Asia Management Financial Service Manager based in CEMEX Philippines. On December 6, 2017, he was appointed as our Treasurer, Chief Financial Officer and Business Services Organization Director. He is also Treasurer, Chief Financial Officer and Business Services Organization Director of the various subsidiaries.

Jannette Virata Sevilla. Jannette Virata Sevilla obtained her Bachelor of Laws and Bachelor of Arts (cum laude) degrees in 1987 and 1983, respectively. She was admitted to the Philippine Bar in 1988 and the New York State Bar in 1996. She is currently engaged in the private practice of law, and is also an external legal consultant of CEMEX Asia Pte. Ltd.—Philippine Headquarters. She was previously employed as Regional Legal Counsel for Asia and Vice President for Legal for the CEMEX Philippines group of companies until November 2008. She was formerly a Senior Associate Attorney at Carpio Villaraza & Cruz Law Offices; a Director in the Office of the Chief Presidential Legal Counsel, Office of the President of the Republic of the Philippines; an associate attorney at Bautista Picazo Buyco Tan & Fider Law Offices; and a Law Clerk/Confidential Attorney, Office of Associate Justice Irene R. Cortes, Supreme Court of the Philippines. Ms. Sevilla is our Corporate Secretary and Compliance Officer, positions she has held since September 17, 2015 and August 24, 2016 respectively. She also serves as Corporate Secretary of various subsidiaries. She is a member of the Board of Directors of Solid Cement Corporation. Ms. Sevilla is also a member of the Board of Directors and the Corporate Secretary of CASE and Cemex Strategic Philippines, Inc., which are affiliates of the Company.

Irma D. Aure. Irma D. Aure holds a Bachelor of Arts degree in Behavioral Science and a Master in Business Administration degree. She was the Asia Region Head—HR Services and Solutions of Procter & Gamble (P&G) from June 2017 until June 30, 2019, responsible for the organization's HR technology and operations for the Asia region. Prior to assuming the regional position, Ms. Aure was the Country HR Head, Associate Director of P&G Philippines from August 2013 to May 2017. On July 24, 2019, our Board of Directors appointed Ms. Aure as Vice President for Human Capital and Organization effective July 15, 2019.

Alejandro Garcia Cogollos. See "—Board of Directors."

Edwin P. Hufemia. Edwin P. Hufemia holds a degree in Bachelor of Science (Chemical Engineering) and a Master of Engineering (Industrial Systems Engineering) degree. He joined CEMEX Philippines in 2001 when he was appointed as Logistics Planning Manager and has since held several management positions, including Vice President for Commercial and Logistics for CEMEX Philippines from 2004 to 2010, and Managing Director for CEMEX Bangladesh. On October 24, 2017, he was appointed as our Vice President for Supply Chain. He is also a member of the Board of Directors of our following subsidiaries—APO Cement Corporation, Solid Cement Corporation, Triple Dime Holdings, Inc., Edgewater Ventures Corporation, Sandstone Strategic Holdings, Inc., Bedrock Holdings, Inc., and a member of the Board and President of the other subsidiaries—Ecocast Builders, Inc., Ecocrete, Inc., Enerhiya Central Inc., Ecopavements, Inc. and Newcrete Management, Inc. Mr. Hufemia is a member of the Board of Directors of Cemex Asian South East Corporation, an affiliate of the Company. He is also a member of the Board of Directors of Impact Assets Corporation and Albatross Holdings, Inc.

Roberto Martin Z. Javier. Roberto Martin Javier holds a degree in Bachelor of Science and Commerce, Major in Marketing Management. Throughout his career of over 15 years with CEMEX, Mr. Javier has accumulated extensive experience in sales, marketing, commercial administration and commercial strategy. Mr. Javier has participated in the CEMEX Global Leadership programs and other executive programs from the Asian Institute of Management. In 2014, Mr. Javier became the Vice President for Commercial (Cement) for the CEMEX Philippines group of companies. On February 29, 2016, Mr. Javier was appointed as our Vice President for Commercial and, on October 24, 2017, he assumed the new position of Vice President for Commercial—Institutional Segment. He is also a member of the Board of Directors of our following subsidiaries: APO Cement Corporation, Solid Cement Corporation, Triple Dime Holdings, Inc., Edgewater Ventures Corporation, Sandstone Strategic Holdings, Inc., Bedrock Holdings, Inc., Ecocast Builders, Inc., Ecocrete, Inc., Enerhiya Central Inc., Ecopavements, Inc. and Newcrete Management, Inc. Mr. Javier is also a member of the Board of Directors of Cemex Strategic Philippines, Inc., which is an affiliate of the Company.

Arturo Manrique Ramos. Arturo Manrique Ramos holds a Bachelor's degree in Electronic Engineering and obtained a Master of Business Administration. He began his career with CEMEX in 1996 as an Operations Manager of CEMEX USA and since 2002 he has fulfilled key management positions overseeing cement operations in Mexico of various cement plants with different capacities and technologies. On September 27, 2017, Mr. Manrique was appointed by the Board of Directors to serve as our Vice President for Cement Operations and Technical.

Everardo Sánchez Banuet. Everardo Sánchez Banuet, holds a Bachelor's degree in Electronic Engineering and Master's Degree in Electronics and Telecommunications and obtained an MBA specializing in Global eManagement. Mr. Sánchez joined CEMEX in 1998 and assumed key positions in operations, planning and commercial areas. In 2011, he assumed the position of Director of Distribution Channel Development for CEMEX's operations in Mexico and later took on the role of Director of Commercial Development – Builders Segment. In 2016, he was promoted to Vice President for Commercial and Logistics of CEMEX Egypt. On January 30, 2019, our Board of Directors appointed Mr. Sanchez as Vice President for Commercial (Distribution Segment) effective on February 15, 2019.

Adrian V. Bancoro. Adrian V. Bancoro is a licensed attorney and a certified public accountant. He holds a Bachelor of Laws degree and Bachelor of Science degree in Accountancy. Prior to joining CEMEX, Mr. Bancoro worked as Tax Manager with PricewaterhouseCoopers—Manila from 2003 to 2008. In 2008, he became the Tax and Corporate Counsel of Filinvest Land, Inc., a position he held until 2012. He has participated in CEMEX's Achieve Leadership Program and the Management Development Program of the Asian Institute of Management. He is a member of the Integrated Bar of the Philippines, Philippine Institute of Certified Public Accountants and Tax Management Association of the Philippines. In 2012, Mr. Bancoro became the Tax Director of the CEMEX Philippines group of companies. Mr. Bancoro serves as our Tax Director, a position he has held since February 29, 2016.

Pierre Ignatius C. Co. Pierre Ignatius C. Co holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He completed the CEMEX Management Development Program at the Asian Institute of Management in 2017. He joined CEMEX Philippines in 2011 as Executive Assistant to the Regional President for Asia, and, in 2014, assumed the role of Financial Planning Manager under the Strategic Planning Department. In 2016, he became Investor Relations Manager of CEMEX Holdings Philippines, Inc. On June 6, 2019, he was appointed by our Board of Directors as Investor Relations Director effective on June 7, 2019.

Kristine G. Gayem. Kristine G. Gayem holds a Bachelor of Science degree in Management and a Master's degree in Business Administration. She completed the Management Development Program of the Asian Institute of Management. She joined CEMEX Philippines in 2007 as a Planning Analyst and supported key projects of CEMEX Philippines and other operations in Asia. In 2013, she was promoted to Energy Manager. On July 24, 2018, she was appointed by our Board of Directors to serve as our Energy Director.

Jose Mauro Gallardo Valdes. Jose Mauro Gallardo Valdes holds a Bachelor's degree in Business Administration and Marketing and a Diploma in International Marketing. In 2005, he joined operations of CEMEX in Mexico and assumed responsibilities in various areas in sales administration, information management, customer service, commercial strategy and development. In June 2014, he was Financial Planning Manager and supported the operations of CEMEX Mexico. On June 6, 2018, Mr. Valdes was appointed as Enterprise Risk Management (ERM) Manager.

Ma. Virginia Lacson—Del Rosario. Ma. Virginia Lacson—Del Rosario obtained a Bachelor of Science degree in Commerce, Major in Business Management and a Master of Business Administration degree. She completed the Management Development Programs of the Asian Institute of Management and Training Institute for Managerial Excellence, Inc. She joined CEMEX Philippines in 2001 as Commercial Administration Manager, and her major responsibilities since then included among others, the design and implementation of credit processes and procedure and managing the team of credit analysts responsible for evaluation transactional risks. On October 24, 2017, Ms. Del Rosario was appointed by our Board of Directors as our Customer Experience Director.

Chito S. Maniago. Chito S. Maniago holds a Bachelor of Arts degree in Legal Management. He completed the Management Development Program (MDP) of the Asian Institute of Management and Integrated Marketing Communications diploma course at the De La Salle University—Graduate School of Business. He joined CEMEX Philippines Group in 2012 as Director for Corporate Communications and Public Affairs. He is at present the President of the Philippine Association of National Advertisers (PANA) and was previously the Vice-Chairman and Board of Trustees member of the League of Corporate Foundations (LCF)—Philippines, and Vice-President of the Public Relations Society of the Philippines (PRSP). Mr. Maniago is the Director for Corporate Communications and Public Affairs of the CEMEX Philippines Group and the Executive Director of the CEMEX Philippines Foundation, Inc. He was appointed as our Director for Corporate Communications and Public Affairs on June 6, 2018.

Dino Martin W. Segundo. Dino Martin Wilson Segundo obtained his Bachelor of Arts Degree in Economics in 1993 and, thereafter, his Bachelor of Laws Degree in 1998. After passing the 1999 Philippine bar exams, he immediately joined the Soo, Gutierrez, Leogardo & Lee Law Offices as Associate Attorney, focusing on Labor Law, Civil Law, and Criminal Law. Between 2001 and 2007, he was a Senior Associate Attorney at the Carag, Caballes, Jamora & Somera Law Offices, adding Intellectual Property Law and Maritime Law to his fields of specialization. Mr. Segundo joined CEMEX in 2007 as Senior Legal Manager and currently serves as the Company's Legal Director and was appointed on June 6, 2018. He participated in CEMEX's Management Development Program at the Asian Institute of Management in 2017. Mr. Segundo is a member of the Board of Directors of our following subsidiaries: APO Cement Corporation, Solid Cement Corporation, Triple Dime Holdings, Inc., Edgewater Ventures Corporation, Sandstone Strategic Holdings, Inc., Bedrock Holdings, Inc., Enerhiya Central, Inc., Ecocast Builders, Inc., and Ecopavements, Inc. He is also a member of the Board of Directors of Cemex Asian South East Corporation and Cemex Strategic Philippines, Inc., which are affiliates of the Company.

Juan Carlos Soto Carbajal. Juan Carlos Soto Carbajal, holds a Bachelor's degree in Engineering. He joined CEMEX in the United Arab Emirates in 2007. From the operations area, Mr. Soto moved to the procurement area and eventually assumed the position of Procurement Manager in 2010. After a few years, he was promoted to Supply Chain Director heading the logistics and supply chain area. In January 2019, he was designated as the Procurement Director of CEMEX for the Asia, Middle East and Africa (AMEA) region. On January 30, 2019, our Board of Directors appointed Mr. Soto as our Procurement Director effective on January 30, 2019.

Rolando S. Valentino. Rolando S. Valentino is a certified public accountant and a certified enterprise-wide risk manager. He obtained a Master of Business Administration in 2016 and holds a Bachelor of Science degree in Accountancy. In 1995, Mr. Valentino worked as an associate with Punongbayan and Auraullo (Grant Thornton International) before joining Solid Cement in 1997. Throughout his career of over 20 years with CEMEX, Mr. Valentino held various positions in Accounting, Process and Continuous Improvement, Logistics, Internal Control, and Risk Management. In 2011, he was appointed Regional Internal Control Manager for the CEMEX Philippines group of companies. Mr. Valentino has received management training from the Asian Institute of Management (honorable mention) and in 2015, he obtained his CERM certification from Asia Risk Management Institute—Singapore. He is a member of the Institute of Internal Auditors—Philippines. In 2015, Mr. Valentino was appointed Regional Internal Control and Risk Manager for the CEMEX Philippines group of companies. Mr. Valentino serves as our Internal Auditor, a position he has held since August 24, 2016.

Executive Compensation

Summary Compensation Table

The following table identifies our chief executive officer ("CEO") and the four most highly compensated executive officers (the "NEOs") and summarizes their aggregate compensation in millions of Philippine pesos in fiscal 2016, fiscal 2017, fiscal 2018 as well as their estimated compensation for the year ending December 31, 2019. The amounts set forth in the table below have been prepared based on what we paid for the compensation of our executive officers for the periods indicated and what we expect to pay on the ensuing year.

	Year ended December 31,											
	2016			2017			2018			2019E		
	Salary	Bonus	Other Annual Compensation	Salary	Bonus	Other Annual Compensation	Salary	Bonus	Other Annual Compensation	Salary	Bonus	Other Annual Compensation
	(₱ in millions)											
CEO and NEOs[(1)] . .	40.6	22.8	16.8	50.5	29.4	32.6	56.4	27.0	42.2	52.9	49.8	65.7

Note:

(1) As of the date of this Prospectus, Ignacio Alejandro Mijares Elizondo is our President and Chief Executive Officer and our NEOs are Arturo Manrique Ramos (Vice President for Cement Operations & Technical), Alejandro Garcia Cogollos (Vice President for Planning and Administration), Juan Carlos Soto Carbajal (Procurement Director) and Everardo Sanchez Banuet (Vice President for Commercial – Distribution Segment).

Employment Contracts Between the Company and NEOs

We have no special employment contracts with the NEOs.

The above named executive officers are covered by letters of appointment or employment contracts stating their respective job functionalities, among others. The Company does not have any compensatory plan or arrangement resulting from the resignation, retirement or any other termination of an executive officers' employment with the Company or its subsidiaries or from a change of control of the Company, except for such rights as may have already vested under the Company's retirement plan or as may be provided for under the Company's standard employment benefits.

Warrants and Options Outstanding

There are no outstanding warrants or options held by our CEO, the NEOs, and all officers and directors as a group.

The Company has not issued any warrants or options which are held by the CEO, the NEOs, and all executive officers and directors as a group.

Significant Employees

The Company considers the contribution of every employee important to the fulfillment of its goals.

Employee Restricted Stock and Other Incentive Plans

Certain executive officers of the Company or its subsidiaries have received compensation in the form of restricted shares of CEMEX, S.A.B. de C.V. pursuant to the terms of variable compensation plan applicable to these executives under which the eligible executives are allocated annually with a specific number of restricted shares as a long-term incentive compensation to be vested over a specific period of time.

Certain executive officers of the Company or its subsidiaries received in 2018 and 2019 compensation in the form of cash pursuant to the terms of a variable long-term incentive plan approved by our Board on April 25, 2018 under which the eligible executives are allocated cash amounts (to be released in four annual installments) which shall be used by these executives to purchase a specific number of Common Shares from the market.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the incumbent members of the Board of Directors nor any of the Executive Officers of our Company for the past five years and up to the date of this Prospectus (i) has filed any bankruptcy petitions or have had bankruptcy petitions filed against them; (ii) has been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of any other nation or country (excluding traffic violations and other minor offences); (iii) has been or is subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; or (iv) has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

RELATED PARTY TRANSACTIONS

All sales to, and purchases from, related parties are made at prevailing market prices. When market prices and/or market conditions are not readily available, we conduct transfer pricing studies to assure compliance with regulations applicable to transactions between related parties. Outstanding year end balances pertain to the extension and receipt of, and advances to and from, related parties. For further information, such as outstanding advance balances, see note 10 to our Unaudited Financial Statements. These balances are unsecured, short-term and interest-free, and settlement occurs in cash.

Trademark License Agreement

We believe that CEMEX's brands are internationally well-known brands by virtue of CEMEX, S.A.B. de C.V.'s direct or indirect use of them. CEMEX has granted us and its other subsidiaries in Asia the right to use different trademarks, names and intellectual property assets owned and developed by CEMEX, such as the name "CEMEX" and other related names and trademarks in the countries in which such subsidiaries do business. This right is granted pursuant to a Trademark License Agreement between CEMEX, S.A.B. de C.V. and CEMEX Asia Research. Under this agreement, we, as a subsidiary of CEMEX, S.A.B. de C.V. are allowed non-exclusive use of the CEMEX trademarks in the Philippines. The Trademark License Agreement became effective on January 1, 2016 and has an initial term of five years, automatically renewable for subsequent five-year terms unless terminated by either CEMEX, S.A.B. de C.V. or CEMEX Asia Research by providing one-month written notice prior to the end of the applicable term. This agreement may also be terminated if CEMEX Asia Research would cease to be a CEMEX direct or indirect subsidiary.

As consideration for use of CEMEX's trademarks, names and intellectual property assets under the Trademark License Agreement described above, CEMEX Asia Research pays to CEMEX, S.A.B. de C.V. a royalty fee determined at an arm's length basis.

Solid Cement Services Agreement

On January 1, 2017, Solid Cement entered into the Solid Services Agreement with CEMEX Central, pursuant to which CEMEX Central provides Solid Cement, whether performed directly by CEMEX Central or through its contractors, with various services necessary for the operation of the Solid Cement business (the "Solid Services"). These Solid Services were previously performed by CEMEX Central pursuant to a certain service agreement dated June 1, 2009 entered into by Solid Cement with CEMEX Asia Pte. Ltd. (through its regional headquarters in the Philippines) which agreement was terminated effective on December 31, 2017. The Solid Services Agreement has an initial term of five years, subject to renewal by mutual agreement of the parties and may be terminated at any time by either party upon service of written notice of termination to the other party at least 30 days prior to the intended termination date. Additionally, either party may terminate the agreement if (i) a material breach is committed by the other party, or (ii) the other party goes into winding-up, voluntary or involuntary liquidation or other similar process. CEMEX Central has the right to terminate the agreement in the event that Solid Cement ceases to be a direct or indirect subsidiary of CEMEX. We pay CEMEX Central a service fee that is calculated according to market practices based on the cost incurred to provide the Solid Services plus an arm's length markup. CEMEX Central calculates periodically the service fee and prepares its invoices in U.S. dollars. The service fees are determined exclusive of taxes.

APO Cement Services Agreement

On January 1, 2017, APO Cement entered into the APO Services Agreement with CEMEX Central, pursuant to which CEMEX Central provides APO Cement, whether performed directly by or through its contractors, with various services necessary for the operation of the APO Cement business (the "APO Services"). These APO Services were previously performed by CEMEX Central pursuant to a certain service agreement dated June 1, 2009 entered into by APO Cement with CEMEX Asia Pte. Ltd. (through its regional headquarters in the Philippines) which agreement was terminated effective on December 31, 2017. The APO Services Agreement has an initial term of five years, subject to renewal by mutual agreement of the parties, and may be terminated at any time by either party upon service of written notice of termination to the other party at least 30 days prior to the intended termination date. Additionally, either party may terminate the agreement if (i) a material breach is committed by the other party, or (ii) the other party goes into winding-up, voluntary or involuntary liquidation or other similar process. CEMEX Central has the right to terminate the agreement in the event that APO Cement ceases to be a direct or indirect subsidiary of CEMEX. We pay CEMEX Central a service fee that is calculated according to market practices based on the cost incurred to provide the APO Services plus an arm's length markup. CEMEX Central calculates periodically the service fee and prepares its invoices in U.S. dollars. The service fees are determined exclusive of taxes.

Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement

We entered into a Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement effective as of January 1, 2016. The Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement has an initial term of five years, automatically renewable for subsequent five-year terms unless terminated by either party by providing one-month written notice prior to the end of the applicable term. This agreement would terminate in the event we cease to be a direct or indirect subsidiary of CEMEX, S.A.B. de C.V. Pursuant to this agreement, we have agreed to receive from CEMEX Research Group, a wholly owned subsidiary of CEMEX, the non-exclusive license to use different trademarks, names and intellectual property assets owned and developed by CEMEX, such as the brands "APO", "Island" and "Rizal", and other related names and trademarks, processes and information technology, software, industrial models, procurement, commercial and distribution systems.

Under this Agreement, CEMEX Research Group is the legal owner of certain intangible assets, including, but not limited to, know how, processes, software and best practices, and as such has agreed to grant us a non-exclusive right to use, exploit and enjoy such assets during the term of the agreement. The assets are subject to continuous improvements, enhancements and variations considering industry evolution and the particular needs of CEMEX, including us, and therefore the Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement may be amended for time to time in order to exclude or include additional intangibles.

Pursuant to the terms of the Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement, we have the right to use, exploit and enjoy the assets directly or indirectly by means of the relevant license agreements and to further license the assets to our subsidiaries, provided, however that any license will terminate if we or any of our business units cease to be a Subsidiary of CEMEX (as defined in the Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement).

CEMEX Fee

As consideration for the services and use, exploit and enjoyment of CEMEX's trademarks, names and intellectual property assets under the CEMEX Agreements described above, which have historically supported and will continue to support our development activities, we pay an amount equal to 5% of our revenue, so long as this amount is consistent with the pricing provisions of the CEMEX Agreements, including with reference to transfer pricing rules and arm's length principles. The CEMEX Fees are payable on a quarterly basis. We will continue to pay the CEMEX Fees to CEMEX as long as CEMEX provides such services to us and the fee reflects market practice and arm's-length principles.

Solid Expansion Facility Agreement

In November 2018, Solid Cement entered into a revolving credit facility agreement with CEMEX Asia for a principal amount of up to US$75.0 million. The borrowings under the Solid Expansion Facility Agreement entered into in November 2018 consisted of a tenor of six (6) years and carried a fixed interest rate depending on our consolidated debt to EBITDA leverage ranging from 8.2% to 10.2% per annum. On February 28, 2019, the parties signed an amendment agreement to this facility increasing the available principal amount to US$100.0 million. In May 2019, the Company signed an amendment to this facility and supplemental agreements with BDO mainly to (i) conform the Solid Expansion Facility Agreement with certain changes required due to PFRS 16 entering into effect; (ii) exclude from financial covenants in the Solid Expansion

Facility Agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid Cement that have been made or are to made to the Company by any subsidiary of CEMEX; and (iii) allow for certain loans taken by the Company with any CEMEX subsidiary to be paid with the proceeds from any equity fundraising activity of the Company without having to pay a prepayment fee to BDO under the Solid Expansion Facility Agreement. Furthermore, in November 2019, Solid Cement further amended the Solid Expansion Facility Agreement to increase the amount available to it under the facility from US$100.0 million to US$160.0 million. The Solid Expansion Facility Agreement was further amended in December 2019 to (i) convert any unpaid interest as of January 3, 2020 (or such other date on which the Offer Price for the Offer Shares in the Rights Offer is determined) (such date, the "SEFA Reference Date") on account of any borrowings made under the Solid Expansion Facility Agreement from U.S. dollar-denominated indebtedness to Philippine peso-denominated indebtedness, (ii) convert any outstanding balances owed by Solid Cement under the Solid Expansion Facility Agreement (including any accrued but unpaid interest) that have been accrued in connection with a draw down by Solid Cement under the facility within an 80-calendar day period following the SEFA Reference Date from U.S. dollar-denominated indebtedness to Philippine peso-denominated indebtedness, and (iii) for the fixed interest to be paid under the Solid Expansion Facility Agreement to range from 8.2% to 10.2% per annum for U.S. dollar-denominated indebtedness and from 10.3% to 12.3% for Philippine peso-denominated indebtedness (depending on our consolidated debt to EBITDA leverage).

As of September 30, 2019, the Solid Expansion Facility Agreement had an outstanding balance of US$93.3 million.

Operational Facility

On October 1, 2014, APO Cement, as borrower, entered into a master loan agreement with CEMEX Hungary KFT, as lender, with a principal amount of up to US$40.0 million, which was assigned by CEMEX Hungary KFT to CEMEX Asia on January 2016. In September 2017, the parties agreed to change the denomination of the outstanding principal of the loan to ₱2,046.8 million and to revise the prescribed interest rate to a fixed annual rate equal to 7.68%. On October 1, 2019, the Operational Facility was further amended to extend the maturity date to April 1, 2020 and changed the interest rate to 8.43% annually. As of September 30, 2019, the outstanding balance under the Operational Facility was ₱1,073.6 million, which can change once the proceeds of the Offer are received and available to be used.

Framework Agreement

We have entered into a framework agreement with CEMEX and the Principal Shareholder to avoid conflicts of interest between us and CEMEX. The Framework Agreement became effective on July 18, 2016, and may be amended by written agreement between CEMEX, the Principal Shareholder and us, provided that any modification by us shall be authorized by our independent directors. In addition, the Framework Agreement will cease to be in effect if we are no longer a subsidiary of CEMEX or if CEMEX ceases to account for its investment in us on a consolidated basis or under the participation method for accounting purposes (or any other method that applies similar principles).

The Framework Agreement shall be construed and governed by the laws of the Republic of the Philippines and governs, among other things, our ability to undertake certain actions including, but not limited to, the incurrence of indebtedness above certain levels, the disposition and acquisition of assets in excess of certain amounts and the making of capital expenditures in excess of certain amounts. In addition, the Framework Agreement contains provisions relating to competition, solicitation of employees, corporate opportunities, compliance with CEMEX's debt agreements, financial information, regulatory status, compliance with policies and procedures, share transfer rights, equity purchase rights, litigation, dispute resolution, and further actions and assurances. These provisions are summarized below:

Compliance with CEMEX's Debt Agreements

A breach of, or default under, any of CEMEX's debt agreements, including the Facilities Agreement and any refinancing, replacement or amendment thereof, would have material adverse effect on CEMEX, including us.

Therefore, in order to assist CEMEX in complying with its obligations under its debt agreements, the Framework Agreement provides that, while we are a subsidiary of CEMEX, the prior consent of CEMEX and the Principal Shareholder will be required for:

- any consolidation or merger or joint venture by us or any of our subsidiaries with any person, other than CEMEX or its subsidiaries;
- any sale, lease, exchange or other disposition or any acquisition by us, other than transactions between us and our subsidiaries, or any series of related dispositions or acquisitions, except (i) those for which we give CEMEX and the Principal Shareholder at least 30 days prior written notice and which involve consideration not in excess of US$5 million and (ii) any disposition of cash equivalents or investment grade securities or obsolete or worn out equipment;
- the issuance or sale by us or any of our subsidiaries of any equity securities or equity derivative securities, or the adoption of any equity incentive plan, except for (i) the issuance of equity securities by us to CEMEX or any of its subsidiaries and (ii) the issuance by us of securities under our equity incentive plans in an amount not to exceed US$1 million in fair market value annually; provided, however, that no such issuance shall cause the total number of Common Shares owned by CEMEX to be less than 51% of the total number of Common Shares outstanding after giving effect to such issuance;
- the declaration, making or payment of a dividend or other distribution by the Company in respect of its Common Shares that is not (i) by way of the issuance of common equity security or the rights to subscribe for common equity securities of the Company to our shareholders on a pro rata basis provided that no cash or other asset of CEMEX (or any interest in any such cash or asset) is paid or otherwise transferred or assigned to any person which is not CEMEX in connection with such distribution or interest and/or (ii) pro rata to the holdings of each of our minority shareholders provided that all of our other shareholders receive their equivalent pro rata share in any such dividend, distribution or interest payment at the same time holding;
- (i) the creation, incurrence, assumption or guaranty by us of any indebtedness and (ii) the creation of any lien, security or encumbrance over any of our assets, in excess of an aggregate amount of US$20 million at any time (taking into account both (i) and (ii));
- the creation, existence or effectiveness of any consensual encumbrance or consensual restriction by us or any of our subsidiaries on (i) payment of dividends or other distributions, (ii) payment of indebtedness, (iii) the making of loans or advances and (iv) the sale, lease or transfer of any properties or assets, in each case, to CEMEX or any of its subsidiaries;
- the extension of loans or becoming a creditor with respect to any type of indebtedness except (i) in relation to trade credits extended to customers on normal commercial terms and in the ordinary course of business and (ii) as deferred consideration in relation to any sale, lease, exchange or other disposition which we are allowed to enter into without the consent of CEMEX and the Principal Shareholder;
- ceasing to maintain insurances on and in relation to our business and assets with reputable underwriters or insurance companies against those risks and to the extent as is usual for companies carrying on the same or substantially similar business where such insurance is available on reasonable terms;
- take any actions that could reasonably result in CEMEX or any subsidiary of CEMEX being in breach of, or in default under, any contract or agreement, subject to CEMEX's obligation to notify us as described below; and
- take any actions that could reasonably result in CEMEX being in breach of, or in default under, (i) the Facilities Agreement and any refinancing, replacement or amendment thereof and (ii) the indentures of CEMEX or any refinancing, replacement or amendment thereof.

In addition, for so long as CEMEX is required to consolidate our results of operations and financial position in its financial statements, we will not, without the prior consent of CEMEX, incur any additional indebtedness, if the incurrence of such indebtedness (i) will cause CEMEX or any of its subsidiaries to be in breach of, or default under, any contract or agreement, or (ii) is reasonably likely, in CEMEX's reasonable opinion, to adversely affect

CEMEX's credit rating. In the event of uncertainty as to whether any particular action to be taken by us may result in CEMEX being in breach of, or in default under, any contract or agreement, the Framework Agreement provides that (a) we must consult with CEMEX and the Principal Shareholder before taking any such action and (b) CEMEX and the Principal Shareholder will have the obligation to (i) evaluate as promptly as practicable whether us taking any such action would result in CEMEX being in breach of, or in default under, any contract or agreement, and (ii) notify us of CEMEX and the Principal Shareholder's determination with respect to the effects of any such action within five business days of the date CEMEX and the Principal Shareholder make such determination. In the event that CEMEX and the Principal Shareholder's determination is that our taking of the relevant action would not result in CEMEX being in breach of, or in default under, any contract or agreement, CEMEX and the Principal Shareholder will provide their consent for us to take the relevant action subject to the other provisions of the Framework Agreement.

In addition, the Framework Agreement provides that CEMEX will notify us of any action that could reasonably cause CEMEX to be in breach or default under any contract or agreement.

Financial Information

The Framework Agreement provides that, while we are a subsidiary of CEMEX or CEMEX is required to account for its investment in us on a consolidated and an individual basis or under the equity method of accounting (or other method that applies similar principles), we will provide CEMEX with:

- access to our books and records;
- a quarterly representation of our chief executive officer, chief financial officer or accounting officer stating that there is and has been no failure on the part of us or our directors or officers to materially comply with applicable laws;
- detailed quarterly and annual financial information, including unaudited quarterly financial statements and audited annual financial statements;
- coordination of audit opinions;
- audit information;
- copies of our public filings as soon as publicly available;
- the right to inspect our properties, books and records and discuss our affairs with our directors and auditors;
- summaries of, and full copies of, monthly, quarterly and annual financial information and certifications by our chief financial officer as to the accuracy and completeness of financial information;
- notice of changes in our accounting estimates, reserves or discretionary accounting principles, and, in some cases, refrain from making those changes without CEMEX and the Principal Shareholder's prior consent;
- information regarding the timing and content of earnings releases; and
- such materials and information as necessary to cooperate fully, and cause our auditors to cooperate fully, with CEMEX in connection with any of its public filings and press releases.

Competition

The Framework Agreement provides the guidelines under which we and CEMEX may compete geographically regarding the production, marketing, sale and distribution of our products, doing business with customers and also investment opportunities. Pursuant to the Framework Agreement:

- CEMEX has agreed not to compete with us in the Philippines while the Framework Agreement is in full force and effect; and
- we and CEMEX are permitted to compete with each other anywhere else in the world; provided, however, that in any country where competition between CEMEX and us is not prohibited under the Framework Agreement,

CEMEX has a first priority right over any investment opportunity and we shall refrain from taking advantage of any such investment opportunity in any such country without the prior consent of CEMEX and the Principal Shareholder.

Corporate Opportunities

In general, these provisions recognize that we and CEMEX may engage in the same or similar business activities and lines of business, have an interest in the same areas of corporate opportunities and that we and CEMEX will continue to have contractual and business relations with each other, including the service of directors and/or officers of CEMEX as directors of the Company.

The Framework Agreement provides that, to the extent permitted by applicable law, while we are a subsidiary of CEMEX, CEMEX will have the right to, and no duty or obligation to refrain from:

- engaging in the same or similar business activities or lines of business as us, except with respect to the Philippines as described above;
- preventing us from utilizing capacity under CEMEX's debt instruments or agreements that regulate the ability of CEMEX and its restricted subsidiaries (including us) from taking certain actions, including debt incurrence, asset sales and acquisitions;
- asserting or enforcing its rights under any agreement or contract with us or with any of our subsidiaries;
- enter into any transaction related to the production, distribution, marketing and sale of cement in the Philippines, with the restrictions established in the Framework Agreement; or
- employing or otherwise engaging any of our officers or employees, except as provided under "—Non-Solicitation of Employees" below.

Our Policies and Procedures

In the Framework Agreement, we agreed to continue to follow CEMEX's internal policies and procedures, including compliance-related policies and procedures, while we are a subsidiary of CEMEX.

Litigation

The Framework Agreement provides for cooperation between us and CEMEX in connection with litigation, claims and proceedings that involve both us and CEMEX.

Dispute Resolution

The Framework Agreement contains provisions that govern the resolution of disputes, controversies or claims that may arise between CEMEX, the Principal Shareholder and us. The Framework Agreement provides that the parties will attempt to negotiate a resolution of disputes arising in connection with the Framework Agreement without resorting to arbitration. If these efforts are not successful, the dispute will be submitted to binding arbitration in accordance with the terms of the Framework Agreement, which provides for the selection of a three-arbitrator panel and the conduct of the arbitration hearing, including limitations on the discovery rights of the parties under Philippine law.

PRINCIPAL SHAREHOLDERS

Except as provided in the below, we do not know of anyone who owns more than 5% of our voting securities (including both record and beneficial owners) as of December 31, 2019:

Title of class of securities	Name of record owner	Citizenship	No. of shares held	% of ownership to total outstanding shares
Common	CEMEX Asian South East Corporation(1)	Philippine incorporated company, which is wholly-owned by a Netherlands company	3,469,412,498	66.78%
Common	PCD Nominee Corporation (Non-Filipino)(2)	Non-Filipino	714,136,878	13.75%
Common	PCD Nominee Corporation (Filipino)	Philippine incorporated company	1,009,722,065	19.43%

Notes:

(1) Including 611,945,005 Common Shares indirectly held by CASE through custodians.

(2) Excluding 611,945,005 Common Shares indirectly held by CASE through custodians.

Upon completion of the Offer, it is anticipated that CASE will continue to hold at least 66.78% of our Common Shares.

Security Ownership of Management

As of the date of this Prospectus, the number of shares owned of record and/or beneficially owned by our director and officers are:

Title of Class	Name of Record Owner	Name of Beneficial Owner	Amount	Nationality	% of ownership to total outstanding shares
Common	Alfredo Panlilio	Same as record owner	1,001	Philippines	0.00%
Common	Pedro Roxas	Same as record owner	1,001	Philippines	0.00%
Common	Eleanor M. Hilado	Same as record owner	776,700	Philippines	0.01%
Common	Joaquin Miguel Estrada Suarez	CEMEX Asian South East Corporation	1 (director's qualifying share)	Spain	0.00%
Common	Ignacio Alejandro Mijares Elizondo	Same as record owner (except 1 share beneficially owned by CEMEX Asian South East Corporation)	737,870 (includes 1 director's qualifying share)	Mexico	0.01%
Common	Larry Jose Zea Betancourt	CEMEX Asian South East Corporation	1 (director's qualifying share)	United Kingdom	0.00%

Title of Class	Name of Record Owner	Name of Beneficial Owner	Amount	Nationality	% of ownership to total outstanding shares
Common	Antonio Ivan Sanchez Ugarte	CEMEX Asian South East Corporation	1 (director's qualifying share)	Spain	0.00%
Common	Alejandro Garcia Cogollos	Same as record owner (except 1 share beneficially owned by CEMEX Asian South East Corporation)	248,755 (includes 1 director's qualifying share)	Spain	0.00%
Common	Arturo Manrique Ramos	Same as record owner	303,156	Mexico	0.01%
Common	Edwin P. Hufemia	Same as record owner	451,794	Philippines	0.01%
Common	Roberto Martin Z. Javier	Same as record owner	256,979	Philippines	0.00%
Common	Adrian V. Bancoro	Same as record owner	149,900	Philippines	0.00%
Common	Pierre Ignatius C. Co	Same as record owner	32,000	Philippines	0.00%
Common	Kristine G. Gayem	Same as record owner	40,000	Philippines	0.00%
Common	Maria Virginia Lacson-del Rosario	Same as record owner	55,900	Philippines	0.00%
Common	Dino Martin W. Segundo	Same as record owner	25,600	Philippines	0.00%
Common	Everardo Sanchez Banuet	Same as record owner	151,106	Mexico	0.00%
Common	Juan Carlos Soto Carbajal	Same as record owner	100,833	Spain	0.00%

As of the date of this Prospectus, each of Joaquin Miguel Estrada Suarez, Ignacio Alejandro Mijares Elizondo, Alejandro Garcia Cogollos, Antonio Ivan Sanchez Ugarte, and Larry Jose Zea Betancourt holds in her/his name one share, which is beneficially owned by CASE.

Voting Trust Holders of 5% or More

The Company is not aware of any voting trust or similar arrangement executed among the holders of five percent (5%) or more of the issued and outstanding shares of our Common Shares.

Changes in Control

There has been no change of control in our beneficial ownership since our incorporation.

Recent Issuances of Securities Constituting Exempt Transactions

None.

DESCRIPTION OF SHARE CAPITAL

Share Capital Information

The Company has one class of equity, the Common Shares.

On April 2, 2019, our Board of Directors approved the increase in our authorized capital stock (“ACS”) from ₱5,195,395,454 divided into 5,195,395,454 Common Shares with par value ₱1.00 per share, of which 5,195,395,454 Common Shares are issued and fully paid-up, to ₱18,310,395,454 divided into 18,310,395,454 Common Shares with a par value of ₱1.00 per share. This increase was authorized by the Company’s shareholders on October 16, 2019.

The Company has preliminarily submitted the standard requirements for the ACS Application with the SEC CRMD, except for the (a) certificate of increase of ACS; (b) the list of stockholders and their stockholdings before and after subscription to the increase in ACS; (c) the treasurer’s affidavit; and (d) the independent auditor’s report on the verification of cash payment on subscription to the increase, and the payment of the SEC filing fees, all of which can only be prepared, finalized, and submitted after the end of the Rights Offer Period.

The CRMD has preliminarily reviewed the documents submitted by the Company and are currently waiting for the end of the Rights Offer Period and the above-mentioned documents to complete its evaluation of the Company’s application. Upon submission of such documents and the approval by the SEC, the SEC will issue a Certificate of Approval of Increase in Capital Stock and Certificate of Filing of Amended Articles of Incorporation by the SEC.

Objects and Purposes

Pursuant to our articles of incorporation, our primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, real or personal property of every kind and description (except land), including shares of stock, bonds, debentures, notes, evidence of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, and to pay therefor in money or by exchanging therefor stocks, bonds or other evidences of indebtedness or our securities or securities of any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of the interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including all voting powers of any stock so owned, and to assume or undertake or guarantee or secure loans; and to guarantee or provide a mortgage, pledge, or other security over all or part of our assets or provide financial support or accommodation to secure the whole or any part of our indebtedness and obligations of any of our subsidiaries and/or affiliates, provided that we shall not engage either in the stock brokerage business or in the dealership of securities, of a financing company or lending investor, and in the business of an open-end investment company as a defined in Republic Act No. 2629.

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the purpose for which it was organized when approved by a majority of the board of directors and ratified by the shareholders representing at least two-thirds of the outstanding capital stock, at a shareholders’ meeting duly called for the purpose; provided, however, that where the investment by the corporation is reasonably necessary to accomplish its purposes, the approval of the shareholders shall not be necessary.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and the by-laws of the corporation. Subject to the approval by the SEC, it may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders’ meeting duly called for the purpose.

The shares of stock of a corporation may either be with or without par value. All of our shares currently issued or authorized to be issued are common shares and have a par value of ₱1.00 per share. If par value shares are issued at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as paid-in surplus.

Subject to approval by the SEC, a corporation may increase or decrease its authorized capital stocks, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is allowed to purchase its own shares are: when the elimination of fractional shares arising out of stock dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below) and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the corporation, including its officers or employees for such consideration in money as the board of directors may determine.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Global Coordinator, the Domestic Underwriter or any of their respective subsidiaries, affiliates or advisors in connection with sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective board of governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the SEC granted the PSE “Self-Regulatory Organization” status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE has an authorized capital stock of 120.0 million, consisting of 120 million shares with a par value of ₱1.00 per shares, of which ₱84.9 million was subscribed and fully paid-up as of October 5, 2018. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the president. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds (“ETF”) which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards. Previously, PSE allowed listing on the First Board, Second Board or the Small and Medium Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of incorporation of the issuer. Each index represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi includes 30 selected stocks listed on the PSE. In July 2010, the PSE’s new trading system, now known as PSE Trade, was launched.

In December 2013, the PSE Electronic Disclosure Generation Technology (EDGe), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ’s Xstream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the PSE received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

With the increasing calls for good corporate governance, PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets forth movements in the composite index from 2008 to as of September 30, 2019, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Selected Stock Exchange Data

Calendar year	Composite index at closing	Number of listed companies	Aggregate market capitalization	Combined value of turnover
			(in ₱ billions)	
2009	3,052.7	248	6,032.2	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	254	10,930.1	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	268	16,705.3	1,772.6

Source: PSE. Data in the table above for the years 2009 to 2019 is as of the last trading day of each year.

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. To trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day after the trade.

Equities trading on the PSE starts at 9:30 am and ends at 12:00 pm for the morning session, and resumes at 1:30 pm and ends at 3:30 pm for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal and special holidays.

Minimum trading lots range from five shares to one million shares depending on the price range and nature of the security traded. The minimum trading lot for our Common Shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Orders cannot be posted, modified or canceled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- in the event the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price). Otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE;
- in the event the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C). Otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the shareholder's BSP-licensed custodian bank that will file and process the application for registration of the equity investment. It is the custodian bank that issues the certification of registration on behalf of the BSP. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated with foreign exchange sourced from the Philippine banking system.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for: (i) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE Trading Participants; (ii) guaranteeing the settlement of trades in the event of a PSE Trading Participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund; and (iii) performance of risk management and monitoring to ensure final and irrevocable settlements of trades.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE broker maintains a cash settlement account with one of the existing settlement banks of SCCP, which include BDO, Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, The Hongkong and Shanghai Banking Corporation Limited, Unionbank of the Philippines, Maybank Philippines, Inc., Asia United Bank and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system ("CCCS") on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the Philippine Depository & Trust Corporation (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO, Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, HSBC Philippines, Unionbank of the Philippines and Maybank Philippines, Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee, a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished by way of book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in the amended rules on Lodgment of Securities of the PSE.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the SEC.

For listing applications, the amended rule on lodgment of securities is applicable to (a) the shares/securities of the applicant company in the case of an initial public offering; (b) the shares/securities that are lodged with the PDTC, or any other entity duly authorized by the SEC in the case of a listing by way of introduction; (c) new securities to be offered and applied for listing by an existing listed company; and (d) additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof.

Issuance of Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply to PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. As stated above, if a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

Upon the issuance of certificated shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of beneficial ownership in the shares to certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Pursuant to the amended rules on minimum public ownership promulgated by the PSE and approved by the SEC, companies listed prior to December 6, 2017 are required at all times to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage as may be prescribed by the PSE. The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) purpose of investment; and (c) extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) social security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

On December 1, 2017, the SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("SEC MC 13-2017") on the rules and regulations on minimum public ownership ("MPO") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

Furthermore, notwithstanding the quarterly public ownership report requirement of the PSE, a company is required to establish and implement an internal policy and procedure to monitor its MPO and to immediately report to the SEC within the next business day if its public float level has fallen below 20%. The company must submit to the SEC within 10 days after knowledge about the deficiency in its MPO, a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from the date of such decline. The company must submit to the SEC a public ownership report and progress report on submitted business plan within 15 days after end of each month until such time that its public float reaches the required level.

The minimum public ownership requirement is also a requirement for the registration of securities. Non-compliance with these requirements may subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC. Since the Company was already publicly traded as of December 1, 2017, the 20% MPO requirements of SEC MC 13-2017 are not currently applicable to the Company. Accordingly, the Company is currently subject to the 10% minimum public ownership requirement.

PHILIPPINE FOREIGN EXCHANGE AND FOREIGN OWNERSHIP CONTROLS

Foreign Exchange Regulations

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), however, subjects foreign exchange dealers, money changers and remittance agents to Republic Act No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit, among others, a notarized application form and supporting documents in connection with their application to purchase foreign exchange exceeding US$5,000 for purposes of capital repatriation and remittance of dividends.

The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be a universal bank, commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (a) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (b) credit advice or bank certificate showing the amount of foreign currency inwardly remitted and converted into pesos; and (c) transfer instructions from the stockbroker or dealer, as the case may be.

Upon registration of the investment, proceeds of divestments or dividends of registered investments, are repatriable or remittable immediately and in full with foreign exchange sourced from the Philippine banking system, net of applicable tax, without need of BSP approval. Remittance is permitted upon presentation of (a) the BSP registration document; (b) the cash dividends notice from the PSE and the Philippine Central Depository printout of cash dividend payment or computation of interest earned; (c) copy of the corporate secretary's sworn statement on the board resolution covering the dividend declaration and (d) detailed computation of the amount applied for in the format prescribed by the BSP. Pending registration or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of BSP, through the Monetary Board and with the approval of the President of the Philippines, to temporarily suspend or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee when an exchange crisis is imminent, or in times of national emergency.

The registration with the BSP of all foreign investments in Offer Shares shall be the responsibility of the foreign investor.

Foreign Ownership Controls

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies that own land in the Philippines and companies that conduct mining activities by entering into co-production, joint venture, or production-sharing agreements with the Government in the exploration, development, and utilization of natural resources of the Philippines.

In connection with the ownership of private land, Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

With regard to the conduct of mining activities, Article XII, Section 2 of the Constitution states "the exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens."

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 and the Negative List issued pursuant thereto, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of said law defines a "Philippine National" as:

- a citizen of the Philippines;
- a domestic partnership or association wholly owned by citizens of the Philippines;
- a trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of the Philippine Nationals;
- a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and
- a corporation organized abroad and registered as doing business in the Philippines under the Revised Corporation Code of the Philippines of which 100.0% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a SEC-registered enterprise, at least 60.0% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60.0% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

On May 20, 2013, the SEC issued Memorandum Circular No. 8, Series of 2013 which provided guidelines (the "Ownership Guidelines") on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalized activities (the "Nationalized Corporations"). The Ownership Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

In addition, on October 29, 2018, President Duterte promulgated the 11^{th} Regular Foreign Investment Negative List which provides that no foreign equity participation is allowed in a company that is conducting any form of small-scale mining. The same list also provides that foreign equity participation in a company that is engaged in the exploration, development and utilization of natural resources is limited to 40.0% of that company's outstanding capital stock. Full foreign participation will be allowed through financial or technical assistance agreements entered into with the President.

Considering the foregoing, in the event that we or any of our subsidiaries own land in the Philippines or conduct mining operations in the Philippines, foreign ownership in us will be limited to a maximum of 40.0% of our outstanding capital stock entitled to vote. Compliance with the required ownership by Philippine nationals of a corporation is to be determined on the basis of outstanding capital stock whether fully paid or not.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of our Common Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of our Common Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of our Common Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of our Common Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment applicable to a holder of our Common Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of our Common Shares. Prospective investors of our Common Shares are urged to consult their own tax advisors as to the particular tax consequences of the ownership and disposition of our Common Shares, including the applicability and effect of any local or foreign tax laws.

As used herein, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business in the Philippines.

The term "non-resident holder" means a holder of our Common Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a non-resident foreign corporation; and
- should a tax treaty be applicable, whose ownership of our Common Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or resident aliens of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by us.

Non-resident alien individuals doing business in the Philippines are subject to a final withholding tax on dividends derived from Philippine sources at the rate of 20% subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individual. Non-resident aliens not doing business in the Philippines are subject to a final withholding tax on dividends derived from Philippine sources at the rate of 25% subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individual.

Both cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by nonresident foreign corporations are subject to final withholding tax at the rate of 30%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation.

The 30% rate may be reduced to a special 15% rate if (i) the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends or (ii) the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15%.

The BIR has prescribed, through an administrative issuance, procedures for availment of tax treaty relief. A corporation may withhold taxes at a reduced rate on dividends paid to a non-resident holder of our Common

Shares if such non-resident holder submits to the domestic corporation proof of the filing of the tax treaty relief application with the BIR prior to the payment of dividends. The application for tax treaty relief to be filed with the BIR operates to confirm the entitlement of the taxpayer to such relief. While the Supreme Court has ruled that the failure to file an application for tax treaty relief shall not disqualify an otherwise eligible taxpayer, in practice, some withholding agents strictly require the income earners (payees) to show an approved tax treaty relief application before availing of lower treaty tax rates to avoid controversy.

The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and BIR Form No. 0901-D. These include proof of tax residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of Common Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of our Common Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

If the regular rate of tax is withheld by us instead of the reduced rates applicable under a treaty, the non-resident holder of our Common Shares may file a claim for a refund from the BIR as a remedy. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Stock dividends distributed pro-rata to any shareholder are not subject to Philippine income tax. However, the sale, exchange or disposition of our Common Shares received as stock dividends by the holder is subject to either capital gains and documentary stamp tax (if not through the local stock exchange) or stock transaction tax.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE(%)[12]	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25[1]	0.5	May be exempt[9]
China	15[2]	0.5	May be exempt[9]
France	15[3]	0.5	May be exempt[9]
Germany	15[4]	0.5	5/10[10]
Japan	15[5]	0.5	May be exempt[9]
Singapore	25[6]	0.5	May be exempt[9]
United Kingdom	25[7]	0.5	Exempt[11]
United States	25[8]	0.5	May be exempt[9]

Notes:

(1) 15% if the recipient company controls at least 10% of the voting power of the company paying the dividends.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends.

(4) 10% if the recipient company (excluding a partnership) owns directly at least 25% of the capital of the company paying the dividends.

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends.

(6) 15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.

(8) 20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

(9) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(10) Under the tax treaty between the Philippines and Germany, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000 and 10% on the net capital gains realized during the taxable year in excess of ₱100,000.

(11) Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

(12) Exempt if the stock transaction tax is expressly covered by the applicable tax treaty or is deemed by the relevant authorities as an identical or substantially similar tax to the Philippine income tax. In BIR Ruling No. ITAD 22-07 dated February 9, 2007, the BIR held that the stock transaction tax cannot be considered as an identical or substantially similar tax on income, and, consequently, ruled that a Singapore resident is not exempt from the stock transaction tax on the sale of its shares in a Philippine corporation through the PSE.

When availing of capital gains tax exemption on the sale of shares of stock under a tax treaty, a tax treaty exemption ruling shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a certificate authorizing registration (CAR) from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax on the sale of shares are set out in the applicable tax treaty and BIR Form No. 0901-C. These include proof of residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

Sale, Exchange or Disposition of our Common Shares After the Offer

Capital Gains Tax, if Sale was Made Outside the PSE

Pursuant to the Republic Act No. 10963 (TRAIN), net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and sold or disposed outside of the facilities of the local stock exchange, are subject to a final tax rate of 15% on the net capital gains beginning January 1, 2018.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to the following rates:

Not over ₱100,000	5%
On any amount in excess of ₱100,000	10%

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Philippine Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

An application for tax treaty relief must be filed (and approved) by the BIR to obtain an exemption under a tax treaty. Such application must be filed before the deadline for the filing of the documentary stamp tax return.

The transfer of shares shall not be recorded in our books unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Taxes on Transfer of Shares Listed and Traded at the PSE

Beginning on January 1, 2018, sales, exchanges or other dispositions of shares which are affected through the facilities of the PSE by a resident or non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the BIR by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, a VAT of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client, the seller or transferor. The stock transaction tax is classified as a percentage tax and is paid in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the Minimum Public Ownership requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

On December 31, 2012, the SEC began imposing a trading suspension for a period of not more than six months, on shares of a listed company that has not complied with the Rule on Minimum Public Ownership which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10% of the listed companies' issued and outstanding shares at all times. Companies which do not comply with the Minimum Public Ownership requirement after the lapse of the trading suspension shall be automatically delisted. The sale of such listed company's shares during the trading suspension or such delisted company may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Philippine Tax Code, provided that a sale of property made in the ordinary course of business (a transaction which is bona fide and made on arm's length, and free from any donative intent) will be considered as made for an adequate and full consideration in money or money's worth.

Documentary Stamp Tax

Beginning on January 1, 2018, the Philippines imposes a documentary stamp tax, or DST, on the issuance by a corporation of shares at the rate of ₱2.00 on each ₱200.00, or fraction thereof, of the par value of the shares. The DST on the issuance of the Offer Shares shall be paid by us.

The Philippines also imposes a DST upon transfers of shares of stock issued by a Philippine corporation at a rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the par value of the shares.

The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by the vendor or the purchaser of the shares.

However, the sale, barter or exchange of shares of stock listed and traded through the PSE are exempt from DST.

In addition, the borrowing and lending of securities executed under the securities borrowing and lending program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

Estate and Gift Taxes

Beginning January 1, 2018, the transfer of our Common Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at the rate of 6% of the value of the net estate. Individual and corporate registered holders, whether or not citizens or residents of the Philippines, who transfer shares by way of gift or donation will be liable for Philippine donor's tax on such transfers at the rate of 6% of the total gifts made during the calendar year which exceed ₱250,000.

Estate and gift taxes will not be collected in respect of intangible personal property (i) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (ii) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Corporate Income Tax

In general, a tax of 30.0% is imposed upon the taxable net income of a domestic corporation from all sources (within and outside the Philippines) pursuant to the Philippine Tax Code.

PLAN OF DISTRIBUTION

The Offer

The Offer is comprised of the Rights Offer and the Domestic Institutional Offer as described below.

The Rights Offer

The Rights Shares are offered on a pro-rata basis to Eligible Shareholders as of the Record Date. Under the PSE's Revised Listing Rules, the Company, subject to the approval of the PSE, shall set the Record Date which shall not be less than 15 trading days from approval of the PSE board of directors. The Rights Offer shall be in the proportion of 1.5963 Rights Shares for every one Common Share held as of the Record Date. The Offer Price is ₱1.54 per Offer Share. Any fractional share shall be disregarded and will be rounded down to the nearest whole number of Rights Shares in the computation of the Rights Shares that Eligible Shareholders will be entitled to subscribe. The Additional Rights Shares shall be offered to those shareholders who had previously fully subscribed to their Entitlement Shares in the first round of the Rights Offer and had signified their intention to subscribe in the mandatory second round of the Rights Offer to any unsubscribed Rights Shares via payment of the total Offer Price of the Rights Shares they wish to subscribe in excess of their entitlements. The allocation of Additional Rights Shares to shareholders will be subject to the ultimate discretion of the Company, provided that no applicant for Additional Rights Shares shall be allocated more Additional Rights Shares than the number for which such applicant has applied. Moreover, the maximum number of Additional Rights Shares to which an applicant is entitled to be allocated shall be in the proportion to the number of Common Shares held by such applicant as of the Record Date to the total number of Common Shares held by all applicants applying for Additional Rights Shares as of the Record Date.

The Principal Shareholder, which beneficially owned 66.78% of our Common Shares as of December 31, 2019, has executed an undertaking to subscribe in favor of the Domestic Underwriter, pursuant to which the Principal Shareholder has agreed to subscribe to its Entitlement Shares in the initial round of the Rights Offer and to subscribe to Additional Rights Shares in the mandatory second round of the Rights Offer under the same terms and conditions as any other Eligible Shareholder. The Principal Shareholder's subscriptions in the Rights Offer shall have no preference over the subscriptions of any other Eligible Shareholders. In addition, the Principal Shareholder will also subscribe for any remaining Rights Shares unsubscribed after the mandatory second round of the Rights Offer, to ensure that the Rights Shares under the Rights Offer are fully subscribed.

To the extent that any Additional Rights Shares remain unsubscribed and are not taken up by the Principal Shareholder after the mandatory second round pursuant to its undertaking to subscribe, such Rights Shares, subject to certain conditions, will be taken up by the Domestic Underwriter who shall procure purchasers, or failing which, shall purchase the unsubscribed shares as set out in "—The Domestic Institutional Offer" below.

Existing shareholdings in certificated and scripless form will be treated as separate shareholdings for the purpose of calculating entitlements under the Offer. Fractions of Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the nearest whole number of Rights Shares.

All of the Rights Shares shall be lodged with the PDTC and shall be issued in scripless form. Investors may maintain the Rights Shares in scripless form or opt, at their own cost and expense, to have the stock certificates issued to them by requesting an upliftment of the relevant Rights Shares from PDTC's electronic system after the Rights Shares are listed on the PSE.

The Global Coordinator has agreed to use reasonable efforts to assist the Company in communicating and coordinating with and providing information and materials regarding the Offer to existing shareholders of the Company (excluding (i) existing shareholders in the United States, and (ii) existing shareholders in the Philippines). Any fee to be paid to the Global Coordinator in relation to such services shall be for the sole account of the Principal Shareholder and shall not be dependent on any resulting subscription to the Rights Shares by an Eligible Shareholder. The Global Coordinator is not acting as an underwriter in connection with the Offer, and has not agreed to and shall not place, take up, procure purchasers for, or purchase, any Rights Shares that remain unsubscribed in the Rights Offer after the mandatory second round. No commissions or other remuneration will be paid or given by the Company, directly or indirectly, to the Global Coordinator in relation to the sale of the Rights Shares.

The Global Coordinator may provide certain banking services to the Company on usual commercial terms. The Global Coordinator does not otherwise have any material relationship with the Company beyond its role in the Offer. The Global Coordinator may provide additional banking services to the Company or other members of the CEMEX group or Principal Shareholder from time to time.

The Global Coordinator and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Global Coordinator and its affiliates have long standing relationships with the CEMEX group globally and have performed, and may in the future perform, various corporate and investment banking services for the Company, its affiliates and shareholders, including debt and capital financing and financial advisory services, for which they received or will receive customary fees and expenses. The Global Coordinator has no direct relationship with the Company in terms of share ownership and does not have any right to designate or nominate a member of the Company's Board.

In the ordinary course of its various business activities, the Global Coordinator and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and these investment and securities activities may involve our securities or instruments or those of our affiliates. The Global Coordinator and its affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire or sell such securities or instruments.

Specifically, in connection with the Offer, the Global Coordinator may provide financing arrangements to the Principal Shareholder in connection with its agreement to subscribe for its allotment of Rights Shares and to subscribe for any remaining Rights Shares left unsubscribed after the mandatory second round of the Rights Offer, for which the Global Coordinator would be paid customary fees. All services provided by the Global Coordinator in connection with the Offer have been provided as an independent contractor and not as a fiduciary to the Company.

The Domestic Institutional Offer

As required by the PSE rules on Additional Listing of Securities, the Additional Rights Shares that remain unsubscribed and are not taken up by the Principal Shareholder after the mandatory second round of the Rights Offer ("Domestic Institutional Offer Shares"), subject to certain conditions, will be taken up by the Domestic Underwriter who shall procure purchasers in the Philippines who are qualified institutional buyers as defined under the SRC, or failing which, shall purchase the unsubscribed Rights Shares. The Rights Shares and the Domestic Institutional Offer Shares are collectively referred to as the "Offer Shares" and the Rights Offer and the Domestic Institutional Offer are collectively referred to as the "Offer." No commissions or other remuneration will be paid or given by the Company, directly or indirectly, to the Domestic Underwriter in relation to the sale of the Rights Shares.

The Company and the Domestic Underwriter have entered into a domestic underwriting agreement (the "Domestic Underwriting Agreement"), which is subject to certain conditions and may be subject to termination by the Domestic Underwriter if certain circumstances, including force majeure, occur on or before the Offer Shares are listed on the PSE. The Domestic Underwriting Agreement is conditional, inter alia, on the Offer Shares being listed on or before March 4, 2020, or such later date as the Domestic Underwriter may agree. The termination of the Domestic Underwriting Agreement at any stage of the Offer shall render the PSE's approval as null and void and may lead to the PSE's declaration of failure of the Offer. The Company has agreed to indemnify the Domestic Underwriter against certain liabilities, as provided in the Domestic Underwriting Agreement.

The Domestic Underwriter is the wholly-owned investment banking subsidiary of BDO. It is licensed in the Philippines to engage in the underwriting and distribution of securities to the public. The Domestic Underwriter is primarily involved in equity management, underwriting and placement, debt management, underwriting and syndication, financial advisory services, project finance and securities trading. The Domestic Underwriter has no direct relationship with the Company in terms of share ownership and does not have any right to designate or nominate a member of the Company's Board. BDO, the parent company of the Domestic Underwriter, has engaged in transactions with, and performed various banking and financing services for, the Company and its affiliates in the past and BDO or any affiliate of BDO may do so from time to time in the future, as well as with the Principal Shareholder, including in connection with the BDO Facility. BDO's Transaction Banking Group—Securities Operations is also the Company's Stock Transfer Agent and Receiving Agent, and its Trust and Investments Group is the Company's Escrow Agent.

All of the Domestic Institutional Offer Shares shall be lodged with the PDTC and shall be issued in scripless form. Investors may maintain the Domestic Institutional Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Domestic Institutional Offer Shares from the PDTC's electronic system after the Domestic Institutional Offer Shares are listed on the PSE.

Lock-up

The Company and the Principal Shareholder, have each voluntarily agreed with the Global Coordinator and the Domestic Underwriter that, none of the Company, CEMEX, S.A.B. de C.V., the Principal Shareholder or any person acting on any of their behalf will, subject to certain exceptions, for a period of 90 days after the Listing Date, without the prior written consent of the Global Coordinator and the Domestic Underwriter, except (i) in connection with the issuance of the Offer Shares for purposes of the Offer, (ii) as necessary for the free-float of the Company's shares to be in compliance with applicable laws and regulations in the Philippines or (iii) for issuances of Common Shares pursuant to the Company's employee stock option plan or other employee compensation scheme, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Common Shares or securities convertible or exchangeable into or exercisable for Common Shares or warrants or other rights to purchase Common Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Common Shares, including equity swaps, forward sales and options.

Selling Restrictions

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

LEGAL MATTERS

Certain legal matters in connection with this Offer will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP with respect to matters of U.S. federal securities law. The validity of the Offer Shares and certain legal matters in connection with this Offer will be passed upon for us by Romulo Mabanta Buenaventura Sayoc & de los Angeles with respect to matters of Philippine law.

Certain legal matters in connection with this Offer will be passed upon for the Global Coordinator and the Domestic Underwriter by Cleary Gottlieb Steen & Hamilton LLP, with respect to matters of U.S. federal securities law. Certain matters as to Philippine law will be passed upon for the Global Coordinator and the Domestic Underwriter by Picazo, Buyco, Tan, Fider & Santos.

In rendering their opinions, Skadden Arps, Slate, Meagher & Flom LLP may rely upon the opinions of Romulo Mabanta Buenaventura Sayoc & de los Angeles as to all matters of Philippine law, and Cleary Gottleib Steen & Hamilton LLP may rely upon the opinions of Picazo, Buyco, Tan, Fider & Santos as to all matters of Philippine law.

Each of the foregoing legal counsel has neither shareholdings in us nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in us. None of the legal counsel will receive any direct or indirect interest in us or in any of our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The (i) Audited Financial Statements have been audited by RGM&Co., independent auditors, as stated in their reports appearing elsewhere in this Prospectus in accordance with Philippine Standards on Auditing and (ii) Unaudited Interim Financial Statements have been reviewed by RGM&Co., a member firm of the KPMG network in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. RGM&Co. is our current external auditor and has served as such since our incorporation.

RGM&Co. has neither shareholdings in us nor any right, whether legally enforceable or not, to nominate persons or to subscribe for our securities. RGM&Co. will not receive any direct or indirect interest in us or in any of our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of fiscal 2017 and fiscal 2018 for professional services rendered by RGM&Co., excluding fees directly related to the Offer:

	For the Year ended December 31,	
	2017	2018
	(in millions of Philippine pesos)	
Audit and Audit-Related Services	₱8.7	₱8.5
Non-Audit Services	0.5	—
Total	₱9.2	₱8.5

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COVER SHEET

For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	5	1	8	8	1	5

COMPANY NAME

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

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

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
C I F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
26 (as of 30 Sep 2019)	1st Wednesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Steve Kuansheng Wu	steve.wu@cemex.com	(02) 849 3647	

CONTACT PERSON's ADDRESS

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

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

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

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

We have reviewed the accompanying consolidated interim statement of financial position of CEMEX Holdings Philippines, Inc. (the "Company") as at September 30, 2019 and the related consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the periods ended September 30, 2019 and 2018, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with Philippine Financial Reporting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements as at September 30, 2019 and for the periods ended September 30, 2019 and 2018 are not prepared, in all material respects, in accordance with Philippine Financial Reporting Standards.

Other Matter - Comparative Information

We draw attention to the fact that we audited the consolidated financial statements of the Company as at December 31, 2018 and rendered our report dated April 2, 2019 on those consolidated financial statements.

Emphasis of Matter - Comparative Information

We also draw attention to Note 3 to the consolidated interim financial statements which indicates that the Company has applied Philippine Financial Reporting Standard 16, *Leases*, using full retrospective approach, under which the impact of the new standard was retrospectively applied by restating the prior period presented. We reviewed the adjustments described in Note 3 that were applied to restate the comparative information presented as at December 31, 2018 and for the nine months ended September 30, 2018. Based on our review, nothing has come to our attention that causes us to believe that the adjustments disclosed in Note 3 are not appropriate and have not been properly applied.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-4, Group A, valid until June 20, 2021
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-012-2018
Issued November 29, 2018; valid until November 28, 2021
PTR No. MKT 7333606
Issued January 3, 2019 at Makati City

October 23, 2019
Makati City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc. and Subsidiaries** (the "Company") is responsible for the preparation and fair presentation of the consolidated interim financial statements as at September 30, 2019 (with comparative information as at December 31, 2018) and for the nine-month periods ended September 30, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated interim financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the consolidated interim financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated interim financial statements and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has reviewed the consolidated interim financial statements of the Company in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and in its report to the stockholders or members, has expressed its conclusion on the fairness of presentation upon completion of such review.

Signature **JOAQUIN MIGUEL ESTRADA SUAREZ**
Chairman of the Board

Signature **IGNACIO ALEJANDRO MIJARES ELIZONDO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

Signed this 23rd October of 20 NOV 28 2019

SUBSCRIBED AND SWORN TO BEFORE ME THIS ______
AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER
______ NO.

DOC NO. 245
PAGE NO. 50
BOOK NO. 53
SERIES NO. 2019

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-67 UNTIL DEC. 31, 2020
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. VI-0027250-4-2019
IBP O.R No. 705
PTR No.
EXECUTIVE BLDG. CENTER MAKATI AVE., COR. JUPITER ST.
MAKATI CITY

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

(Unaudited)

	Note	September 30, 2019 (Unaudited)	December 31, 2018 (As restated - see Note 3)	January 1, 2018 (As restated - see Note 3)
ASSETS				
Current Assets				
Cash and cash equivalents	11, 22	**P2,591,799**	P1,813,665	P1,058,267
Trade receivables - net	12, 22	**1,052,519**	708,906	818,847
Due from related parties	13, 22	**2,457**	30,326	26,386
Insurance claims and premium receivables	15, 22	**518**	949,983	-
Other current accounts receivable	15, 22	**70,953**	73,070	74,616
Inventories	16	**2,944,124**	3,488,178	3,258,252
Derivative asset	22	**2,777**	12,875	-
Prepayments and other current assets	17	**1,108,763**	1,677,671	1,401,133
Total Current Assets		**7,773,910**	8,754,674	6,637,501
Noncurrent Assets				
Investment in an associate and other investments	14	**14,097**	14,097	15,407
Advances to contractors	18	**1,778,104**	2,069,601	-
Other assets and noncurrent accounts receivable	15, 22	**887,865**	818,247	716,700
Property, machinery and equipment and assets for the right-of-use - net	18	**19,076,228**	17,768,023	17,749,909
Deferred income tax assets - net	25	**760,473**	774,434	1,067,565
Goodwill	19	**27,859,694**	27,859,694	27,859,694
Total Noncurrent Assets		**50,376,461**	49,304,096	47,409,275
		P58,150,371	P58,058,770	P54,046,776
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payables	22	**P4,128,696**	P4,934,535	P2,318,979
Due to related parties	13, 22	**2,926,550**	2,683,051	2,273,404
Current portion of lease liabilities	21, 22	**626,436**	453,661	263,995
Current portion of long-term bank loan	22, 24	**140,123**	140,123	140,123
Contract liabilities	6	**289,311**	375,224	426,999
Unearned income, other accounts payable and accrued expenses	20	**1,476,173**	1,882,169	1,681,768
Income tax payable		**17,612**	65,283	32,279
Total Current Liabilities		**9,604,901**	10,534,046	7,137,547
Noncurrent Liabilities				
Long-term bank loan - net of current portion	22, 24	**11,709,341**	13,488,728	13,600,475
Long-term payable to a related party	13, 22	**4,802,422**	2,520,914	1,073,635
Lease liabilities - net of current portion	21, 22	**1,738,570**	1,905,935	2,054,304
Retirement benefit liability	23	**841,235**	715,184	761,008
Deferred income tax liabilities - net	25	**7,624**	147,367	92,674
Other noncurrent liabilities		**20,610**	20,610	20,610
Total Noncurrent Liabilities		**19,119,802**	18,798,758	17,602,706
Total Liabilities		**28,724,703**	29,332,804	24,740,253

Forward

	Note	September 30, 2019 (Unaudited)	December 31, 2018 (As restated - see Note 3)	January 1, 2018 (As restated - see Note 3)
Stockholders' Equity				
Controlling interest:				
Common stock	*26A*	**P5,195,395**	P5,195,395	P5,195,395
Additional paid-in capital		**21,959,159**	21,959,159	21,959,159
Other equity reserves	*26B*	**414,927**	589,907	199,929
Retained earnings	*26E*	**1,856,012**	981,312	1,951,819
Total controlling interest		**29,425,493**	28,725,773	29,306,302
Non-controlling interest	*26C*	**175**	193	221
Total Equity		**29,425,668**	28,725,966	29,306,523
		P58,150,371	P58,058,770	P54,046,776

The accompanying notes are part of these consolidated interim financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)
(Unaudited)

		For the Nine Months Ended September 30		For the Three Months Ended September 30	
	Note	2019	2018 (As restated- see Note 3)	2019	2018 (As restated- see Note 3)
REVENUE	*6*	P18,223,518	P17,905,121	P5,867,591	P6,025,788
COST OF SALES	*7*	(10,717,942)	(10,632,358)	(3,443,247)	(3,749,496)
GROSS PROFIT		7,505,576	7,272,763	2,424,344	2,276,292
OPERATING EXPENSES					
Distribution expenses	*8*	(3,113,928)	(3,639,958)	(1,035,832)	(1,216,079)
Administrative and selling expenses	*7*	(2,307,000)	(2,194,935)	(760,793)	(716,037)
TOTAL OPERATING EXPENSES		(5,420,928)	(5,834,893)	(1,796,625)	(1,932,116)
OPERATING INCOME BEFORE OTHER INCOME - Net		2,084,648	1,437,870	627,719	344,176
OTHER INCOME - Net	*9*	32,159	8,238	21,681	(6,081)
OPERATING INCOME AFTER OTHER INCOME - Net		2,116,807	1,446,108	649,400	338,095
FINANCIAL EXPENSES	*13, 21, 24*	(1,026,385)	(772,726)	(319,221)	(265,883)
FOREIGN EXCHANGE GAIN (LOSS) - Net		127,921	(545,730)	(146,480)	(71,596)
OTHER FINANCIAL EXPENSES - Net	*10*	(40,850)	(26,654)	(33,211)	(6,390)
EARNINGS BEFORE INCOME TAX		1,177,493	100,998	150,488	(5,774)
INCOME TAX EXPENSE	*25*	(302,811)	(764,431)	(78,117)	(72,929)
PROFIT (LOSS)		874,682	(663,433)	72,371	(78,703)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Loss on remeasurement on retirement benefit liability	*23*	(124,453)	(673)	38,316	1,501
Income tax recognized directly in other comprehensive income	*23, 25*	37,336	202	(11,495)	(450)
		(87,117)	(471)	26,821	1,051
Items that will be reclassified subsequently to profit or loss					
Currency translation gain (loss) of foreign subsidiaries		(80,541)	385,037	76,393	66,900
Cash flow hedges - effective portion of changes in fair value		(7,322)	-	(10,128)	-
		(87,863)	385,037	66,265	66,900
		(174,980)	384,566	93,086	67,951
TOTAL COMPREHENSIVE INCOME (LOSS)		699,702	(278,867)	165,457	(10,752)
Non-controlling interest in comprehensive loss		18	21	6	5
CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)		P699,720	(P278,846)	P165,463	(P10,747)
Basic / Diluted Earnings (Loss) Per Share	*27*	P0.17	(P0.13)	P0.01	(P0.02)

The accompanying notes are part of these consolidated interim financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)
(Unaudited)

For the Nine Months Ended September 30, 2019

	Note	Common Stock (see Note 26)	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings	Total Controlling Interest	Non-controlling Interest	Total Stockholders' Equity
As at January 1, 2019		P5,195,395	P21,959,159	P589,907	P1,127,626	P28,872,087	P193	P28,872,280
Adjustment on initial application of PFRS 16	3	-	-	-	(146,314)	(146,314)	-	(146,314)
As at January 1, 2019, as restated		5,195,395	21,959,159	589,907	981,312	28,725,773	193	28,725,966
Total comprehensive income for the period		-	-	(174,980)	874,700	699,720	(18)	699,702
As at September 30, 2019		P5,195,395	P21,959,159	P414,927	P1,856,012	P29,425,493	P175	P29,425,668

For the Nine Months Ended September 30, 2018

	Note	Common Stock (see Note 26)	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings	Total Controlling Interest	Non-controlling Interest	Total Stockholders' Equity
As at January 1, 2018, after adjustment on initial application of PFRS 9		P5,195,395	P21,959,159	P199,929	P2,057,604	P29,412,087	P221	P29,412,308
Adjustment on initial application of PFRS 16	3	-	-	-	(105,785)	(105,785)	-	(105,785)
As at January 1, 2018, as restated		5,195,395	21,959,159	199,929	1,951,819	29,306,302	221	29,306,523
Total comprehensive income for the period		-	-	384,566	(663,412)	(278,846)	(21)	(278,867)
Other adjustment		-	-	-	151	151	-	151
As at September 30, 2018		P5,195,395	P21,959,159	P584,495	P1,288,558	P29,027,607	P200	P29,027,807

The accompanying notes are part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Amounts in Thousands)
(Unaudited)

		For the Nine Months Ended September 30	
	Note	2019	2018 (As restated - see Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss)		P874,682	(P663,433)
Adjustments for:			
Depreciation and amortization of property, machinery and equipment and assets for the right-of-use	5	1,361,556	1,412,568
Financial expenses, other financial expenses and unrealized foreign exchange result		855,829	1,043,562
Income tax expense	25	302,811	764,431
Retirement benefit expense		79,255	87,093
Provisions during the period		22,769	5,299
Gain on disposal of assets		(5,020)	(16,022)
Gain on lease derecognition		(289)	-
Operating profit before working capital changes		3,491,593	2,633,498
Changes in working capital:			
Decrease (increase) in:			
Trade receivables		(358,040)	(165,526)
Due from related parties		27,869	(3,336)
Insurance claims and premium receivables		949,465	-
Other current accounts receivable		2,814	11,851
Inventories		585,135	79,486
Derivative asset		2,776	-
Prepayments and other current assets		403,620	260,516
Increase (decrease) in:			
Trade payables		(1,182,768)	777,145
Due to related parties		309,362	174,490
Contract liabilities		(85,913)	(96,265)
Unearned income, other accounts payable and accrued expenses		(376,385)	(295,728)
Cash generated from operations		3,769,528	3,376,131
Interest received	11	35,031	15,500
Interest paid		(857,393)	(698,591)
Income taxes paid		(273,645)	(420,007)
Benefits paid to employees	23	(77,657)	(30,869)
Retirement payment received from transferred benefit liability		-	88,525
Net cash provided by operating activities		2,595,864	2,330,689

Forward

	Note	2019	2018 (As restated - see Note 3)
		For the Nine Months Ended September 30	
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, machinery and equipment		(P1,809,004)	(P807,495)
Other investments		-	(790)
Increase in other assets and noncurrent accounts receivable		(69,618)	(32,291)
Collection from sale of:			
Property, machinery and equipment		9,428	-
Investment in shares of stock		-	18,500
Assets held for sale		-	72,391
Net cash used in investing activities		(1,869,194)	(749,685)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan from related parties	*13*	2,157,017	152,115
Payment of bank loan	*24*	(1,805,092)	(105,092)
Payment of lease liabilities	*21*	(283,293)	(241,964)
Net cash provided by (used in) financing activities		68,632	(194,941)
NET INCREASE IN CASH AND CASH EQUIVALENTS		795,302	1,386,063
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(17,168)	73,014
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,813,665	1,058,267
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*11*	P2,591,799	P2,517,344

The accompanying notes are part of these consolidated interim financial statements.

NOTE 1 - DESCRIPTION OF BUSINESS

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, 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 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. (see Note 30).

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 CRG and 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. CRG, an entity under common control of CEMEX, was organized under the laws of Switzerland. CRG develops and manages CEMEX's research and development initiatives.

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 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 (PSE), resulting in an increase in capital stock of P2,337,928 and additional paid-in capital of P21,959,159, net of P835,639 transaction cost that is accounted for as a reduction in equity.

Based on the lists of stockholders registered with the stock transfer agent of the Parent Company, the Parent Company had 26 and 20 stockholders as at September 30, 2019 and December 31, 2018, respectively, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

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

NOTE 2 - BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated interim financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs, which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

B) BASIS OF MEASUREMENT

The consolidated interim financial statements have been prepared on the historical cost basis of accounting, except for retirement benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets and derivative financial asset and equity investments at FVTPL and FVOCI, respectively, that are measured at fair value.

C) DEFINITION OF TERMS

When reference is made to "P", it means Philippine Peso. Unless otherwise indicated, the Philippine Peso amounts in the consolidated interim financial statements and the accompanying notes are stated in thousands. When reference is made to "$" or dollar and "€" or euro, it means thousands of dollars of the United States of America (the "United States" or "U.S.") and euros of the European Union, respectively.

D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated interim financial statements of the Company are presented in Philippine Peso, the functional currency of the Parent Company and each of its subsidiaries, except for Falcon and CAR whose functional currencies are both in U.S. dollar. All values are rounded to the nearest thousand, except when otherwise stated.

E) STATEMENTS OF COMPREHENSIVE INCOME

The line item "Other income - net" in the consolidated interim statements of comprehensive income consists primarily of income and expenses not directly related to the Company's main activity, or which are non-recurring in nature, such as impairment loss on property, machinery and equipment, reorganization expenses, back office and other support service and losses related to the landslide, among others.

F) STATEMENTS OF CASH FLOWS

The consolidated interim statements of cash flows present cash inflows and outflows, excluding unrealized foreign exchange result and the following that did not represent sources or uses of cash:

a) The Company has incurred liability amounting to P1,132,452 and P99,408, respectively, arising from the acquisition of various property, machinery and equipment for the nine months ended September 30, 2019 and 2018, respectively.

The accompanying consolidated interim financial statements were authorized for issue by the Board of Directors (BOD) on October 23, 2019.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

A) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted have been applied consistently to all years presented in these consolidated interim financial statements, except for the following relevant new and amendments to standards and interpretation, which were adopted on January 1, 2019 and have been applied in preparing these 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 consolidated interim financial statements.

1. Adoption of New and Amendments to Standards and Interpretation

1.1 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.

The Company has applied PFRS 16 using the full retrospective approach, under which the impact of the new standard was retrospectively applied by restating each prior period presented. The details of the changes in accounting policies are disclosed below:

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4, *Determining Whether an Arrangement contains a Lease*. The Company now assesses whether a contract is, or contains, a lease based on the new definition of a lease. Under PFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company leases a number of assets, including properties such as land, office space, warehouse, terminal and ship vessels, which are used in its operations. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under PFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e., these leases are on-balance sheet.

However, the Company has elected the practical expedient to not separate the non-lease component from the lease component included in the same contract and not to recognize right-of-use assets and leases liabilities for short-term leases (leases with a term of 12 months or less) and low-value items. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company presents right-of-use assets that do not meet the definition of investment property in "Property, machinery and equipment and assets for the right-of-use" account, the same line item as it presents underlying assets of the same nature that it owns.

The Company presents lease liabilities in "Lease liabilities" account in the consolidated interim statements of financial position.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated amortization and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. As at September 30, 2019 and December 31, 2018, the Company has not presented any right-of-use asset as investment property.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Also, as a result of applying PFRS 16, the Company has recognized amortization and interest cost, instead of operating lease expense. Since the Company has foreign currency denominated lease agreements, foreign exchange results were also reflected due to change in the translated amounts of such lease liabilities.

Impact of Transition

As at September 30, 2019

Consolidated Interim Statement of Financial Position		Adjustments due to adoption of PFRS 16
Increase (decrease) in:		
Property, machinery and equipment and assets for the right-of-use	P	2,120,900
Deferred income tax assets - net		46,607
Current portion of lease liabilities		626,436
Lease liabilities - net of current portion		1,738,570
Deferred income tax liabilities - net		(10,458)
Due to related parties		(48,162)
Trade payables		(20,339)
Retained earnings		(118,540)

For the nine months ended September 30, 2019

Consolidated Interim Statement of Comprehensive Income		Adjustments due to adoption of PFRS 16
Increase (decrease) in:		
Costs of sales	P	(66,016)
Operating expenses		(63,143)
Financial expense		103,659
Foreign exchange gain - net		12,082
Other income		289
Income tax expense		10,097
Decrease in Basic/Dilutive EPS (in absolute amount)	P	-

Consolidated Interim Statement of Cash Flows		Adjustments due to adoption of PFRS 16
Increase (decrease) in:		
Net cash provided by operating activities	P	283,293
Net cash provided by financing activities		(283,293)

As at and for the year ended December 31, 2018

Consolidated Statement of Financial Position		As reported as at December 31, 2018	Adjustments due to adoption of PFRS 16	As adjusted as at December 31, 2018
Property, machinery and equipment and assets for the right-of-use	P	15,617,365	2,150,658	17,768,023
Deferred income tax assets - net		720,373	54,061	774,434
Current portion of lease liabilities		-	453,661	453,661
Lease liabilities - net of current portion		-	1,905,935	1,905,935
Deferred income tax liabilities - net		155,950	(8,563)	147,387
Retained earnings		1,127,626	(146,314)	981,312

For the nine months ended September 30, 2018

Consolidated Interim Statement of Comprehensive Income		As reported for the nine months ended September 30, 2018	Adjustments due to adoption of PFRS 16	As adjusted for the nine months ended September 30, 2018
Costs of sales	P	10,692,260	(59,902)	10,632,358
Operating expenses		5,889,289	(54,396)	5,834,893
Financial expense		649,891	122,835	772,726
Foreign exchange loss - net		470,473	75,257	545,730
Income tax expense		789,517	(25,086)	764,431
Decrease in Basic/Dilutive loss per share (in absolute amount)	P	(0.12)	(0.01)	(0.13)

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Consolidated Interim Statement of Cash Flows		As reported for the nine months ended September 30, 2018	Adjustments due to adoption of PFRS 16	As adjusted for the nine months ended September 30, 2018
Net cash provided by operating activities	P	2,088,725	241,964	2,330,689
Net cash provided by financing activities		47,023	(241,964)	(194,941)

As at January 1, 2018

Consolidated Statement of Financial Position		As at January 1, 2018, after initial application of PFRS 9	Adjustments due to adoption of PFRS 16	As adjusted as at January 1, 2018
Property, machinery and equipment and assets for the right-of-use	P	15,582,732	2,167,177	17,749,909
Deferred income tax assets - net		1,028,132	39,433	1,067,565
Current portion of lease liabilities		-	263,995	263,995
Lease liabilities - net of current portion		-	2,054,304	2,054,304
Deferred income tax liabilities - net		98,578	(5,904)	92,674
Retained earnings		2,057,604	(105,785)	1,951,819

1.2 Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments, clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, 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 Company assessed that the adoption of IFRIC 23 has no impact on the balances as at and for nine months ended September 30, 2019.

1.3 Prepayment Features with Negative Compensation [Amendments to PFRS 9, Financial Instruments (2014)]. 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 FVOCI 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.

- *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.

1.4 Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28, Investments in Associates and Joint Ventures). 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.

1.5 Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, Employee Benefits). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

1.6 Annual Improvements to PFRSs 2015 - 2017 Cycle. This cycle of improvements contains amendments to four standards. The following are the improvements relevant to the Company:

- *Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12).* The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e., in profit or loss, OCI or equity.

- *Borrowing costs eligible for capitalization (Amendments to PAS 23, Borrowing Costs).* The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool.

2. Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Company has not early adopted the following new or amended standards in preparing these consolidated interim financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's consolidated interim financial statements. The Company will adopt the following new and amendments to standards in their respective effective dates.

2.1 Effective January 1, 2020

a) Amendments to References to Conceptual Framework in PFRS Standards sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions; and
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

b) Definition of Material (Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

- raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence;
- including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
- clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
- clarifying the explanatory paragraphs accompanying the definition; and
- aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

c) *Definition of a Business (Amendments to PFRS 3).* The amendments refine the definition of material. The amendments clarify the definition of business and its application by:

- clarifying that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrowing the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- adding guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- removing the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

d) *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.

B) PRINCIPLES OF CONSOLIDATION

The consolidated interim financial statements includes those of the Parent Company and those of the subsidiaries in which the Parent Company exercises control (see Note 30), by means of which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Among other factors, control is evidenced when the Parent Company: a) holds directly or through subsidiaries, more than 50% of an entity's common stock; or b) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated interim financial statements from the date when the Company obtains control and continue to be consolidated until the date that such control ceases.

The consolidated interim financial statements of the Company are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. It is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related OCI recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statements of comprehensive income.

The Company has P175 and P193 non-controlling interest as at September 30, 2019 and December 31, 2018, respectively (see Note 26C).

All intragroup transactions, balances and income and expenses are eliminated in consolidation. Each subsidiary is a legally responsible separate entity and maintains custody of its own financial resources.

C) USE OF JUDGMENTS, ESTIMATES AND CRITICAL ASSUMPTIONS

The preparation of consolidated interim financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated interim financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the consolidated interim financial statements:

Determining Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each of the consolidated entities in the Company considers the following:

a) The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);

b) The currency in which funds from financing activities are generated; and
c) The currency in which receipts from operating activities are usually retained.

In case of a subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

Determining Whether the Company has Control over Its Investee Companies

The Parent Company uses judgment in determining control over its investee companies. The Parent Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee; and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Parent Company assessed that it has control over its investee companies disclosed in Note 30 and treats these investee companies as its subsidiaries.

Judgment on the Lease Term to be Considered in Computing for Lease Liabilities

The Company has applied judgment to determine the lease term of some lease contracts in which it is a lessee that include renewal options. The judgment is applied to those wherein the extension options held are exercisable only by the Company and not by the lessors. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use recognized.

Determining Whether the Company is Acting as a Principal or an Agent

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the entity has discretion in establishing the price for the specified good or service.

An entity is acting as a principal if it controls the promised goods or services before transferring them to the customer. The Company assessed that it is acting as principal on all of its revenue transactions.

Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated interim statements of financial position.

In addition, classification of financial assets depends on the results of the solely payments of principal and interest test and the business model test. The Company determines the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or FVOCI to understand the reason for any disposal prior to maturity and determine whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Financial assets are classified as financial assets at amortized cost or at FVTPL, debt investments at FVOCI and equity investment at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVTPL or other financial liabilities.

Assessing Whether the Insurance Contract with the Third Party Insurer and Reinsurance Contract of Falcon are Linked Transactions

The Company, through Solid and APO, insures certain risks with a third party insurer in which Falcon takes some of the risk back into the Company. It was assessed that the insurance transactions between the third party insurer and Solid and APO are interdependent with the reinsurance transaction to Falcon. Since Falcon does not have the regulatory approval required to issue direct insurance contract to Philippine entities, the third party insurer acts as a conduit for Falcon, the captive insurer. This makes the transactions, in substance, form a single arrangement that achieves an overall commercial effect of self-insurance. In addition, the reinsurance contract by Falcon were entered in contemplation of the insurance contracts entered by Solid and APO with the third party insurer. Thus, the insurance expense of Solid and APO and revenue from insurance contracts of Falcon were offset during consolidation.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Impairment of Trade Receivables

In 2019 and 2018, the loss allowances for trade receivables are based on assumptions about risk of default and ECL rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Details of key assumptions and inputs and other information about the Company's ECL are disclosed in Note 22. As at September 30, 2019 and December 31, 2018, the carrying amount of trade receivables amounted to P1,052,519 and P708,906, respectively.

Impairment of Goodwill

The Company performed its annual impairment test on its goodwill as at the reporting date. The recoverable amount of goodwill was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The assumptions that were applied to the cash flow projections are disclosed in Note 19 to the consolidated interim financial statements. The following bases were used to develop the assumptions used in computing value-in-use, among others:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Calculated value-in-use for goodwill impairment testing is most sensitive to changes in discount rate and terminal growth rate. The carrying amount of goodwill as at September 30, 2019 and December 31, 2018 amounted to P27,859,694. No impairment on goodwill has been recognized in 2019 and 2018.

Estimating Realizability of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets include an amount which relates to the carried forward tax losses of the Parent Company and its local subsidiaries (see Note 25B). The Parent Company has incurred the tax losses over the last three years. They relate mainly to the expenses incurred by the Parent Company during the IPO, interest expenses and realized foreign exchange loss during its loan refinancing. These carried forward tax losses have an expiration of three years from the taxable year when such tax losses were incurred. The foreign subsidiaries are expected to generate profit in the succeeding years which will be available for dividend declaration to the Parent Company and will eventually form part of the Parent Company's taxable income in which the said carried forward tax losses may be applied. However, the Company has concluded that they will only benefit from a portion of the said tax losses before they eventually expire. The assessment was based on the level of estimated profit that the foreign subsidiaries will generate in the subsequent years which is based on their past results and future expectations of revenues and expenses. For the carried forward tax losses of the local subsidiaries, deferred income tax assets were recognized only up to the extent of forecasted taxable income in subsequent periods. Each forecast was based on the subsidiaries' past results and future expectations of revenue and expenses. As at September 30, 2019 and December 31, 2018, net deferred income tax assets amounted to P760,473 and P774,434, respectively (see Note 25B). The Company has unrecognized deferred income tax assets in respect of its net operating loss carryover (NOLCO), excess minimum corporate income tax (MCIT) over regular income tax (RCIT) and other deductible temporary differences amounting to P5,028,414 and P4,383,832 as at September 30, 2019 and December 31, 2018, respectively. For the nine months ended September 30, 2019 and 2018, the Company has income tax expense (benefit) amounting to (P187,952) and P266,055, respectively, resulting from the net recognition of previously unrecognized and write-down of previously recognized deferred income tax assets, respectively. The outcomes within the next financial year with respect to the results of operations of the foreign and local subsidiaries that are different from the assumption could require a material adjustment to the carrying amount of the Company's deferred income tax assets.

Estimating Provision for Tax Liabilities

The Company sets up appropriate provision based on the probable outcome of legal proceedings, including national and local tax investigations, that have arisen in the ordinary course of business. As at September 30, 2019 and December 31, 2018, the balance of the provisions amounted to P61,020 and P15,000, respectively and is recognized under "Unearned income, other accounts payable and accrued expenses" account in the consolidated interim statements of financial position.

Assessing the Probability of an Outflow from Legal Proceedings

Pending legal cases are reviewed continuously to assess whether an outflow of resources has become probable. If the recognition criteria in the Company's policy (see Note 3M) are met, then the liability is recognized in the consolidated interim statements of financial position in the period in which the probability occurs. Further information about the Company's assessment on its legal proceedings are disclosed on Notes 29 and 31.

D) FOREIGN CURRENCY

Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of each of the consolidated entities in the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the transaction of the following items are recognized in OCI:

- FVOCI equity and debt investments; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign currency gains and losses are reported on a net basis. During the period, there was no hyperinflationary economy, which is generally considered to exist when the cumulative inflation rate over the last three years is approaching or exceeds 100%. In a hyperinflationary economy, the accounts of the entity's income statements should be restated to constant amounts as at the reporting date.

Foreign Operation

The assets and liabilities of foreign operation with functional currency other than the Philippine peso are translated into Philippine peso at the exchange rates at the reporting date. The income, expenses and cash flows of foreign operations are translated into Philippine peso at the monthly weighted average exchange rates for the period. Capital transactions of the foreign operations are translated to Philippine Peso at the exchange rates at the dates of the relevant transactions. Foreign currency differences are recognized in OCI and accumulated in "Other equity reserves" account in equity, except to the extent that the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the "Other equity reserves" account in the consolidated statements of comprehensive income related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

E) FINANCIAL INSTRUMENTS

Recognition and Initial Measurement
Financial instruments within the scope of PFRS 9 are recognized in the consolidated interim statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

A financial asset (unless it is a receivable without a financing component) or financial liability is initially measured at fair value. Except for financial instruments classified or designated at FVTPL, the initial measurement of financial assets includes directly attributable transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement
The Company determines the classification of its financial assets on initial recognition. The Company classifies its financial assets into the following categories: financial assets at amortized cost, financial assets at FVTPL, debt investments at FVOCI and equity investments at FVOCI. The classification depends on the Company's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

As at September 30, 2019 and December 31, 2018, the Company has no debt investments at FVOCI.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Impairment losses on trade receivables are recognized under selling expenses. Any gain or loss on derecognition is recognized in profit or loss. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, trade receivables, due from related parties, insurance claims and premium receivables, other current accounts receivable and noncurrent accounts receivable are included in this category.

Cash equivalents are mainly represented by short-term investments of high liquidity, which are easily convertible into cash, and which are not subject to significant risks of changes in their values, including overnight investments, which yield fixed returns and have maturities of less than three months from the investment date. Cash and cash equivalents exclude those which are restricted from Company's use in operations. Cash and cash equivalents are stated at face value which includes accrued interest. Interest income accruing from cash and cash equivalents are recognized as part of "Other financial expenses - net" account in the consolidated interim statements of comprehensive income.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. Included in this category is the Company's other investments.

All financial assets not classified and measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the standard policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Classification and Subsequent Measurement - Financial Liabilities
Trade payables, due to related parties, other accounts payable and accrued expenses (excluding liabilities covered by other PFRSs, such as statutory liabilities), long-term payable to a related party, bank loan and lease liabilities, are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the consolidated interim statements of financial position within "Unearned income, other accounts payable and accrued expenses", "Long-term payable to a related party" or "Bank loan" against financial expenses. As at September 30, 2019 and December 31, 2018, the Company did not have financial liabilities classified as at FVTPL, or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss.

Derivative Financial Instruments and Hedge Accounting

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in commodity prices. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. To qualify for hedge accounting the hedging relationship must comply with the strict requirements such as the eligibility of both the hedging instrument and hedged item must have formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, and the hedging relationship has to meet the following hedge accounting requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognized or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the intrinsic value of the purchased option contract as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value ('forward points') of the purchased option contract is separately accounted for as a cost of hedging and recognized in costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

'Day 1' Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated interim statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated interim statements of financial position.

Derecognition of Financial Instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. The difference between the carrying amount of financial liability (or part of a financial liability) extinguished and the consideration paid is recognized in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

F) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company discloses balances and transactions with related parties. These balances and transactions resulted primarily from: i) the sale and purchase of goods and equipment between related parties; ii) the invoicing of administrative services, rentals, royalties and other services rendered between related parties; and iii) loans and advances between related parties.

G) INVENTORIES

Inventories are valued using the lower of their acquisition cost and net realizable value (NRV). The cost of inventories is based on the moving average method and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. NRV of inventories, other than spare parts, is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The NRV of spare parts is the replacement cost. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired.

When an impairment situation arises, the inventory balance is adjusted to its NRV, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results for the period. Advances to suppliers of inventory are presented as part of "Prepayments and other current assets" account in the consolidated interim statements of financial position.

When the inventories are sold, the carrying amounts of those inventories are recognized under "Costs of sales" account in profit or loss in the period when the related revenue is recognized.

H) PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments

Prepayments are carried at cost. Prepaid insurance and prepaid rent are subsequently amortized over the terms of the contract to which the payment applies. Advances to suppliers of raw materials and spare parts and prepaid freight cost are subsequently recognized as inventories or expense when the goods are received or services are rendered. Prepaid taxes represent creditable withholding taxes which are deducted from income tax payable.

I) INVESTMENT IN AN ASSOCIATE

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interest in an associate is accounted for using the equity method. It is initially recorded at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated interim financial statements include the Company's share in the profit or loss and OCI of the associate, until the date on which the significant influence ceases.

J) PROPERTY, MACHINERY AND EQUIPMENT

An item of property, machinery and equipment is initially recognized at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition of its intended use. Property, machinery and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The acquisition or construction cost includes all expenditures directly attributable to bringing the assets to a working condition for their intended use. Major components of an item of property, machinery and equipment with different useful lives are accounted for as separate items.

Depreciation of property, machinery and equipment is recognized as part of "Costs of sales" and "Operating Expenses" accounts in the consolidated statements of comprehensive income and is calculated using the straight-line method over the estimated useful lives of the assets.

As at September 30, 2019 and December 31, 2018, the Company's maximum estimated useful lives by category of property, machinery and equipment were as follows:

	Years
Buildings and improvements	50
Machinery and equipment:	
Plant Machinery and equipment	10 - 35
Ready-mix trucks and motor vehicles	5
Office equipment and other assets	3

The assets' residual values, useful lives and method of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property, machinery and equipment. Any change in the expected residual values, useful lives and method of depreciation are adjusted prospectively from the time the change was determined necessary.

The Company capitalizes, as part of the historical cost of property, machinery and equipment, interest expense arising from existing debt during the construction or installation period of significant property, machinery and equipment, considering the Company's corporate average interest rate and the average balance of investments in process for the period.

Construction in-progress represents property, machinery and equipment under construction and is recognized at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for operational use but tested for impairment.

Costs incurred in respect of operating property, machinery and equipment that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. The capitalized costs are depreciated over the remaining useful lives of such property, machinery and equipment. Other costs, including periodic maintenance on property, machinery and equipment, are expensed as incurred. Advances to suppliers of property, machinery and equipment are presented as part of "Other assets and noncurrent accounts receivable" account in the consolidated interim statements of financial position.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, machinery and equipment are accounted for as property, machinery and equipment. Depreciation on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

An item of property, machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statements of comprehensive income in the period the item is derecognized.

K) GOODWILL

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Company's cash-generating units (CGUs), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the assets or liabilities of the Company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Company's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Note 3L).

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

L) IMPAIRMENT

Non-derivative Financial Assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities and other receivables (i.e., insurance claims and premium receivable) that are determined to have low credit risk at the reporting date; and
- other debt securities, other receivables and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when: (1) the borrower is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realizing any collateral; or (2) the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when: i) the debt security has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of Allowance for ECL in the Consolidated Interim Statements of Financial Position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written-off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company categorizes a financial asset for write-off when the debtor fails to make contractual payments more than 365 days past due. The Company expects no significant recovery from the amount written-off.

Property, Machinery and Equipment and Investment in an Associate

Property, machinery and equipment and investment in an associate are tested for impairment upon the occurrence of factors, such as a significant adverse event, changes in the Company's operating environment, changes in projected use or in technology, as well as expectations of lower operating results for each CGU, in order to determine whether their carrying amounts may not be recovered, in which case an impairment loss is recognized in profit or loss for the period when such determination is made within "Other income - net" account in the consolidated interim statements of comprehensive income.

The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs of disposal, and its value-in-use, the latter represented by the net present value of estimated cash flows related to the use or disposal of the asset.

Significant judgment by management is required to appropriately assess the fair values and value-in-use of these assets. The main assumptions utilized to develop these estimates are a discount rate that reflects the risk of the cash flows associated with the assets evaluated and the estimations of generation of future income. Those assumptions are evaluated for reasonableness by comparing such discount rates to market information available and by comparing to third-party expectations of industry growth, such as governmental agencies or industry chambers of commerce.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statements of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested for impairment when needed due to significant adverse changes or at least once a year by determining the recoverable amount of the group of CGUs to which goodwill was allocated, which consists of the higher between the CGU's fair value, and their value-in-use, represented by the discounted amount of estimated future cash flows to be generated by such CGUs to which those net assets relate. The Company determines discounted cash flows over a 5-year period. If the value-in-use of any CGU is lower than their respective carrying amount, the Company determines the fair value of its CGUs using a methodology widely accepted in the market to determine the value of entities, such as multiples of Operating Earnings Before Income Tax, Depreciation and Amortization (EBITDA) and by reference to other market transactions, among others. An impairment loss is recognized in profit or loss within "Other income - net" account in the consolidated statements of comprehensive income, if the recoverable amount is lower than the carrying amount of the group of CGUs to which goodwill was allocated. Impairment charges recognized on goodwill are not reversed in subsequent periods.

The Company operates through its major operating subsidiaries, Solid and APO, which represents the Company's groups of CGUs to which goodwill has been allocated for purposes of testing goodwill for impairment and represents the lowest level at which goodwill is monitored for internal management purposes.

Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of the Company's products, the development of operating expenses, economic trends in the relevant construction industry, the long-term growth expectations in the market, as well as to the discount rate and the growth rate in perpetully applied. For purposes of estimating future prices, the Company uses, to the extent available, historical data plus the expected increase or decrease according to information issued by trusted external sources and/or governmental economic expectations. Operating expenses are estimated taking into account past experience. However, such operating expenses are also reviewed and adjusted considering inflation and other external information sources in respect to inputs that behave according to international prices, such as gas and oil that may have an impact on future costs.

The Company uses pre-tax discount rates which are applied to discount pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. Likewise, the amounts of discounted estimated future cash flows are significantly sensitive to the weighted average cost of capital (discount rate) applied. The higher the growth rate in perpetuity applied, the higher the amount obtained of undiscounted future cash flows by CGU. Conversely, the higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by CGU.

M) PROVISIONS AND CONTINGENCIES

The Company recognizes provisions when it has a legal or constructive obligation resulting from past events, whose resolution would imply probable and reliably measurable cash outflows or delivery of other resources owned by the Company. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a borrowing cost.

Restructuring

The Company recognizes provisions for restructuring costs only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to the third parties involved and/or affected by the restructuring prior to the reporting date. These provisions may include costs not associated with the Company's ongoing activities.

Asset Retirement Obligations

Unavoidable obligations, legal or constructive, to restore operating sites upon retirement of long-lived assets at the end of their useful lives are measured at the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' carrying amount. The increase in the assets' carrying amount is depreciated during its remaining useful life. The increase in the liability related to the passage of time is charged to profit or loss. Adjustments to the liability for changes in estimations are recognized against the related property, machinery and equipment and depreciation is modified prospectively. Once the related asset is fully depreciated over its useful life, all subsequent changes in the liability shall be recognized in profit or loss as they occur. These liabilities relate mainly to the future costs of demolition, cleaning and rehabilitation and vacating from, under certain conditions, production or operating sites, including maritime terminals.

Costs Related to Remediation of the Environment

Provisions associated with environmental damage represent the estimated future cost of remediation, which are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. Reimbursements from insurance companies are recognized as assets only when their recovery is virtually certain. In that case, such reimbursement assets are not offset against the provision for remediation costs.

Commitments and Contingencies

Obligations or losses related to contingencies are recognized as liabilities in the consolidated interim statements of financial position when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the consolidated interim financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the consolidated interim financial statements on an incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the consolidated interim financial statements. The Company does not recognize contingent revenues, income or assets.

Reimbursements and Compensation

Reimbursements related to provision is recognized as a separate asset when recovery is virtually certain. The loss and the recovery are recognized at the same time. However, if the party that will make the reimbursement cannot be identified, then the reimbursement is not considered as virtually certain and is not recognized. If the only uncertainty regarding the recovery of an insured loss is the amount of the recovery, then the reimbursement amount will qualify to be recognized as an asset. Receivable from compensation for lost income is recognized when the Company has an unconditional right to receive the compensation. The Company's unconditional contractual right to receive compensation is established when: (1) the Company has an insurance contract under which it can make a claim for compensation; and (2) the loss event that creates a right for the Company to assert a claim at the reporting date has occurred and the claim is not disputed by the insurer. The compensation receivable should be measured based on the amount and timing of the expected cash flows discounted at a rate that reflects the credit risk of the insurer. Income arising from compensation is offset against the loss recognized from where such right to compensation arises.

N) FAIR VALUE MEASUREMENTS

The Company applies the guidance of PFRS 13, *Fair Value Measurement*, for its fair value measurements of financial assets and financial liabilities recognized or disclosed at fair value. Under PFRS 13, fair value represents an "Exit Price," which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, considering the counterparty's credit risk in the valuation. The concept of exit value is premised on the existence of a market and market participants for the specific asset or liability. When there is no market and/or market participants willing to make a market, PFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement), secondly, to inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly (Level 2 measurement), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement). The Company recognizes transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

O) EMPLOYEE BENEFITS

Defined Benefit Pension Plans

Pursuant to PAS 19, *Employee Benefits*, the Company recognizes the costs associated with employees' defined benefit pension plans as services are rendered, based on actuarial estimations of the benefits' present value with the advice of external actuaries. The actuarial assumptions consider the use of nominal rates.

The service cost, corresponding to the increase in the obligation for additional benefits earned by employees during the period, is recognized as part of "Costs of sales" and "Operating Expenses" accounts in the consolidated interim statements of comprehensive income. The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss within "Other financial expenses - net" account in the consolidated interim statements of comprehensive income.

The effects from modifications to the pension plans that affect the cost of past services are recognized as part of "Costs of sales" and "Operating Expenses" accounts in the consolidated interim statements of comprehensive income during the period in which such modifications occur or when any related restructuring or termination benefits are recognized, if earlier. Likewise, the effects from curtailments and/or settlements of obligations occurred during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized as part of "Costs of sales" and "Operating Expenses" accounts in the consolidated interim statements of comprehensive income.

Remeasurements such as the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, and actuarial gains and losses, related to differences between the previous actuarial assumptions and actual occurrences, and changes in actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of OCI for the period within equity. Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in profit or loss for the period in which they are incurred.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Transportation Allowance

The Company grants transportation allowance to "entitled executives" for the purpose of purchasing a motor vehicle and to cover other transportation-related expenses such as, but not limited to, maintenance cost, gasoline, registration expenses and insurance premiums on motor vehicle for a period of five (5) years from the date of grant. The amount paid to executives in respect of the Company's transportation allowances is recorded as an asset carried at cost (the current portion is part of "Prepayments and other current assets" account, while the noncurrent portion is part of "Other assets and noncurrent accounts receivable" account in the consolidated interim statements of financial position) and subsequently amortized as an expense over the term of the contract.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

P) BORROWING COSTS

Interest and other finance costs incurred on borrowings used to finance property development are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets are completed. These costs are amortized using the straight-line method over the estimated useful life of the related property, machinery and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Q) TAXES

Income Taxes

Based on PAS 12, the effects reflected in profit or loss for income taxes include the amounts payable or recoverable in respect of taxable profit or loss during the period and the amounts of deferred income taxes pertaining to amounts payable or recoverable in future periods, determined according to the income tax law applicable to each entity. Consolidated deferred income taxes represent the addition of the amounts determined in each legal entity by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable amounts of assets and liabilities, considering tax loss carryforwards as well as other recoverable taxes and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income taxes for the period represent the difference between balances of deferred income taxes at the beginning and at the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. Pursuant to PFRSs, all items charged or credited directly in equity or as part of OCI for the period are recognized net of their current and deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the period in which the change is officially enacted.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused NOLCO, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred income tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Parent Company and of the individual subsidiaries in the Company. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is not considered probable that the related tax benefit will be realized. In conducting such assessment, the Company analyzes the aggregate amount of self-determined tax loss carryforwards included in its income tax returns in each country where the Company believes, based on available evidence, that the tax authorities would not reject; and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through an analysis of estimated future taxable income. If the Company believes that it would not be able to use a tax loss carryforward before its expiration or any other deferred income tax asset, the Company will not recognize such deferred income tax assets.

Both situations would result in additional income tax expense for the period in which such determination is made. In order to determine whether it is probable that deferred income tax assets will ultimately be realized, the Company takes into consideration all available positive and negative evidence, including factors such as market conditions, industry analysis, expansion plans, projected taxable income, carryforward periods, current tax structure, potential changes or adjustments in tax structure, tax planning strategies, future reversals of existing temporary differences, etc. Likewise, every reporting period, the Company analyzes its actual results versus the Company's estimates and adjusts its estimations as necessary. If actual results vary from the Company's estimates, the deferred income tax asset may be affected, and necessary adjustments will be made based on relevant information. Any adjustments recorded will affect the Company's profit or loss in such period.

Excess income tax payments are recognized as "Prepaid taxes" under "Prepayments and other current assets" account in the consolidated interim statements of financial position and are carried at cost.

The income tax effects from an uncertain tax position are recognized when it is highly probable that the position will be sustained based on its technical merits and assuming that the tax authorities will examine each position and have full knowledge of all relevant information, and they are measured using a cumulative probability model. The amount to be provided for uncertain tax positions is the best estimate of the tax amount expected to be paid. Each position has been considered on its own, regardless of its relation to any other broader tax settlement. The high probability threshold represents a positive assertion by management that the Company is entitled to the economic benefits of a tax position. If a tax position is considered to have low probability to be sustained, no benefits of the position are recognized.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as a part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of "Prepayments and other current assets" or "Unearned income, other accounts payable and accrued expenses" accounts, respectively, in the consolidated interim statements of financial position.

R) STOCKHOLDERS' EQUITY

Common Stock and Additional Paid-in Capital

Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the consolidated interim statements of financial position.

Other Equity Reserves

Represent the horizontal sum of each consolidated entity's cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to equity, and includes the elements presented in the OCI for the period, which includes certain changes in stockholders' equity during a period not resulting from investments by owners and distributions to owners. As at September 30, 2019 and December 31, 2018, the "Other equity reserves" account in the consolidated interim statements of financial position represents the share-based compensation, remeasurements on retirement benefit liability, changes in fair value of the derivative instrument in an effective cash flow hedge and cumulative currency translation of foreign subsidiaries.

Retained Earnings

Represent the horizontal sum of each consolidated entity's cumulative results of prior accounting periods, net of dividends declared to stockholders.

S) EXECUTIVE STOCK-BASED COMPENSATION

Certain executives of the Company receive compensation under CEMEX's Long-Term Incentive Program using CPOs. Pursuant to the guidance of PFRS 2, stock awards based on the ultimate parent company's shares granted to the Company's executives are treated as equity instruments, considering that services received from employees are settled by delivering such CEMEX's shares. The cost of equity instruments represents the estimated fair value at the date of grant and is recognized in profit or loss during the period in which the exercise rights of the employees become vested against other equity reserves.

T) REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's consolidated revenue represents the value of products sold by the consolidated entities, net of VAT on sales, as a result of their ordinary activities, after the elimination of transactions between consolidated entities, and is measured at the consideration specified in a contract with a customer. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer.

Revenue from Sale of Cement and Cement Products
Customers obtain control of the cement or cement products when these goods are delivered to and have been accepted at their premises. Hence, revenue is recognized at that point in time. Invoices are usually payable within 30 to 60 days. No discounts are provided for the sale of cement and cement products, but customers may earn loyalty points instead which they can redeem against future orders or other packages defined in the program.

Customer Loyalty Programme
The Company has three customer loyalty programmes whereby customers are awarded credits known as "Points" entitling customers to redeem against any future purchases of the Group's cement goods, electronic gadgets or tour package. The Company grants Points to a customer as part of the sales transaction and subject to condition set-out in the programme. These Points has an expiration of 15 months from the date of grant.

The Company allocates a portion of the consideration received to the Points. This allocation is based on the relative stand-alone selling prices, taking into account the expected forfeiture rate. The amount allocated to the Points is deferred, and is recognized as revenue when the Points are redeemed or the right to redeem the Points expires. The deferred revenue is recognized as "Contract liabilities" under current liabilities in the consolidated interim statements of financial position.

Contract Balances

Trade receivables
Trade receivables represent the Company's right to consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of Trade receivables in Notes 3E and 3L.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier).

U) INSURANCE CONTRACTS

An insurance contract is an agreement whereby one party, called the insurer, undertakes for a consideration paid by the other party, called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Premiums from insurance contracts are recognized as revenue over the period of the contracts. The portion of the premiums written that relate to the unexpired periods of the policies at each reporting date is accounted for as "Unearned income" and is presented under current liabilities section of the consolidated interim statements of financial position. The net changes in this account between reporting dates are credited to or charged against profit or loss. Insurance revenue is presented as an offset to insurance expense in the consolidated interim statements of comprehensive income.

Benefits and Claims

Benefits and claims consist of all costs incurred during the year, which are recognized when the Company receives notification from policyholders. Estimates have to be made as at the reporting date both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported (IBNR). The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to project future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss against insurance liability. Claims provisions are not discounted for the time value of money.

V) COST OF SALES, ADMINISTRATIVE AND SELLING EXPENSES AND DISTRIBUTION EXPENSES

Cost of sales represents the production cost of goods sold. Such cost of sales includes power and fuel, raw materials and supplies, personnel expenses, depreciation of property, machinery and equipment involved in production, as well as freight expenses of raw material in plants. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities and storage of product at points of sales and costs related to warehousing of products at the selling points, which are included as part of administrative and selling expenses, as well as freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers' facilities, which are included as part of the distribution expenses line item in the consolidated interim statements of comprehensive income. Cost of construction contracts are recognized when incurred.

W) LEASES

The determination of whether an arrangement is, or contains a lease is, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such assessment is made at the inception of the contract.

As a Lessee
The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is measured subsequently at cost less any accumulated amortization and impairment losses, and adjusted for certain remeasurements of the lease liability. Right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a

purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate as the discount rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using effective interest method. The lease liability is increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies PFRS 15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Other income - Net" account.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

X) BASIC AND DILUTED EARNINGS PER SHARE

Pursuant to PAS 33, *Earnings Per Share*, basic earnings (loss) per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period. Shares that would be issued depending only on the passage of time should be included in the determination of the basic weighted average number of shares outstanding. Diluted earnings (loss) per share should reflect in both, the numerator and denominator, the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions, to the extent that such assumption would lead to a reduction in basic earnings per share or an increase in basic loss per share, otherwise, the effects of potential shares are not considered because they generate anti-dilution.

Y) EVENTS AFTER THE REPORTING DATE

Post year-end events, up to the approval of the consolidated interim financial statements by the BOD, that provide additional information about the Company's consolidated interim financial position at the reporting date (adjusting events) are reflected in the consolidated interim financial statements. Post year-end events that are not adjusting events are disclosed on the notes to the consolidated interim financial statements when material.

NOTE 4 - 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 results and performance is evaluated for decision-making purposes and allocation of resources is made on a per country basis. Hence, the Company represents a single geographical operating segment. 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, 2019 and 2018, the cement sector represented approximately 89.3% and 86.0%, respectively, of total net revenues before eliminations resulting from consolidation, and 131.7% and 139.9%, respectively, of Operating EBITDA.

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.

NOTE 5 - DEPRECIATION AND AMORTIZATION

Depreciation and amortization charges for the nine months ended September 30, 2019 and 2018 are detailed as follows:

		2019	2018
Depreciation and amortization expense related to assets used in the production process	P	1,040,383	1,107,230
Depreciation and amortization expense related to assets used in administrative, selling and distribution activities		321,173	305,338
	P	1,361,556	1,412,568

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 6 - REVENUE

Disaggregation of Revenue from Contracts with Customers

Revenue for the nine months ended September 30, 2019 and 2018 are detailed by major product lines and timing of revenue recognition as follows:

	Timing of revenue recognition		2019	2018
Sale of goods				
Cement............................	At a point in time	P	**18,219,599**	17,890,947
Admixtures	At a point in time		**3,919**	5,839
Ready-mix concrete	At a point in time		**-**	8,335
		P	**18,223,518**	17,905,121

Breakdown of cement sales per customer is as follows:

		2019	2018
Retailers..	P	**14,538,004**	14,397,366
Institutional		**3,599,239**	3,413,448
Others		**82,356**	80,133
Total	P	**18,219,599**	17,890,947

The Company does not depend on any single or few customers, and no single customer represented more than 10% of the Company's consolidated Revenue. Export sales are mainly from the sale of cement to the Pacific Islands amounting to P60.9 million and P62.9 million for the nine months ended September 30, 2019 and 2018, respectively.

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.

Contract Balances

The following table provides information about receivables and contract liabilities from contracts with customers:

		September 30, 2019	December 31, 2018
Trade receivables	P	**1,062,519**	708,906
Contract liabilities		**289,311**	375,224

The contract liabilities include unredeemed customer loyalty points and advances from customers. These will be recognized as revenue when the points are redeemed by customers or when the goods are delivered to the customer, which is expected to occur the following year. The amount recognized in contract liabilities as at September 30, 2019 and December 31, 2018 are expected to be recognized as revenue within 12 months. There are no other unperformed obligation other than those already included in contract liabilities.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 7 - COST AND EXPENSES

Cost of sales, administrative and selling expenses for the nine months ended September 30, 2019 and 2018 are detailed as follows:

		Cost of Sales	
		2019	2018
Raw materials and production supplies	P	2,818,748	2,289,480
Power		2,049,390	2,425,532
Fuel		2,141,860	2,603,192
Cement purchases		1,260,391	444,043
Depreciation		1,040,383	1,107,230
Repairs and maintenance		449,956	483,871
Salaries and wages [1]		357,308	380,917
Outside services		343,684	398,974
Rental		249,157	279,749
Others [2]		207,065	219,370
	P	10,717,942	10,632,358

[1] Includes retirement benefit expense amounting to P18,640 and P27,871 in 2019 and 2018, respectively (see Note 23).
[2] Others pertain to insurance expense, taxes and licenses, transportation and communication expenses and other costs that are individually immaterial.

		Administrative Expenses	
		2019	2018
Salaries and wages [1]	P	475,082	429,795
Administrative fees		364,541	273,989
Insurance		127,423	142,205
Travel expenses		31,181	38,004
Depreciation		25,476	20,203
Utilities and supplies		23,957	24,205
Charitable contributions		7,500	-
Taxes and licenses		5,326	11,419
Others		54,534	27,435
	P	1,115,020	967,256

[1] Includes retirement benefit expense amounting to P20,776 and P17,723 in 2019 and 2018, respectively (see Note 23).

		Selling Expenses	
		2019	2018
License fees	P	664,764	713,754
Administrative fees		189,159	167,696
Salaries and wages		99,182	85,922
Utilities and supplies		96,135	115,968
Depreciation		57,899	61,650
Taxes and licenses		29,766	25,864
Advertising and travel		15,870	18,399
Impairment losses on receivables		14,427	2,760
Insurance		4,061	3,430
Others [1]		20,717	32,236
	P	1,191,980	1,227,679

[1] Includes fuel, representation and entertainment, and freight insurance.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 8 - DISTRIBUTION EXPENSES

Distribution expenses for the nine months ended September 30, 2019 and 2018 are detailed as follows:

		2019	2018
Trucks, barge and charter hire	P	2,436,350	2,948,696
Handling expenses		379,825	398,146
Depreciation		237,798	223,485
Harbor services		50,560	62,863
Others		9,395	6,768
	P	3,113,928	3,639,958

NOTE 9 - OTHER INCOME - Net

Net other expenses for the nine months ended September 30, 2019 and 2018 are detailed as follows:

		2019	2018
Income on subleasing of vessel	P	19,778	-
Gain on sale of scraps		3,830	4,204
Gain on disposal of property, machinery and equipment and assets held for sale and other assets		7,918	15,698
Customer forfeitures		1,331	13,411
Port, diversion and other income		1,189	232
Tax stamp expenses		-	(2,821)
Severance pay		(4,073)	(23,008)
Miscellaneous income		2,186	522
	P	32,159	8,238

NOTE 10 - OTHER FINANCIAL EXPENSES - Net

Net other financial expenses for the nine months ended September 30, 2019 and 2018 are detailed as follows:

		2019	2018
Interest expense on retirement benefit plan (Note 23)	P	39,840	39,903
Bank charges		1,809	2,204
Interest income		(35,740)	(16,209)
Documentary stamp taxes on loans and others		34,941	756
	P	40,850	26,654

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at September 30, 2019 and December 31, 2018 consisted of:

		2019	2018
Cash on hand and in banks	P	1,375,398	1,747,453
Short-term investments		1,216,401	66,212
	P	2,591,799	1,813,665

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 1.95% to 2.42% for the nine months ended September 30, 2019 and interest ranging from 1.46% to 2.07% for the nine months ended September 30, 2018. For the nine months ended September 30, 2019 and 2018, interest income on cash and cash equivalents amounted to P35,031 and P15,500, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at September 30, 2019 and December 31, 2018, short-term investments include deposits of the Company with related parties, which are considered highly liquid investments readily convertible to cash, as follows:

		2019	2018
Local banks	P	1,150,000	-
Lomez International B.V. (Lomez) [1]		66,401	66,212
	P	1,216,401	66,212

1 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 interest at a rate equivalent to the higher of Western Asset Institutional Liquid Reserves Fund (WAILRF) rate minus 10 basis points and zero interest.

The Company's exposures to credit risk, foreign currency risk, and interest rate risk related to cash and cash equivalents are disclosed in Note 22 to the consolidated interim financial statements.

NOTE 12 - TRADE RECEIVABLES - Net

Trade receivables as at September 30, 2019 and December 31, 2018 consisted of:

		2019	2018
Trade receivables - gross	P	1,091,094	733,054
Allowance for impairment losses		(38,575)	(24,148)
	P	1,052,519	708,906

The Company's exposure to credit risk related to trade receivables is disclosed in Note 22 to the consolidated interim financial statements.

NOTE 13 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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).

As at September 30, 2019 and December 31, 2018, balances of related party receivables and payables which are generally expected to be settled in cash, are detailed as follows:

		2019	2018
Short-term investments			
Other related party [20]			
Lomez (Note 11)	P	66,401	66,212
Receivables – current			
Other related parties [20]			
Cemex Operaciones México, S.A[1].	P	1,365	-
CASEC[2]		598	-
APO Land & Quarry Corporation (ALQC) [3]		402	886
Island Quarry and Aggregates Corporation (IQAC) [4]		91	203
Beijing CXP Import & Export Co[5]		-	7,277
CEMEX International Trading LLC [6]		-	1,126
Topmix LLC [7]		-	14,738
CEMEX Central, S.A. de C.V. (CEMEX Central) [1]		-	3,424
CRG [8]		-	2,593
Others		1	79
	P	2,457	30,326

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Payables - current		2019	2018
Ultimate Parent			
CEMEX [9]	P	30,906	26,290
Other related parties [20]			
CEMEX Asia B.V. (CABV) [10]		1,225,453	1,074,083
Transenergy, Inc. [11]		458,383	674,721
CEMEX Mexico, S.A. de C.V. [14]		426,360	9,772
CEMEX Operaciones México, S.A. [1]		404,113	-
CRG [8]		199,693	42
ALQC [13]		102,184	25,553
Sunbulk [18]		44,784	37,810
IQAC [15]		26,797	17,443
Torino Re. [17]		3,872	-
Beijing CXP Import & Export Co. [5]		3,300	2,837
CEMEX Internacional, S.A. de C.V. [19]		705	715
CEMEX Central [1]		-	198,108
CEMEX Construction Materials South, LLC (CCM) [12]		-	599,881
CEMEX Asia Pte., Ltd. - Philippine Headquarters (CAPL-PHQ) [16]		-	15,506
Others		-	290
	P	2,926,550	2,683,051

Payables - non-current		2019	2018
Other related party [20]			
CABV [10]	P	4,802,422	2,520,914

Lease liabilities on land [21]		2019	2018
ALQC	P	809,443	783,344
IQAC		407,166	387,420
	P	1,216,609	1,170,764

[1] The receivable balance, amounting to P1,365 and P3,424 as at September 30, 2019 and December 31, 2018, respectively, which is unimpaired, unsecured, noninterest-bearing and payable on demand, pertains to reimbursement of fringe benefit tax on share-based compensation; while the balance payable, 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 of 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 through the service agreements with CAPL-PHQ. Effective August 1, 2019, CEMEX Central has merged into CEMEX Operaciones Mexico, S.A. de C.V. As at September 30, 2019 and December 31, 2018, payable balance amounted to P404,113 and P198,108, respectively.
[2] The balance pertains to reimbursable expenses, which is unsecured, noninterest-bearing and due on demand.
[3] The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes a) receivables from service agreement amounting to P360 and P713 as at September 30, 2019 and December 31, 2018, respectively; and b) others amounting to P42 and P173 as at September 30, 2019 and December 31, 2018, respectively. In 2016, each of Solid and APO entered into an agreement with ALQC 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.
[4] The receivable balance amounting to P91 and P203 as at September 30, 2019 and December 31, 2018, respectively, pertains to an agreement entered by Solid with IQAC in 2016 wherein the former shall provide back office and other support services to the latter. The balance is unimpaired, unsecured, noninterest bearing and due on demand. Fees are calculated at cost incurred plus fixed mark-up.
[5] The receivable balance pertains to advances which are unsecured, noninterest-bearing and due on demand; while the balance payable pertains to the outstanding liability for the purchases of materials and spare parts, which is unsecured, noninterest-bearing and payable on demand.
[6] The receivable balance, which is unimpaired, unsecured, noninterest-bearing and has 30-days term pertains to advances for international freight services.
[7] The balance, which is unimpaired, unsecured, noninterest-bearing and has 30-days term, includes sale of concrete equipment of the Company and shipping costs on transportation equipment sold.
[8] The receivable balance pertain to overpayment of royalties/license fees of the Company to CRG, which is unimpaired, unsecured, noninterest-bearing and payable on demand. The liability balance pertain to unpaid royalties/license fees which is unsecured, noninterest-bearing and payable on demand.
[9] The payable balance amounting to P30,906 and P26,290 as at September 30, 2019 and December 31, 2018, respectively, is for the use of CEMEX "marks" which is 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.
[10] The balance includes a) interest on the loan with APO (short-term loan) and the loan with Solid (long-term loan) amounting to a total of P137,693 and P449 as at September 30, 2019 and December 31, 2018, respectively; b) principal on said short-term loan amounting to P1,073,635,which bears 7.60% interest per annum, as at September 30, 2019 and December 31, 2018; and c) others amounting to P14,155 as at September 30, 2019. The long-term loan, which currently bears 9.20% interest per annum, pertains to the revolving facility agreement dated November 21, 2018 between Solid and CABV, allowing Solid to withdraw in one or several installments a sum of up to U.S.$75,000, which was amended on February 2019, increasing the facility to U.S.$100,000. The interest rate of the long-term loan is being revalued semi-annually depending on the Company's financial ratios. The foregoing loans are unsecured. The loan of Solid with CABV is due to be paid in 2024.The loan of APO with CABV, which was extended subsequent to the quarter period, is due to be paid in 2020.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

[11] The balance pertains to purchase of coal with a term of 30 days, noninterest-bearing and unsecured.
[12] The balance, which is unsecured, noninterest-bearing and due on demand, pertains to the purchase of equipment for the expansion of Solid plant.
[13] The balance includes a) purchase of raw materials which is payable upon delivery amounting to P101,481 and P25,510 as at September 30, 2019 and December 31, 2018, respectively; b) reimbursable expenses amounting to nil and P43 as at September 30, 2019 and December 31, 2018, respectively; and c) advances amounting to P703 as at September 30, 2019. These transactions are unsecured and are noninterest-bearing. APO purchases the majority of its limestone, pozzolan and clay requirements from ALQC pursuant to a long-term supply agreement.
[14] The balance, which is unsecured, noninterest-bearing and due on demand, pertains to purchase of equipment from CEMEX Mexico, S.A. de C.V.
[15] The balance includes a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P26,797 and P14,967 as at September 30, 2019 and December 31, 2018, respectively; b) reimbursable expenses amounting to nil and P38 as at September 30, 2019 and December 31, 2018, respectively; and c) collections from housing loan owned by IQAC amounting to P2,438 in 2018, which is unsecured, noninterest-bearing and due on demand. Solid purchases the majority of its limestone, pozzolan and clay requirements from IQAC pursuant to a long-term supply agreement.
[16] The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes overpayment on transferred pension liabilities amounting to nil and P15,508 as at September 30, 2019 and December 31, 2018 respectively.
[17] The payable balance, which is unimpaired, unsecured, noninterest-bearing pertains to insurance premiums.
[18] The payable balance, which is unimpaired, unsecured, noninterest-bearing and has 30-days term pertains to international freight services.
[19] The balance pertains to purchase of other production supplies including additives, fuel and others with a 30-day term which is unsecured and noninterest-bearing.
[20] Other related parties pertain to entities under common control of CEMEX, except for IQAC and ALQC.
[21] The balance, which is charged under "Lease liabilities" account, are unsecured, noninterest-bearing and due on demand.

The reconciliation of opening and closing balances of loans from a related party payables follows:

		2019	2018
Balance as at beginning of the period	P	**3,594,997**	1,288,859
Proceeds from drawdowns		**2,157,017**	2,279,121
Interest expense (including amortization of debt issue cost)		**414,122**	145,786
Effect of exchange rate changes		**(49,505)**	(5,745)
Payments of interest		**(102,911)**	(113,024)
Balance as at end of the period	P	**6,013,720**	3,594,997

The main transactions entered by the Company with related parties for the nine months ended September 30, 2019 and 2018 are shown below:

		2019	2018
Purchases of raw materials and supplies			
Transenergy, Inc.[1]	P	**1,288,717**	1,651,711
ALQC[1]		**285,107**	243,499
IQAC[1]		**229,316**	183,595
CEMEX International Trading LLC[1]		**71,934**	163,423
Beijing CXP Import & Export Co.[1]		**14,260**	26,340
	P	**1,889,334**	2,268,568
Loan drawdown			
CABV[1]	P	**2,157,017**	152,115
Royalties and trademarks			
CRG[1]	P	**642,191**	690,392
CEMEX[1]		**22,574**	23,362
	P	**664,765**	713,754
Interest expense			
CABV[1]	P	**414,122**	92,867
Corporate services and administrative services			
CEMEX Central[1]	P	**189,159**	182,692
CEMEX Operaciones Mexico, S.A. de C.V[1]		**57,167**	-
ALQC[1]		**4,110**	5,668
IQAC[1]		**425**	7,171
	P	**250,861**	195,531
Freight services			
Sunbulk[1]	P	**111,803**	111,060

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Land rental			
ALQC [2]	P	43,657	43,657
IQAC [2]		21,592	21,592
	P	65,249	65,249
Purchase of equipment			
CEMEX Mexico, S.A de CV[1]	P	416,927	-
Sale of equipment			
Topmix LLC [1]	P	-	28,275
Interest income			
LOMEZ [3]	P	1,132	5,997

		2019	2018
Transactions with Key Management Personnel			
Short-term employee benefits	P	121,811	124,202
Post-employment and other long-term employee benefits		75,616	80,777
	P	197,427	204,979

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.
[2] These land rentals have a 30-day term and are both noninterest-bearing and unsecured. The principal manufacturing installations of APO and Solid are located on land owned by IQAC or ALQC, under long-term lease agreements.
[3] The amount pertains to the interest income on short-term investments (see Note 11).

Transactions with the Retirement Fund

The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees (BOT). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group (BPI AMTG), the Company's duly appointed trust fund manager.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has no contributions to the retirement fund as at September 30, 2019 and December 31, 2018. There are also no other transactions entered into by the Company with the plan for the year. As at September 30, 2019 and December 31, 2018, the fund's unfunded status amounted to P841,235 and P715,184, respectively. The retirement plan consists of unit investment trust fund, mutual funds, debt instruments and others (cash, government securities, foreign currency time deposits, US sovereigns, receivables and others), which accounted for 65%, 7%, 7% and 21%, respectively, of plan assets as at December 31, 2019 and 34%, 3%, 15% and 48%, respectively, of plan assets as at December 31, 2018 (see Note 23).

Balances and transactions between consolidated entities eliminated during consolidation

The following are the transactions and balances among related parties which are eliminated in the consolidated interim financial statements:

Amounts owed by	Amounts owed to		2019	2018
Parent Company [10]	CAR	P	4,521,441	3,741,492
Parent Company [10]	Falcon		2,078,177	852,967
APO [2]	Solid		25,318	17,053
APO [5]	CAR		263,221	327,578
SOLID [5]	CAR		120,276	192,313
Sandstone Strategic Holdings, Inc. [6]	Bedrock Holdings, Inc.		109,817	109,817
Solid [1]	APO		65,563	29,862
Ecocast Builders, Inc. [7]	Ecopavements, Inc.		47,931	46,766
Ecocrete, Inc. [3]	Solid		45,702	44,202
Solid [11]	Parent Company		11,648	10,862
APO [11]	Parent Company		23,625	15,628
Solid [8]	Ecocast Builders, Inc.		14,733	14,865
Ecocrete, Inc.[4]	Parent Company		290	290
Parent Company [12]	Solid		7,178	424
Solid [9]	Ecocrete, Inc.		347	81

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Amounts owed by	Amounts owed to		2019	2018
Parent Company[9]	APO	P	29	-
Parent Company[4]	Ecocrete, Inc.		241	-
		P	7,335,537	5,404,200

[1] Amount includes a) P64,329 and P29,602 as at September 30, 2019 and December 31, 2018, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; and b) reimbursable expenses amounting to P1,234 and P260 as at September 30, 2019 and December 31, 2018, respectively, which are due on demand, noninterest-bearing and unsecured.

[2] Amount includes a) P14,710 and P7,613 as at September 30, 2019 and December 31, 2018, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) reimbursable expenses amounting to P582 and P9,440 as at September 30, 2019 and December 31, 2018, respectively, which are due on demand, noninterest-bearing and unsecured; and c) service fee allocation amounting to P10,026 as at September 30, 2019 which has a 30-day term, noninterest-bearing and unsecured.

[3] Amount includes a) P3 as at September 30, 2019 and December 31, 2018, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) P260 and P8 as at September 30, 2019 and December 31, 2018, respectively from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured; c) loan and interest amounting to P44,939 and P44,041 as at September 30, 2019 and December 31, 2018, respectively, which is due in one year, with interest at 3.63% per annum and unsecured; and d) advances amounting to P500 and P150 as at September 30, 2019 and December 31, 2018, respectively.

[4] Amount pertains to pension liability related to transferred employees to the Company, which are due on demand, noninterest-bearing and unsecured.

[5] Amounts were related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

[6] Amounts are from cash advances or reimbursable expenses, which are due on demand, noninterest-bearing and unsecured.

[7] Amount includes a) P45,000 loan as at September 30, 2019 and December 31, 2018, respectively, which is due in one year, with interest at 2.6% per annum and unsecured; and b) interest on loan amounting to P2,931 and P1,766 as at September 30, 2019 and December 31, 2018, which is due on demand, noninterest-bearing and unsecured.

[8] Amount pertains to construction services which has a 30-day term, noninterest-bearing and unsecured.

[9] Amount pertains to reimbursable expenses, which is due on demand, noninterest-bearing and unsecured.

[10] Amount pertains to long-term unsecured loans which are due to be paid in 2021, with interest at 2.5% per annum, which increased to 3% per annum starting March 2018 for CAR and at WAILRF minus 10 basis points annually for Falcon.

[11] Amounts pertain to advisory services in connection with various areas, including general administration and management, which has a 60-day term, noninterest bearing, and unsecured.

[12] Amounts pertain to a) service agreement of Solid with the Parent Company amounting to P100 as at December 31, 2018; b) rental amounting to P6,237 as at September 30, 2019; and c) reimbursements of P941 and P324 as at September 30, 2019 and December 31, 2018, respectively, which has a 30-day term, noninterest bearing, and unsecured.

Royalties and technical assistance	Selling and administrative expenses		2019	2018
CAR	APO	P	902,056	1,390,101
CAR	Solid		454,430	720,119
		P	1,356,486	2,110,220

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Sales	Purchases		2019	2018
APO	Solid	P	437,540	492,304
Solid	APO		55,101	202,503
Solid	Ecocast Builders, Inc.		-	14
		P	492,641	694,821

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Service Income	Selling and administrative expenses		2019	2018
Parent Company	APO	P	245,787	215,968
Parent Company	Solid		119,309	112,594
		P	365,096	328,562

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Interest income	Interest expense		2019	2018
CAR	Parent Company	P	103,798	76,377
Solid	APO		48,403	-
Falcon	Parent Company		24,221	24,764
Ecopavements	Ecocast		1,194	1,158
Solid	Ecocrete, Inc.		921	922
		P	178,537	103,221

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 14 - INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an associate and other investments as at September 30, 2019 and December 31, 2018 are detailed as follows:

	Activity	Country	%		2019	2018
Calabar Aggregates Corporation..	Aggregates	Philippines	40.0	P	**11,816**	11,816
Greencrete, Inc.	Trading	Philippines	5.0		**156**	156
Others..	-	-	-		**2,125**	2,125
				P	**14,097**	14,097

The investments above are mainly investments of Solid and APO which were acquired by the Parent Company upon business combination. Others include golf club shares and other investment in shares. In 2018, the Company sold its golf club shares amounting to P2,100 and made additional investment amounting to P790.

NOTE 15 - OTHER ACCOUNTS RECEIVABLE

15A) INSURANCE CLAIMS AND PREMIUM RECEIVABLES

Insurance claims and premium receivables as at September 30, 2019 and December 31, 2018 consisted of:

		2019	2018
Insurance premiums receivable..	P	**518**	604,933
Claims from insurance (Note 31)..		**-**	345,050
	P	**518**	949,983

Insurance premiums receivable, which is related to non-damage business interruption insurance, consists of premiums receivable from third party insurance company. Premiums receivable represents premiums on written policies which are collectible within the Company's credit term.

15B) OTHER CURRENT ACCOUNTS RECEIVABLE

Other current accounts receivable as at September 30, 2019 and December 31, 2018 consisted of:

		2019	2018
Loan receivable [1]..	P	**38,849**	38,140
Receivable from contractors..		**11,735**	13,032
Short-term deposits...		**8,543**	12,920
Receivable from employees		**2,138**	6,807
Receivable from sale of scrap		**9,515**	-
Others...		**173**	2,171
	P	**70,953**	73,070

[1] Loan receivable pertains to the amount provided by the Company to CEMEX Philippines Foundation, Inc., with fixed interest at 2.96% per annum and is due on demand.

15C) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE

Other assets and noncurrent accounts receivable as at September 30, 2019 and December 31, 2018 consisted of:

		2019	2018
Long-term time deposits [1]..	P	**514,498**	601,241
Rental guaranty deposits..		**261,595**	115,664
Long-term prepayments [2]..		**41,190**	41,696
Right of way...		**17,857**	21,429
Others[3]		**52,725**	38,217
	P	**887,865**	818,247

[1] Long-term time deposits are restricted cash pertaining to: a) debt service reserve account amounting to P409,180 and P506,189 as at September 30, 2019 and December 31 2018, respectively, arising from the Company's supplemental agreement with BDO Unibank, Inc.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

(BDO) in relation to refinancing of the U.S. dollar 260 million loan with NSH (see Note 24); and b) cash bonds deposited by customers as collateral and cash restricted for related party tax cases amounting to P105,318 as at September 30, 2019 and P95,062 as at December 31, 2018.

[2] Long-term prepayments primarily pertain to a) prepaid mining and quarry royalty fees related to the purchase of raw materials amounting to P27,937 as at September 30, 2019 and December 31, 2018; b) option fee to purchase a vessel amounting to P3,969 and P5,292 as at September 30, 2019 and December 31, 2018; c) unamortized portion of the SEC filing fee amounting to P8,315 and P8,467 as at September 30, 2019 and December 31, 2018, respectively; and d) others amounting to P969 as at September 30, 2019.

[3] Others primarily pertain to prepaid transportation allowance amounting to P48,897 and P38,075 as at September 30, 2019 and December 31, 2018, respectively, and other items that are individually immaterial.

NOTE 16 - INVENTORIES

Inventories as at September 30, 2019 and December 31, 2018 consisted of:

		2019	2018
At NRV:			
Materials and spare parts	P	**1,183,985**	1,693,611
Finished goods		**377,610**	615,141
Work-in-process inventory		**912,154**	612,589
Raw materials		**378,327**	212,679
At Cost:			
Inventory in transit		**92,048**	354,158
	P	**2,944,124**	3,488,178

For the nine months ended September 30, 2019 and 2018, the Company recognized in the consolidated interim statements of comprehensive income the cost of inventories sold amounting to P10,717,942 and P10,632,358 (see Note 7). As at September 30, 2019 and December 31, 2018, inventory write-down to NRV amounted to P49,791 and P137,994, respectively. Write-down (reversal of write-down) of inventories to NRV included under "Cost of Sales" account in the consolidated interim statements of comprehensive income amounted to P9,062 and P3,157 for the nine months ended September 30, 2019 and 2018, respectively. Inventories amounting to P13,421 were written off as these inventories were disposed in 2019. In 2018, the Company recognized provisions for inventory write-down amounting to P83,844 related to loss on materials buried during the landslide (see Note 31). Such buried inventories were written-off in the second quarter of 2019.

NOTE 17 - PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at September 30, 2019 and December 31, 2018 consisted of:

		2019	2018
Prepayments:			
Prepaid insurance [1]	P	**153,125**	529,806
Prepaid taxes [2]		**482,360**	525,286
Advances to suppliers [3]		**348,926**	444,862
Prepaid freight cost		**88,611**	152,602
Advances to employees		**4,495**	10,106
Others		**31,246**	15,009
	P	**1,108,763**	1,677,671

[1] Prepaid insurance pertains to unamortized portion of payments on property, non-damage business interruption and political risks insurance.
[2] Prepaid taxes include input VAT, property taxes, creditable withholding taxes, and licenses.
[3] Advances to suppliers include advance payments for clinker and other raw materials.

NOTE 18 - PROPERTY, MACHINERY AND EQUIPMENT AND ASSETS FOR THE RIGHT-OF-USE

As at September 30, 2019 and December 31, 2018, the consolidated balance of this item is broken down as follows:

		2019	2018 (As restated*)
Property, machinery and equipment	P	**16,955,328**	15,617,365
Assets for the right-of-use		**2,120,900**	2,150,658
	P	**19,076,228**	17,768,023

**Due to adoption of PFRS 16 (see Note 3)*

(Amounts In Thousands, Except Number of Shares and Per Share Data)

Property, Machinery and Equipment

The movements in the property, machinery and equipment are as follows:

		Buildings	Machinery and equipment	Construction In-progress	Total
Gross Carrying Amount					
January 1, 2018	P	4,072,230	12,191,818	1,580,790	17,844,838
Additions		87,992	364,666	965,069	1,417,727
Disposals		(14,826)	(7,642)	-	(22,468)
Transfers		32,333	482,189	(514,522)	-
Reclassification from asset held for sale		-	22,653	-	22,653
December 31, 2018		4,177,729	13,063,684	2,031,337	19,262,750
Additions		32,006	201,735	2,192,663	2,426,404
Disposals		-	(23,071)	-	(23,071)
Transfers		121,285	346,525	(467,810)	-
September 30, 2019		**4,331,020**	**13,578,873**	**3,756,190**	**21,666,083**
Accumulated depreciation					
January 1, 2018		(337,100)	(1,925,006)	-	(2,262,106)
Depreciation for the year		(306,302)	(1,092,785)	-	(1,399,087)
Impairment		-	(3,670)	-	(3,670)
Disposal		14,156	5,322	-	19,478
December 31, 2018		(629,246)	(3,016,139)	-	(3,645,385)
Depreciation for the period		(215,278)	(868,755)	-	(1,084,033)
Disposals		-	18,663	-	18,663
September 30, 2019		**(844,524)**	**(3,866,231)**	**-**	**(4,710,755)**
Carrying Amounts					
December 31, 2018	P	3,548,483	10,037,545	2,031,337	15,617,365
September 30, 2019	**P**	**3,486,496**	**9,712,642**	**3,756,190**	**16,955,328**

In relation to Solid's expansion plan, the Company capitalized borrowing cost amounting to P132,129 for the nine months ended September 30, 2019. The average capitalization rate used to determine the amount of borrowing cost eligible for capitalization during the nine months ended September 30, 2019 is 10.1%.

The Company recognized impairment loss on property, machinery and equipment amounting to nil and P3,670 for the nine months ended September 30, 2019 and 2018, respectively.

Impairment losses are recognized under "Other income - net" account in the consolidated interim statements of comprehensive income.

In November 2018, the Company made a down payment amounting to P2,069,601 to a third party for the construction and installation of Solid's new production line and is presented under noncurrent assets in the consolidated interim statements of financial position. As of September 30, 2019, the balance of the downpayment is P1,778,104.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Assets for the right-of-use

The movements in the balance of assets for the right-of-use are as follows:

		Land and Buildings	Machinery and Equipment	Total
Gross Carrying Amount				
January 1, 2018	P	1,777,940	985,791	2,763,731
Additions		37,680	385,053	422,733
December 31, 2018		1,815,620	1,370,844	3,186,464
Additions		-	304,604	304,604
Derecognition		(7,416)	-	(7,416)
September 30, 2019		**1,808,204**	**1,675,448**	**3,483,652**
Accumulated amortization				
January 1, 2018		(214,022)	(382,532)	(596,554)
Amortization for the period		(136,777)	(302,475)	(439,252)
December 31, 2018		(350,799)	(685,007)	(1,035,806)
Amortization for the period		(88,855)	(238,091)	(326,946)
September 30, 2019		**(439,654)**	**(923,098)**	**(1,362,752)**
Carrying Amounts				
December 31, 2018	P	1,464,821	685,837	2,150,658
September 30, 2019	P	**1,368,550**	**752,350**	**2,120,900**

Assets for the right-of-use of land are amortized for a duration of 50 years. Assets for the right-of-use of buildings are amortized for a duration of 1.5 years to 15 years. Assets for the right-of-use of machinery and equipment are amortized for a duration of 2 years to 10 years.

In 2019, the Company terminated a warehouse lease resulting in derecognition of the right-of-use and lease liability amounting to P7,416 and P7,705, respectively. A gain of P289 is recognized under the "Other income - net" account in the consolidated statements of comprehensive income.

NOTE 19 - GOODWILL

There were no movements in the Company's Goodwill for the nine months ended September 30, 2019 and for the year ended December 31, 2018.

The goodwill is attributable mainly to the synergy with other subsidiaries, assembled work force and dealer network.

As mentioned in Note 3L, the consolidated entities test their goodwill balances for impairment at the level of the CGUs to which goodwill has been allocated, which are commonly composed of the operating subsidiaries of the Company in the country. The Company's cash flow projections for five years to determine the value-in-use of its CGU consider the use of long-term economic assumptions. The Company believes that its discounted cash flow projections and the discount rates used reasonably reflect current economic conditions at the time of the calculations, considering, among other factors that: a) the cost of capital reflects current risks and volatility in the markets; and b) the cost of debt represents the actual interest rates recognized by the CGUs in their outstanding interest-bearing debt. The Company performed its annual goodwill impairment test, and based on the analysis, the Company does not need to recognize impairment loss on goodwill. For purposes of impairment testing, goodwill has been allocated to the Company's CGUs (significant operating divisions) as follows:

		Amount
APO	P	17,648,162
Solid		10,211,532
	P	27,859,694

(Amounts in Thousands, Except Number of Shares and Per Share Data)

In 2019 and 2018, the Company's pre-tax discount rates and expected growth rates in perpetuity used in the Company's impairment tests, to determine the discounted cash flows in both the CGUs with the main goodwill balances, were as follows:

	APO		Solid	
	2019	2018	2019	2018
Discount rate	9.3%	9.6%	9.2%	9.4%
Growth rate	6.5%	6.5%	6.5%	6.5%

In connection with the Company's assumptions as at September 30, 2019 and December 31, 2018, included in the table above, the Company made sensitivity analyses to changes in assumptions, affecting the value-in-use of all CGUs. The following table shows the amount (in percentage) by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	APO		Solid	
	2019	2018	2019	2018
Discount rate	6.0	1.9	9.4	6.0
Growth rate	(8.6)	(0.3)	(15.3)	(4.9)

As at September 30, 2019 and December 31, 2018, the estimated recoverable amount of the Company's CGUs exceeds carrying amount by P171,906,410 and P66,856,273, respectively.

NOTE 20 - UNEARNED INCOME, OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Unearned income, other accounts payable and accrued expenses as at September 30, 2019 and December 31, 2018 consisted of:

		2019	2018
Accrued expenses [2]	P	889,585	784,889
Taxes payable		235,271	336,201
Unearned income from reinsurance premiums [1]		118,887	499,539
Others		232,430	261,540
	P	1,476,173	1,882,169

[1] Unearned income from reinsurance premiums pertain to the portion of reinsurance premiums written by Falcon that relate to unexpired period of the policies.

[2] Accrued expenses includes a) interest on loans amounting to P103,346 and P132,907 as at September 30, 2019 and December 31, 2018, respectively; b) utilities and supplies amounting to P421,945 and P330,025 as at September 30, 2019 and December 31, 2018, respectively; c) salaries and employee benefits amounting to P206,996 and P141,213 as at September 30, 2019 and December 31, 2018, respectively; d) freight cost amounting to P125,614 and P157,592 as at September 30, 2019 and December 31, 2018, respectively; e) outside services amounting to P17,122 and P16,774 as at September 30, 2019 and December 31, 2018, respectively; and f) royalty fees amounting to P14,563 and P6,378 as at September 30, 2019 and December 31, 2018, respectively.

For the nine months ended September 30, 2019 and for the year ended December 31, 2018, the roll-forward analyses of unearned income from reinsurance premiums are as follows:

		2019	2018
Balance at beginning of period	P	499,539	453,555
Policies written during the period		469,973	1,082,461
Premiums earned during the period		(797,925)	(1,056,854)
Effect of translation to Philippine peso		(52,700)	20,377
Balance at end of period	P	118,887	499,539

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 21 - LEASE LIABILITIES

The roll-forward analyses of opening and closing balances of lease liabilities follow:

		2019	2018
Balance at beginning of period	P	**2,359,596**	2,318,299
Accretion of interest		**103,659**	161,566
Payments		**(383,066)**	(593,435)
Effect of changes in exchange rates		**(12,082)**	50,433
Additions		**304,604**	422,733
Derecognition		**(7,705)**	-
Balance at end of period	P	**2,365,006**	2,359,596

NOTE 22 - FINANCIAL RISK AND INSURANCE RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Risk Management Framework

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

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 counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade receivables. As at September 30, 2019 and December 31, 2018, the maximum exposure to credit risk is represented by the balance of financial assets (excluding equity investments). 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 guarantee deposits from its customers and financial counterparties with regard to financial assets, which can be called upon if the counterparty is in default under the terms of the agreement.

The Company's management has established a policy which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, and 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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The carrying amount of financial assets below represents the maximum credit exposure. The maximum exposure to credit risk as at September 30, 2019 and December 31, 2018 is as follows:

		2019	2018
Cash and cash equivalents (excluding cash on hand)	P	**2,591,799**	1,813,595
Trade receivables - net		**1,052,519**	708,906
Due from related parties		**2,457**	30,326
Insurance claims and premium receivables		**518**	949,983
Other current accounts receivable		**70,953**	73,070
Derivative asset		**2,777**	12,875
Long-term time deposits and rental guaranty deposits (under other assets and noncurrent accounts receivable)		**776,093**	716,905
	P	**4,497,116**	4,305,660

Except for trade receivables, the amounts above represent the gross carrying amount of these financial assets.

Trade receivables
The Company applied the simplified approach in measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped by shared credit risk characteristics based on customer type and determines for each group an average ECL, considering actual credit loss experience over the last 12 months and the Company's view of economic conditions over the expected lives of the trade receivables. The ECL rate that is used to arrive at the ECL arising from the current year credit sales is computed as the percentage of prior year's credit sales that eventually became more than 365 days overdue. The ECL rate is 100% for the trade receivables that are 365 and more days past due. The Company has identified the GDP growth rate to be the most relevant macroeconomic factor that affects the ability of the customers to settle the receivables. However, it was assessed that the adjustment for forward-looking information is not material.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

As at September 30, 2019		Current	1 to 30 days	31 to 60 days	More than 60 days	Total
Average expected credit loss rates		0.2%	1.6%	5.0%	39.1%	3.5%
Trade receivables - gross carrying amount	P	908,304	64,213	31,374	87,203	1,091,094
Allowance for impairment losses		1,884	1,020	1,552	34,119	38,575

As at December 31, 2018		Current	1 to 30 days	31 to 60 days	More than 60 days	Total
Average expected credit loss rates		0.2%	6.5%	58.3%	26.2%	3.3%
Trade receivables - gross carrying amount	P	630,107	25,670	3,249	74,028	733,054
Allowance for impairment losses		1,179	1,657	1,893	19,419	24,148

Other Financial Assets (excluding Equity Instruments)
Impairment on cash and cash equivalents and restricted cash (recognized under "Other assets and noncurrent accounts receivable" account in the consolidated interim statements of financial position) has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that these financial assets, as well as derivative assets, have low credit risk as these are held with reputable banks and financial institutions. All other debt investments and other receivables (i.e., due from related parties, insurance claims and premium receivable, other current accounts receivable and rental guaranty deposits) that are measured at amortized cost are considered to have low credit risk, because they have low risk of default as the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Credit risk on these financial assets has not increased significantly since their initial recognition. Hence, the loss allowance calculated was therefore limited to 12 months expected losses. The Company has determined an insignificant amount of ECL on these financial assets because of the zero-instance of default from the counterparties and the effect of forward-looking information on macro-economic factors affecting the ability of the counterparties to settle the receivables were assessed to have an insignificant impact.

The Company sells its products primarily to retailers in the construction industry, with no specific geographic concentration of credit within the country in which the Company operates. As at September 30, 2019 and December 31, 2018, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

Movements in the Allowance for Impairment Losses in Trade receivables
Changes in the allowance for impairment losses for the nine months ended September 30, 2019 and for the year ended December 31, 2018 are as follows:

		2019	2018
Balance at beginning of period under PFRS 9	P	**24,148**	50,510
Charged to selling expenses		**14,427**	10,526
Write-off of trade receivables		**-**	(36,888)
Allowance for impairment losses at end of period	P	**38,575**	24,148

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 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 revenue and costs are generated and settled mainly in Philippine Peso. For the periods ended September 30, 2019 and December 31, 2018, approximately less than 5% of the Company's net sales, were generated in U.S. dollars.

The Company had an exposure arising from the dollar-denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As at September 30, 2019 and December 31, 2018, the Company has not implemented any derivative financing hedging strategy 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 consolidated interim statements of comprehensive income.

As at September 30, 2019 and December 31, 2018, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the top management on the basis of its risk management policy as follows:

	As at September 30, 2019	
Amounts in thousands of dollars	*(in U.S. dollar)*	*(in EUR)*
Cash and cash equivalents	**$9,778**	**€ -**
Due from related parties*	**26**	**-**
Trade payables	**(5,849)**	**(1,086)**
Due to related parties*	**(122,031)**	**-**
Lease liabilities	**(16,807)**	**-**
Net assets denominated in foreign currency	**($134,883)**	**(€1,086)**

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

	As at December 31, 2018	
Amounts in thousands of dollars	*(in U.S. dollar)*	*(in EUR)*
Cash and cash equivalents	$10,015	€ -
Due from related parties*	555	-
Trade payables	(30,001)	(1,677)
Due to related parties*	(77,741)	-
Lease liabilities	(16,175)	-
Net assets denominated in foreign currency	($113,347)	(€1,677)

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

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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

Amounts owned by	Amounts owned to	September 30, 2019	December 31, 2018
Parent Company	CAR	($88,240)	($71,158)
Parent Company	Falcon	(40,558)	(16,222)
APO	CAR	(5,137)	(6,230)
Solid	CAR	(2,347)	(3,657)
		($136,282)	($97,267)

The most significant closing exchange rates and the approximate average exchange rates of Philippine Peso per U.S. dollar and Euro used in the consolidated interim financial statements were as follows:

	September 30, 2019		December 31, 2018	
Currency	Closing	Average	Closing	Average
U.S. dollar	P51.83	P51.84	P52.58	P52.69
Euro	56.50	58.10	60.25	62.15

Sensitivity analysis on Foreign Currency Risk

The following table demonstrates the sensitivity to a reasonably possible change in various foreign currencies, with all other variables held constant, of the Company's earnings before income tax and equity for the nine months ended September 30, 2019 and for the year ended December 31, 2018:

USD	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2019	+1.4%	P97,874	P68,512
	-1.4%	(97,874)	(68,512)
2018	+5.3%	315,869	221,108
	-5.3%	(315,869)	(221,108)

EUR	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2019	+6.2%	P3,804	P2,663
	-6.2%	(3,804)	(2,663)
2018	+0.5%	505	354
	-0.5%	(505)	(354)

Sensitivity Analysis Pertaining to Eliminated Intragroup Balances

USD	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2019	+1.4%	P98,889	P69,222
	-1.4%	(98,889)	(69,222)
2018	+5.3%	271,058	189,740
	-5.3%	(271,058)	(189,740)

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, 2019 and December 31, 2018, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P6.5 billion and P8.4 billion, respectively, of the long-term bank loan with BDO, short-term investments in Lomez amounting to P66.4 million and P66.2 million as at September 30, 2019 and December 31, 2018, respectively, and long-term loan payable to CABV amounting to P4.8 billion and P2.5 billion as at September 30, 2019 and December 31, 2018, respectively. The short-term investments in Lomez bear interest at a rate equivalent to the higher of WAILRF rate minus 10 basis points and zero interest. The long-term loan from CABV bears interest at a fixed rate to be revalued semiannually based on the Company's financial ratios.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Sensitivity analysis on Interest Rate Risk

As at September 30, 2019 and December 31, 2018, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the periods ended September 30, 2019 and December, 31, 2018 would have decreased by approximately P78,772 and P75,029, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

Commodity Price Risk

In the ordinary course of business, the Company is exposed to commodity price risk, including the exposure from diesel fuel prices, and expose the Company to variations in prices of the underlying commodity. The Company established specific policies oriented to obtain hedge with the objective of fixing diesel fuel prices. In 2019 and 2018, the Company has purchased option contract and commodity swap transactions respectively, to hedge the price of diesel fuel. By means of these contracts, the Company fixed the price of diesel over certain volume representing a portion of the estimated consumption of diesel fuel in the operations. These contracts have been designated as cash flow hedges of diesel fuel consumption, and as such, changes in fair value are recognized temporarily through OCI and are recycled to profit or loss as the related diesel volumes are consumed.

The following amounts relating to items designated as hedging instruments as at September 30, 2019 and December 31, 2018 were as follows:

	September 30, 2019		December 31, 2018	
	Notional amount	**Carrying amount**	Notional amount	Carrying amount
Purchase option contract - Inventory purchases	**P95,073**	**P2,777**	P385,795	P12,875

For the nine months ended September 30, 2019 and 2018, changes in fair value of these contracts recognized in OCI amounted to P7,322 and nil, respectively.

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 operating activities, as presented in its unaudited consolidated interim statement of cash flows, amounted to P2,595,864 and P2,330,689 for the nine months ended September 30, 2019 and 2018, respectively. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at September 30, 2019			
	Carrying Amount	Contractual Cash Flows	12 Months or Less	More than 1 year
Trade payables	P4,128,696	P4,128,696	P4,128,696	P -
Unearned income, other accounts payable and accrued expenses*	1,069,450	1,069,450	1,069,450	-
Due to related parties	7,728,972	10,509,099	3,641,285	6,867,814
Long-term bank loan	11,849,464	14,206,033	963,848	13,242,185
Lease liabilities	2,365,006	5,374,777	811,459	4,563,318
Total	P27,141,588	P35,288,055	P10,614,738	P24,673,317

*Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P406.7 million.

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	12 Months or Less	More than 1 year
Trade payables	P4,934,535	P4,934,535	P4,934,535	P -
Unearned income, other accounts payable and accrued expenses*	980,728	980,728	980,728	-
Due to related parties	5,203,965	6,756,483	3,005,002	3,751,481
Long-term bank loan	13,628,851	17,481,450	1,000,721	16,480,729
Lease liabilities	2,359,596	5,457,483	592,684	4,864,799
Total	P27,107,675	P35,610,679	P10,513,670	P25,097,009

*Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P501.4 million.

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 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.

(Amounts In Thousands, Except Number of Shares and Per Share Data)

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.

As at September 30, 2019 and December 31, 2018, the carrying amounts of financial assets and liabilities and their respective fair values are as follows:

		September 30, 2019				December 31, 2018		
		Carrying amount	Fair value	Fair value hierarchy level		Carrying amount	Fair value	Fair value hierarchy level
Financial assets								
Long-term time and guaranty deposits	P	776,093	776,093	Level 2	P	716,905	716,905	Level 2
Derivative asset		2,777	2,777	Level 2		12,875	12,875	Level 2
	P	778,870	778,870		P	729,780	729,780	
Financial liabilities								
Bank loan	P	11,849,464	14,378,505	Level 2	P	13,628,851	14,089,868	Level 2
Payable to a related party		4,802,422	4,802,422	Level 2		2,520,914	2,520,914	Level 2
Lease liabilities		2,365,006	2,430,703	Level 2		2,359,596	2,503,049	Level 2
	P	19,016,892	21,611,630		P	18,509,361	19,113,831	

The estimated fair value of the Company's long-term time and guaranty deposits, long-term payable to a related party, lease liabilities and bank loan are either based on estimated market prices for such or similar instruments, considering interest rates currently available for the Company to negotiate debt with the same maturities, or determined by discounting future cash flows using market-based interest rates currently available to the Company. The estimated fair value of the derivative asset is determined by measuring the effect of the future economic variables according to the yield curved shown on the market as at the reporting date.

NOTE 23 - RETIREMENT BENEFIT LIABILITY

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Liability is determined using the projected unit credit method. The Company's latest actuarial valuation date was made on September 30, 2019.

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement and Late Retirement Benefit" and "Voluntary Separation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

Normal Retirement, Early Retirement and Late Retirement

The total benefit that will be received by a retired non-union member employee and a union member (**) employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

*covering Normal, Early and Late Retirement
**for YOS rendered before January 1, 2011

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The following retirement benefit formula table applies to a union member employee for services rendered on or after January 1, 2011:

YOS	Retirement Benefit*
20 & Below	110% of the plan salary for every year of credited service
Above 20 to 25	130% of the plan salary for every year of credited service
Above 25	150% of the plan salary for every year of credited service

covering Normal, Early and Late Retirement

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service unless approved by the Company. The late retirement may be availed only beyond age sixty (60) but not beyond sixty-five (65), on a case-to-case and yearly extension basis and subject to the consent of the Company.

Voluntary Separation

The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit
Less than 10	0% of the plan salary for every year of credited service
10 to 15	79% of the plan salary for every year of credited service
16 to 20	99% of the plan salary for every year of credited service
21 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

Total and Permanent Disability and Death Benefit

In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least five (5) years and three (3) years of credited service for Solid and APO, respectively.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

a) Movement in Retirement Benefit Liability

The following table shows reconciliation from the opening balances to the closing balances for retirement benefit liability and its components as at September 30, 2019 and December 31, 2018:

		Present Value of Defined Benefit Obligation		Fair Value of Plan Assets		Retirement Benefit Liability	
	Note	2019	2018	2019	2018	2019	2018
Balance at beginning of period		P805,230	P849,836	(P90,046)	(P88,828)	P715,184	P761,008
Included in profit or loss							
Service costs:							
Current service cost		39,415	60,792	-	-	39,415	60,792
Interest cost, net		42,379	56,716	(2,539)	(3,512)	39,840	53,204
		81,794	117,508	(2,539)	(3,512)	79,255	113,996
Included in OCI							
Actuarial loss (gain) from:							
Change in financial assumptions		163,431	(75,370)	-	-	163,431	(75,370)
Change in demographic assumptions		-	(6,353)	-	-	-	(6,353)
Experience adjustments		(33,803)	(118,215)	-	-	(33,803)	(118,215)
Return on plan assets excluding interest income		-	-	(5,175)	3,846	(5,175)	3,846
		129,628	(199,938)	(5,175)	3,846	124,453	(196,092)
Others							
Benefits paid		(44,433)	(41,267)	-	-	(44,433)	(41,267)
Benefits to be paid		(33,224)	(10,986)	-	-	(33,224)	(10,986)
Net acquired (transferred) obligation	13	-	90,077	-	(1,552)	-	88,525
		(77,657)	37,824	-	(1,552)	(77,657)	36,272
Balance at end of period		P938,995	P805,230	(P97,760)	(P90,046)	P841,235	P715,184

b) Plan Assets

Plan assets consisted of the following:

		2019	2018
Foreign currency time deposits	P	14,197	26,038
Unit investment trust fund (UITF)			
Equities - local currency		27,976	21,109
Money market		5,282	6,053
Fixed income - local currency		30,066	3,754
US sovereigns		-	11,799
Debt instruments			
Local currency		6,630	7,713
Foreign currency		-	5,479
Receivables		-	3,996
Mutual funds		6,508	3,150
Government securities		6,566	426
Cash in bank		2	1
Others		533	528
	P	97,760	90,046

Equity UITF investments are placed in a concentrated portfolio of stocks listed in the PSE which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Fixed income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities, such as special deposit accounts from the BSP and treasury notes with weighted average term to maturity of up to five (5) years.

Mutual funds are invested in listed equity instruments which are actively traded in globally developed markets. Other mutual funds are invested in debt instruments with terms generally ranging from five (5) to more than ten (10) years which were issued by low and middle income developing countries and are rated mostly at

(Amounts in Thousands, Except Number of Shares and Per Share Data)

"BBB," "BB" and "B" by Standard and Poor's Financial Services. Investments in bonds have quoted prices in active market and are rated "Aaa," based on ratings made by Philippine Rating Services Corporation.

US sovereigns include treasury bills, notes and bonds which are fixed income investments issued by the U.S. Department of the Treasury. Local and foreign currency debt instruments are financial instruments issued by the government or corporate entity in the domicile or country of origin. Foreign currency time deposits were made to a reputable bank which is rated Baa2 based on Moody's credit rating.

The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The objective of BPI AMTG is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTG, and to be able to provide and fund benefits as they fall due.

c) Defined Benefit Obligation

(i) Assumptions

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	CHPI		Solid		APO	
	2019	2018	**2019**	2018	**2019**	2018
Discount rate	**4.92%**	7.25%	**4.93%**	7.29%	**4.91%**	7.26%
Future salary growth	**6.00%**	6.00%	**6.00%**	6.00%	**6.00%**	6.00%

The following are the turnover rate assumption in 2019 and 2018:

Age	2019	2018
18 – 30	**10 to <12**	10 to <12
31 – 34	**8 to <10**	8 to <10
35 – 37	**7 to <8**	7 to <8
38 – 42	**4 to <7**	4 to <7
42 – 50	**3 to <5**	3 to <5
51 – 59	**1 to <4**	1 to <4

Mortality rates in 2019 and 2018 are based on the "2017 Philippine Intercompany Mortality Study" from the Actuarial Society of the Philippines. Disability rate is based on "1952 Disability Study," Period 2, Benefit 5.

ii) Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at September 30, 2019 and December 31, 2018 by the amounts shown below:

	2019		2018	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(P36,883)**	**P39,442**	(P28,707)	P30,543
Future Salary increase rate (0.5% movement)	**42,441**	**(40,028)**	33,519	(31,742)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

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d) Maturity Analysis

Maturity analysis of the benefit follow:

	Carrying Amount	Contractual Cash Flows	Within >1 Year	Within 1 - 5 Years	More than 5 Years
2019	**P938,995**	**P3,264,959**	**P74,766**	**P311,087**	**P2,879,106**
2018	P805,230	P3,161,610	P80,829	P271,677	P2,809,104

As at September 30, 2019 and December 31, 2018, the weighted average duration in years of the defined benefit obligation are as follows:

	2019	2018
Solid	**16.37**	15.93
APO	**14.09**	14.45
CHPI	**13.85**	14.00

The Company does not expect to contribute to its pension plan in 2019.

e) Retirement Benefit Expense

Retirement benefit expense for the nine months ended September 30, 2019 and 2018 is recognized in the following line items in the consolidated interim statements of comprehensive income:

		2019	2018
Cost of sales	P	**18,640**	29,468
Administrative expenses		**20,775**	17,723
Other financial expenses - net		**39,840**	39,902
	P	**79,255**	87,093

NOTE 24 - 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, 2019 and December 31, 2018.

The unamortized debt issuance cost of this bank loan amounting to P112,510 and P138,215 as at September 30, 2019 and December 31, 2018, respectively, was deducted from the total loan liability. Interest expense incurred for the nine months ended September 30, 2019 and 2018, excluding amortization of debt issuance cost, amounted to P618,224 and P515,966, respectively, which is recognized under "Financial expenses" account in the consolidated interim statements of comprehensive.

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

		Bank Loan	Accrued Interest	Total
Balance as at January 1, 2018	P	13,740,598	98,079	13,838,677
Proceeds				
Interest expense		28,376	719,174	747,550
Payment of:				
Principal		(140,123)	-	(140,123)
Interest		-	(684,346)	(684,346)
Balance as at December 31, 2018		13,628,851	132,907	13,761,758
Interest expense		**19,473**	**618,224**	**637,697**
Payment of:				
Principal		**(1,805,092)**	-	**(1,805,092)**
Interest		-	**(647,786)**	**(647,786)**
Others		**6,232**	-	**6,232**
Balance as at September 30, 2019	P	**11,849,464**	**103,345**	**11,952,809**

Accrued interest from this bank loan amounting to P103,345 and P132,907 as at September 30, 2019 and December 31, 2018, respectively, are recognized under "Unearned income, other accounts payable and accrued expenses" account in the consolidated interim statements of financial position.

On December 8, 2017, the Parent Company entered into a Supplemental Agreement to the Facility Agreement with BDO pursuant to which, more notably, it was agreed that: (i) the commencement date for compliance with certain financial covenants under the Facility Agreement would be on June 2020; (ii) debt service reserve accounts were created; and (iii) additional debt incurrence restrictions be put in place. One of these debt incurrence restrictions agreed is based on a financial ratio that measures, on a consolidated basis, the Parent Company's ability to cover its interest expense using its Operating EBITDA (interest coverage ratio) and is measured by dividing Operating EBITDA by the financial expense for the last twelve months as of the calculation date. Operating EBITDA equals operating income before other expenses, net plus depreciation and amortization. On December 14, 2018, the Parent Company entered into another Supplemental Agreement to the Facility Agreement that provides an option, only for certain potential events of default under the Facility Agreement, for the Parent Company's ultimate parent company, CEMEX, or any affiliate of CEMEX which is not a direct or indirect subsidiary of the Parent Company, to pay all amounts outstanding under the Facility Agreement before they become due and payable prior to their maturity in certain events.

On May 15, 2019, the Company signed an Amendment to the Facility and Supplemental Agreements with BDO mainly to (i) conform the Facility Agreement with certain changes required due to PFRS 16 entering into effect; (ii) exclude from financial covenants in the Facility Agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid that have been made or are to made to the Company by any subsidiary of CEMEX; and (iii) allow for certain loans taken by the Company with any CEMEX subsidiary to be paid with the proceeds from any equity fundraising activity of the Parent Company without having to pay a prepayment fee to BDO under the Facility Agreement.

As at September 30, 2019, the Parent Company is in compliance with the applicable restrictions and covenants of the Facility Agreement.

NOTE 25 - INCOME TAXES

25A) INCOME TAXES FOR THE PERIOD

The amounts of income taxes recognized in profit or loss for the nine months ended September 30, 2019 and 2018 are as follows:

		2019	2018
Current income tax expense	P	391,276	480,955
Deferred income tax benefit arising from origination and reversal of temporary differences		99,487	17,421
Write-down of previously recognized deferred income tax asset (reversal of previously derecognized deferred income tax asset)........		(187,952)	266,055
	P	302,811	764,431

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The Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until		Amount	Addition During the Period	Expired/Utilized During the Period	Ending Balance
2019	2022	P	-	760,132	-	760,132
2018	2021		1,292,034	-	-	1,292,034
2017	2020		2,360,823	-	(313,100)	2,047,723
2016	2019		1,721,215	-	(3,114)	1,718,101
		P	5,374,072	760,132	(316,214)	5,817,990

The Company has MCIT that can be claimed as tax credits against regular future income tax liabilities as follows:

Year Incurred	Valid until		Amount	Additions During the Period	Expired/Utilized During the Period	Ending Balance
2019	2022	P	-	157,083	-	157,083
2018	2021		191,906	-	-	191,906
2017	2020		199,459	-	-	199,459
2016	2019		69	-	-	69
		P	391,433	157,083	-	548,516

25B) DEFERRED INCOME TAXES

For the nine months ended September 30, 2019 and for the year ended December 31, 2018, the income tax effects of the temporary differences, NOLCO and MCIT that resulted in deferred income tax assets and liabilities are presented below:

2019		Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at September 30
Deferred tax assets:					
NOLCO	P	415,904	(59,799)	-	356,105
Accrued retirement benefit liability and past service cost		217,778	8,501	37,336	263,615
Unrealized foreign exchange gain		65,369	(49,459)	-	15,910
Write-down of:					
Property, machinery and equipment to recoverable amount		64,747	(290)	-	64,457
Inventories to NRV		40,574	(1,308)	-	39,266
Allowance for impairment losses on receivables		36,074	4,328	-	40,402
Contract liabilities from loyalty points		19,864	(12,477)	-	7,387
Provisions		6,223	(3,000)	-	3,223
MCIT		100	156,483	-	156,583
Accrued employee severance pay		3	(3)	-	-
Fair value adjustment on property, machinery and equipment		(302,138)	35,228	-	(266,910)
Accrued documentary stamp tax		(14,015)	(410)	-	(14,425)
Lease liability		62,625	(7,737)	-	54,888
Other items		13,940	18,408	-	32,348
	P	627,048	88,465	37,336	752,849

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2018		Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets:					
NOLCO	P	702,130	(286,226)	-	415,904
Accrued retirement benefit liability and past service cost		229,651	46,909	(58,782)	217,778
Unrealized foreign exchange loss		13,847	51,522	-	65,369
Write-down of:					
Property, machinery and equipment to recoverable amount		69,405	(4,658)	-	64,747
Inventories to NRV		34,846	5,728	-	40,574
Allowance for impairment losses on receivables		32,671	3,403	-	36,074
Contract liabilities from loyalty points		22,251	(2,387)	-	19,864
Provisions		6,603	(380)	-	6,223
MCIT		199,342	(199,242)	-	100
Accrued employee severance pay		3	-	-	3
Fair value adjustment on property, machinery and equipment		(366,503)	64,365	-	(302,138)
Accrued documentary stamp tax		(18,658)	4,643	-	(14,015)
Lease liability		45,336	17,289	-	62,625
Other items		3,966	9,974	-	13,940
	P	974,890	(289,060)	(58,782)	627,048

Net deferred income tax assets (liabilities) as at September 30, 2019 and December 31, 2018 presented in the consolidated statements of financial position on a net basis by entity are as follows:

Deferred Income Tax Assets		2019	2018
APO	P	605,456	607,824
Parent Company		154,582	165,996
Ecocast Builders, Inc.		435	614
	P	760,473	774,434

Deferred Income Tax Liabilities		2019	2018
Solid	P	5,635	145,407
Edgewater Ventures Corporation		1,911	1,901
Sandstone Holdings, Inc.		65	65
Triple Dime Holdings, Inc.		12	13
Bedrock Holdings, Inc.		1	1
	P	7,624	147,387

Deferred income tax assets have not been recognized in respect of the following items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom:

	2019		2018	
	Gross amount	Tax effect	Gross amount	Tax effect
NOLCO	P4,630,975	P1,389,292	P3,986,001	P1,195,800
Excess MCIT over RCIT	391,933	391,933	391,978	391,978
Allowance for impairment losses on accounts receivable	4,790	1,437	4,790	1,437
Allowance for write-down of inventories	626	188	626	188
Unrealized foreign exchange losses	3	1	3	1
Accrued retirement benefit liability	-	-	347	104
Others	87	26	87	26
	P5,028,414	P1,782,877	P4,383,832	P1,589,534

As at September 30, 2019 and December 31, 2018, based on the forecasts of future cash flows and operating results, the Company believes that sufficient taxable income will be generated so that it is probable that it will realize the tax benefits associated with the recognized deferred income tax assets related to tax loss carryforwards prior to their expiration. In addition, the Company concluded that the deferred income tax liabilities that were considered in the analysis of recoverability of its deferred income tax assets will reverse in the same period and tax jurisdiction of the related recognized deferred income tax assets. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, currently recognized deferred income tax assets would be evaluated and derecognized if necessary against the results of the period.

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25C) EFFECTIVE TAX RATE

Differences between the financial basis and the corresponding tax basis of assets and liabilities and the different income tax rates and laws applicable to the Company, among other factors, give rise to permanent differences between the average statutory tax rate of the entities included in the consolidated interim financial statements, and the effective tax rate presented in the consolidated interim statements of comprehensive income for the nine months ended September 30, 2019 and 2018, which were as follows:

	2019	2018
Statutory income tax rate	30%	30%
Movement in NOLCO	17%	485%
Non-deductible expenses	1%	10%
Taxable income eliminated at consolidated level	0%	564%
CAR and FALCON tax rate difference	(23%)	(349%)
Non-taxable income	(1%)	(5%)
MCIT	(0%)	47%
Others	2%	(25%)
Consolidated effective income tax rate	26%	757%

25D) TAX PROCEEDINGS

The Company and some of its subsidiaries are the subject of the following on-going tax investigations:

Entities	Period	Covered taxes	Status as of October 11, 2019
Solid	2017	All internal revenue taxes	On-going
	2016	VAT	On-going
APO	2017	All internal revenue taxes	On-going
	2016	VAT	On-going
Ecocrete, Inc.	2013-2015	All internal revenue taxes	The assessment notices issued by the BIR were duly protested.
Ecocast Builders, Inc.	2016-2017	All internal revenue taxes	On-going
Parent Company	Jan-Jun 2018	VAT	On-going
	2018	All internal revenue taxes except VAT	On-going

The Company's assessment on the impact of the above tax proceedings in the consolidated interim financial statements is disclosed in Note 29.

NOTE 26 - STOCKHOLDERS' EQUITY

26A) COMMON STOCK

As at September 30, 2019 and December 31, 2018, information on the Parent Company's common stock is summarized as follows:

	September 30, 2019		December 31, 2018	
	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 per share. 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 BOD 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.

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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 P2,819,867 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).

On April 2, 2019, the Board of the Parent Company approved the amendment of the Seventh Article of the Amended Articles of Incorporation, increasing the authorized capital stock of the Parent Company from P5,195,395, divided into 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395, divided into 18,310,395,454 common shares with a par value of P1 per share.

The Parent Company submitted a proposal to increase its authorized capital stock from 5,195,395,454 shares to 18,310,395,454 shares with par value of P1 per common share, which was presented for approval at its annual meeting of stockholders which was held on June 6, 2019. At this annual stockholder's meeting, affirmative votes representing approximately 64.7% of the total outstanding shares of stock were received, short of the required affirmative vote threshold of at least 2/3 of the company's total outstanding capital stock.

The proposal was approved by stockholders owning more than 2/3 of the Parent Company's total outstanding shares of stock during its special meeting of stockholders which was held on October 16, 2019.

As at September 30, 2019, the shareholdings in the Parent Company owned by CASEC increased to 3,469,412,498 common shares at P1 par value per share or P3,469,412.

26B) OTHER EQUITY RESERVES

Other equity reserves as at September 30, 2019 and December 31, 2018 consisted of:

		2019	2018
Cumulative translation of foreign subsidiaries	P	235,742	316,283
Remeasurements on retirement benefit liability		135,805	222,923
Share-based compensation reserve		57,159	57,159
Hedge reserve		(13,779)	(6,458)
	P	414,927	589,907

26C) NON-CONTROLLING INTERESTS

Non-controlling interest represents the 30% share of non-controlling stockholders in the results and equity of Newcrete Management, Inc. As at September 30, 2019 and December 31, 2018, non-controlling interest in equity amounted to approximately P175 and P193, respectively.

26D) SHARE - BASED PAYMENTS

As part of CEMEX's share-based payments programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX's CPOs, pursuant to which new CPOs are issued by the ultimate parent company under each annual program over a four (4) year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a one (1) year restriction on sale.

Under these programs, CEMEX S.A.B de C.V. purchased net shares to executives of the Company for approximately 19,196 CPOs for the period ended September 30, 2019 and issued new shares for approximately 580,342 CPOs for the period ended September 30, 2018, that were subscribed and pending for payment in the ultimate parent company's treasury. For the period ended September 30, 2019, there were approximately 57,588 CPOs and for the period ended September 30, 2018, there were approximately 69,834 CPOs, associated with these annual programs that are expected to be purchased in the following years as the Company's executives render services.

There was no compensation expense related to these programs that was recognized in the Company's profit or loss against other equity reserves for the nine months ended September 30, 2019 and 2018, corresponding to the fair value of the number of CEMEX's CPOs at the date of grant. The weighted average fair value, which pertains to the market price of CPOs granted, is 7.69 and 13.61 Mexican Pesos for the nine months ended

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September 30, 2019 and for the year ended December 31, 2018, respectively. As at September 30, 2019 and December 31, 2018, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's own stock (intrinsic value).

26E) RETAINED EARNINGS

As at September 30, 2019 and December 31, 2018, the Company's retained earnings include deficit (after appropriations) of its significant operating subsidiaries, Solid and APO, amounting to P1,333,926 and P1,618,220, respectively, which pertains to the result of the operations of both Solid and APO from the date the Parent Company obtained control over these subsidiaries. Such amount was offset by the net results of the Parent Company and its remaining subsidiaries. The retained earnings of both Solid and APO are not available for distribution as dividends by the Parent Company until declared by the respective investees.

26F) 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 for the Company with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD 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 "Stockholders' Equity" as shown in the 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:

		September 30, 2019	December 31, 2018 (As restated*)
Total liabilities	P	28,724,703	29,332,804
Less cash and cash equivalents		2,591,799	1,813,665
Net debt	P	26,132,904	27,519,139
Total Equity	P	29,425,668	28,725,966
Net debt to equity ratio	P	0.89:1	0.96:1

*Due to adoption of PFRS 16 (see Note 3)

NOTE 27 - BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The amounts considered for the calculation of earnings per share (EPS) for the nine months ended September 30, 2019 and 2018 are as follows:

		2019	2018
Profit (loss) (a)	P	874,682	(663,433)
Add: non-controlling interest profit (loss)		18	21
Controlling interest in profit (loss)		874,700	(663,412)
Weighted average number of shares outstanding - Basic/Diluted (b)		5,195,395,454	5,195,395,454
Basic/Diluted earnings (loss) per share (a/b)	P	0.17	(0.13)

As at September 30, 2019 and 2018, the Company has no dilutive equity instruments.

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NOTE 28 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at September 30, 2019 and December 31, 2018, the Company had the following contractual obligations. The interest payments on floating rate bank loans reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for this financial liability, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

		2019			
		Less than 1 year	1-5 Years	More than 5 Years	Total
Bank loan	P	963,848	13,242,185	-	14,206,033
Payable to a related party [1]		1,788,370	6,867,815	-	8,656,185
Leases [2]		811,459	1,013,888	3,549,430	5,374,777
Retirement plans and other benefits [3]		74,766	311,087	2,879,106	3,264,959
Total contractual obligations	P	3,638,443	21,434,975	6,428,536	31,501,954

		2018			
		Less than 1 year	1-5 Years	More than 5 Years	Total
Bank loan	P	1,000,721	16,480,729	-	17,481,450
Payable to a related party [1]		1,395,586	3,751,481	-	5,147,067
Leases [2]		592,684	1,368,960	3,495,839	5,457,483
Retirement plans and other benefits [3]		80,829	271,677	2,809,104	3,161,610
Total contractual obligations	P	3,069,820	21,872,847	6,304,943	31,247,610

[1] The payable pertains to the Company's loan from CABV. The loan bears interest at a fixed rate to be revalued semi-annually based on the Company's financial ratio in 2018 for Solid and fixed rate for APO. The loan is unsecured and is due to be paid in 2024 and 2019, subsequently extended to 2020, for Solid and APO, respectively (see Note 13).

[2] The Company leases vessels, land, warehouses and office premises under operating leases with periods ranging from 1 - 50 years. Some of these leases have a term of more than one (1) year and have escalation clauses, whereby rental fees increase over the lease term. In addition, these lease agreements provided renewal options subject to the mutual agreement of both the lessor and the Company.

[3] Represents the estimated payments for retirement benefits over the expected maturity of the retirement and other benefit liabilities (see Note 23). Future payments include an estimation of new pensioned personnel over those years.

NOTE 29 - CONTINGENCIES FROM LEGAL PROCEEDINGS

As at September 30, 2019, 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.

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NOTE 30 - MAIN SUBSIDIARIES

The Parent Company's direct and indirect subsidiaries as at September 30, 2019 and December 31, 2018 are as follows:

Entities	Country of Incorporation	Main activity	% of interest
CAR	Switzerland	Services	100.0
Falcon	Barbados	Insurance	100.0
Edgewater Ventures Corporation	Philippines	Holdings	100.0
Triple Dime Holdings, Inc.	Philippines	Holdings	100.0
APO	Philippines	Cement	100.0
Bedrock Holdings, Inc.	Philippines	Holdings	100.0
Sandstone Strategic Holdings, Inc.	Philippines	Holdings	100.0
Solid	Philippines	Cement/Concrete	100.0
Ecocast Builders, Inc.	Philippines	Construction	100.0
Ecocrete, Inc.	Philippines	Services	100.0
Ecopavements, Inc.	Philippines	Construction	100.0
Enerhiya Central Inc.	Philippines	Energy	100.0
Newcrete Management, Inc.	Philippines	Services	70.0

NOTE 31 - RELEVANT INFORMATION REGARDING THE IMPACT OF THE LANDSLIDE

On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the "Landslide"), a site located within an area covered by the mining rights of APO Land & Quarry Corporation ("ALQC"). ALQC is a principal raw material supplier of APO Cement. The Parent Company does not own any equity stake (directly or indirectly) in ALQC or its parent company, Impact Assets Corporation. CASEC, an indirect subsidiary of CEMEX, S.A.B. de C.V. which is a majority shareholder of the Parent Company, owns a minority 40% stake in Impact Assets Corporation.

The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO and implemented to address the disruption in the supply arrangement with ALQC. As a result, the Company incurred incremental costs of raw materials in production and other expenses. In addition, the Company incurred losses in 2018 amounting to P83,844 on inventories which were buried during the incident. However, substantial portion of such incremental costs and losses were offset by the insurance claims recognized in 2018 amounting to P662,210. Other losses as result of the landslide amounting to P71,716 were not covered by the insurance.

During the nine months ended September 30, 2019, the Company received the outstanding amount of its insurance claims amounting to P447,053 which includes the additional claims made in 2019 amounting to P123,136. The collection and recognition of additional insurance claims were offset against "Costs of Sales" account in the condensed consolidated interim statements of profit or loss and OCI for the nine months ended September 30, 2019. As at September 30, 2019 and December 31, 2018, the balance of claims amounted to nil and P345,050, respectively.

On November 19, 2018, the Parent Company and APO Cement were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu, against the Parent Company, APO Cement, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for "Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems". ALQC received summons concerning the class action during the first quarter of 2019.

In the complaint, among other allegations, plaintiffs (i) claim that the Landslide occurred as a result of the defendants' gross negligence; and (ii) seek, among other relief, (a) monetary damages in the amount of approximately 4.3 billion Philippine Pesos, (b) the establishment of a 500 million Philippine Pesos rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO Cement and the Parent Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund.

As at September 30, 2019, among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Parent Company, ALQC and APO still hold the position that the landslide occurred due to natural causes and deny liability. In the event a final adverse resolution is issued in this matter, plaintiffs will have the option to proceed against any one of ALQC, APO or the Parent Company for satisfaction of the entirety of the potential judgement award, without the need to proceed against any other private defendant beforehand. Thus, ALQC's, APO's or the Parent Company's assets alone could be exposed to execution proceedings.

In an order dated August 16, 2019, the Regional Trial Court denied the plaintiffs' Application for Temporary Environment Protection Order.

In an order dated September 30, 2019, the Regional Trial Court partially granted the affirmative defenses of the private defendants and ruled, among others, that the subject case against the Parent Company and APO Cement is dismissed for failure to state a cause of action. The court also ruled that: (i) the 22 plaintiffs who failed to sign the verification and certification against forum shopping are dropped as party-plaintiffs; (ii) the subject case is not a proper class suit, and that the remaining 17 plaintiffs can only sue for their respective claims, but not as representatives of the more than 8,000 alleged victims of the landslide incident; (iii) plaintiffs' cause of action against ALQC for violation of Section 19(a) of Republic Act No. 10121 is dismissed; (iv) there is a misjoinder of causes of action between the environmental suit and the damage suit; and (v) the damage suit of the remaining plaintiffs will proceed separately upon payment of the required docket fees within 30 days from receipt of order, otherwise, the case for damages will be dismissed.

As of the date of this report, the Company is not able to assess with certainty the final outcome of this lawsuit, but it believes that at this stage of the proceedings and considering all possible defenses available, an adverse resolution to this lawsuit against the Parent Company or APO Cement after exhausting all legal recourses available is less probable to occur. Furthermore, the Company is unable to assess whether or not a final adverse resolution, if any, would have a material adverse impact on its results of operations, liquidity and financial condition.

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 5 1 8 8 1 5

COMPANY NAME

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

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

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
20 (as of 31 Dec 2018)	1st Wednesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Steve Kuansheng Wu	steve.wu@cemex.com	(02) 849 3647	

CONTACT PERSON's ADDRESS

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

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

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

CEMEX HOLDINGS PHILIPPINES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 885 7000
Fax	+63 (2) 894 1985
Internet	www.kpmg.com.ph
Email	ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

Opinion

We have audited the consolidated financial statements of CEMEX Holdings Philippines, Inc. and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the years in the period ended December 31, 2018, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill Impairment Assessment

Refer to Note 3L to the consolidated financial statements for the Group's policy on impairment of Goodwill.

The Group has goodwill amounting to P27.86 billion as at December 31, 2017 which arose from the Group's business acquisition transactions in 2016. Such goodwill has been allocated to the Group's cash-generating units (CGUs), comprising APO Cement Corporation and Solid Cement Corporation. Management has undertaken an annual impairment review in respect of this goodwill in accordance with the requirements of PFRSs, and concluded that no impairment arose as at December 31, 2018.

The Risk

In assessing impairment of goodwill, complex and subjective judgments in determining a number of key assumptions, such as growth rate, discount rate and other economic assumption (i.e. inflation rate), are made to determine its value-in-use. We focused on this area due to both the significance of the carrying amount of the goodwill and because management's assessment of the value-in-use of the Group's CGUs involves significant judgments about the future results of the business and the discount rates applied to future cash flow forecasts.

Our Response

Our procedures included assessment of the consistency and appropriateness of the allocation of goodwill to CGUs identified by the Group. We evaluated management's future cash flow forecast and the process by which they were prepared and approved, including checking the mathematical accuracy of the underlying calculations. With the involvement of our valuation specialists, we assessed the methodology and key assumptions used by the Group in preparing the discounted cash flow for each CGU. We evaluated the key assumptions applied by comparing them to historical results and external economic forecasts, with the consideration of the potential risk of management bias. We performed our own sensitivity analysis on the key assumptions, such as discount rates and growth rates, used to assess the extent of change that individually would be required for the goodwill to be impaired. We also evaluated the adequacy of the disclosures in respect of the impairment assessment in the consolidated financial statements.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Emerald Anne C. Bagnes.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-4, Group A, valid until June 20, 2021
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-012-2018
Issued November 29, 2018; valid until November 28, 2021
PTR No. MKT 7333606
Issued January 3, 2019 at Makati City

April 2, 2019
Makati City, Metro Manila

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc. and Subsidiaries** (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature **JOAQUIN MIGUEL ESTRADA SUAREZ**
Chairman of the Board

Signature **IGNACIO ALEJANDRO MIJARES ELIZONDO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

Signed this 2nd day of April 2019

APR 12 2019

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ATTY. VIRGILIO R. BATALLA

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SERIES NO. 2019

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CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **CEMEX Holdings Philippines, Inc. And Subsidiaries** for the period ending **December 31, 2018.**

In discharging this responsibility, I hereby declare that:

_______ I, am the __________________, of ____________.

___✓___ I, am the **Assistant Manager** of **Solid Cement Corporation** and was contracted to perform this service.

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of **R.G. Manabat & Co.** who is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME: **MELANIE C. LEGASPI**

PROFESSIONAL IDENTIFICATION CARD NUMBER 0074287
VALID UNTIL: January 17, 2020

ACCREDITATION NUMBER: 2016 - 3034
VALID UNTIL: January 17, 2020

APR 12 2019

SUBSCRIBED AND SWORN TO BEFORE ME THIS ... HIS/HER
MAKATI CITY

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Book No. 28
Series of 2019

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-47-UNTIL DEC. 31, 2020
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V-0026... 11-2018
IBP O.R.No. 706762-LIFETIME MEMBER JAN. 29, 2007
PTR No. ... JAN 03, 2019-MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR. JUPITER ST.
MAKATI CITY

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

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	*11, 21*	P1,813,665	P1,058,267
Trade receivables - net	*12, 21*	708,906	833,259
Due from related parties	*13, 21*	30,326	26,386
Insurance claims and premium receivables	*15, 21, 30*	949,983	–
Other current accounts receivable	*15, 21*	73,070	74,616
Inventories	*16*	3,488,178	3,258,252
Derivative asset	*21*	12,875	–
Prepayments and other current assets	*17*	1,677,671	1,401,133
Total Current Assets		8,754,674	6,651,913
Noncurrent Assets			
Investment in an associate and other investments	*14*	14,097	15,407
Advances to contractors	*18*	2,069,601	–
Other assets and noncurrent accounts receivable	*15, 21*	818,247	716,700
Property, machinery and equipment - net	*18*	15,617,365	15,582,732
Deferred income tax assets - net	*24*	720,373	1,026,941
Goodwill	*19*	27,859,694	27,859,694
Total Noncurrent Assets		47,099,377	45,201,474
		P55,854,051	P51,853,387
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		P4,934,535	P2,318,979
Due to related parties	*13*	2,683,051	2,273,404
Current portion of long-term bank loan	*21, 23*	140,123	140,123
Contract liabilities	*6*	375,224	–
Unearned revenue, other accounts payable and accrued expenses	*20*	1,882,169	2,108,767
Income tax payable		65,283	32,279
Total Current Liabilities		10,080,385	6,873,552
Noncurrent Liabilities			
Long-term bank loan - net of current portion	*21, 23*	13,488,728	13,600,475
Long-term payable to a related party	*13, 21*	2,520,914	1,073,635
Retirement benefit liability	*13, 22*	715,184	761,008
Deferred income tax liabilities - net	*24*	155,950	101,711
Other noncurrent liabilities		20,610	20,610
Total Noncurrent Liabilities		16,901,386	15,557,439
Total Liabilities		26,981,771	22,430,991
Stockholders' Equity			
Controlling interest:			
Common stock	*25A*	5,195,395	5,195,395
Additional paid-in capital		21,959,159	21,959,159
Other equity reserves	*25B*	589,907	199,929
Retained earnings	*25E*	1,127,626	2,067,692
Total controlling interest		28,872,087	29,422,175
Non-controlling interest	*25C*	193	221
Total Equity		28,872,280	29,422,396
		P55,854,051	P51,853,387

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Data)

			Years Ended December 31	
	Note	**2018**	2017	2016
Revenue	6	**P23,417,697**	P21,784,450	P24,286,753
Costs of sales and services	7	**(14,307,126)**	(12,400,901)	(11,885,883)
GROSS PROFIT		**9,110,571**	9,383,549	12,400,870
Administrative and selling expenses	7	**(3,008,799)**	(3,079,349)	(3,493,594)
Distribution expenses	8	**(4,735,330)**	(4,317,633)	(3,961,636)
TOTAL OPERATING EXPENSES		**(7,744,129)**	(7,396,982)	(7,455,230)
OPERATING INCOME BEFORE OTHER EXPENSES - Net		**1,366,442**	1,986,567	4,945,640
Other expenses - net	9	**(42,653)**	(226,179)	(319,783)
OPERATING INCOME AFTER OTHER EXPENSES - Net		**1,323,789**	1,760,388	4,625,857
Financial expenses	13, 23	**(919,852)**	(858,449)	(1,236,021)
Foreign exchange loss - net		**(331,009)**	(66,738)	(1,379,892)
Other financial expenses - net	10	**(32,093)**	(36,846)	(32,734)
EARNINGS BEFORE INCOME TAX		**40,835**	798,355	1,977,210
Income tax expense	24	**(970,993)**	(139,544)	(563,744)
PROFIT (LOSS)		**(930,158)**	658,811	1,413,466
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to profit or loss				
Gain on remeasurements on retirement benefit liability	22	**196,092**	106,474	16,046
Tax effect	24	**(58,782)**	(31,942)	(4,814)
		137,310	74,532	11,232
Items that will be reclassified subsequently to profit or loss				
Currency translation gain (loss) of foreign subsidiaries		**238,945**	(13,525)	90,898
Cash flow hedges - effective portion of changes in fair value		**(6,458)**	–	18,821
Cash flow hedges - reclassified to profit or loss		**–**	(6,805)	(12,016)
		232,487	(20,330)	97,703
TOTAL OTHER COMPREHENSIVE INCOME		**369,797**	54,202	108,935
TOTAL COMPREHENSIVE INCOME		**(560,361)**	713,013	1,522,401
Non-controlling interest comprehensive loss		**28**	25	24
CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)		**(P560,333)**	P713,038	P1,522,425
Basic/Diluted Earnings (Loss) Per Share	26	**(P0.18)**	P0.13	P0.50

The accompanying notes are part of these consolidated financial statements.

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CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Note	Common Stock	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings (Deficit)	Total Controlling Interest	Non-controlling Interest	Total Equity
							Years Ended December 31	
As at January 1, 2016		P9,400	P–	(P34)	(P4,634)	P4,732	P–	P4,732
Transactions with owners of the Company								
Issuance of capital stock	25A	5,185,995	22,794,798	–	–	27,980,793	–	27,980,793
Share issuance cost		–	(835,639)	–	–	(835,639)	–	(835,639)
Changes in non-controlling interest due to business combination	25C	–	–	–	–	–	270	270
Share-based compensation	25D	–	–	11,655	–	11,655	–	11,655
Total comprehensive income								
Profit for the year		–	–	–	1,413,490	1,413,490	(24)	1,413,466
Other comprehensive income for the year		–	–	108,935	–	108,935	–	108,935
		5,185,995	21,959,159	120,590	1,413,490	28,679,234	246	28,679,480
As at December 31, 2016		5,195,395	21,959,159	120,556	1,408,856	28,683,966	246	28,684,212
Transactions with owners of the Company								
Share-based compensation	25D	–	–	25,171	–	25,171	–	25,171
Total comprehensive income								
Profit for the year		–	–	–	658,836	658,836	(25)	658,811
Other comprehensive income for the year		–	–	54,202	–	54,202	–	54,202
		–	–	79,373	658,836	738,209	(25)	738,184
As at December 31, 2017		5,195,395	21,959,159	199,929	2,067,692	29,422,175	221	29,422,396
Adjustment on initial application of PFRS 9	3A	–	–	–	(10,088)	(10,088)	–	(10,088)
As at January 1, 2018, as restated		5,195,395	21,959,159	199,929	2,057,604	29,412,087	221	29,412,308
Transactions with owners of the Company								
Share-based compensation	25D	–	–	20,333	–	20,333	–	20,333
Total comprehensive loss								
Loss for the year		–	–	–	(930,130)	(930,130)	(28)	(930,158)
Other comprehensive income for the year		–	–	369,797		369,797	–	369,797
Other adjustment		–	–	(152)	152	–	–	–
		–	–	389,978	(929,978)	(540,000)	(28)	(540,028)
As at December 31, 2018		P5,195,395	P21,959,159	P589,907	P1,127,626	P28,872,087	P193	P28,872,280

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note		Years Ended December 31	
		2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss)		**(P930,158)**	P658,811	P1,413,466
Allocation for non-controlling interest		**–**	–	270
Adjustments for:				
Depreciation of property, machinery and equipment	5	**1,416,423**	1,269,233	1,221,272
Financial expenses, other financial expenses and for foreign exchange result		**1,028,777**	998,479	2,422,547
Income tax expense	24	**970,993**	139,544	563,744
Net provisions (reversal of provisions) during the year	16, 20, 21, 22	**144,535**	179,163	(165,732)
Stock-based compensation expense	25	**20,333**	25,171	11,655
Impairment loss on property, machinery and equipment	9	**3,669**	175,230	–
Loss (gain) on disposal of investments, asset held for sale, and property, machinery and equipment	9, 17	**(18,254)**	4,602	24,263
Loss from early extinguishment of debt	9	**–**	64,603	–
Operating profit before working capital changes		**2,636,318**	3,514,836	5,491,485
Net changes in operating assets and liabilities:				
Decrease (increase) in:				
Trade receivables		**99,415**	50,005	(92,357)
Due from related parties		**(3,940)**	164,187	(144,842)
Insurance claims and premium receivables	15, 30	**(949,983)**	–	–
Other current accounts receivable		**33,003**	53,679	(139,803)
Inventories		**(267,275)**	(722,775)	(297,353)
Prepayments and other current assets		**(432,593)**	(18,820)	502,805
Increase (decrease) in:				
Trade payables		**2,432,061**	(29,250)	(75,313)
Due to related parties		**(464,182)**	471,769	314,857
Contract liabilities		**(51,775)**	–	–
Unearned revenue, other accounts payable and accrued expenses		**130,874**	66,859	(232,738)
Cash generated from operations		**3,161,923**	3,550,490	5,326,741
Payment received from transferred retirement benefit liability	22	**88,525**	–	–
Interest received		**24,145**	3,034	8,570
Interest paid		**(803,713)**	(860,786)	(311,430)
Income taxes paid		**(500,196)**	(553,370)	(1,239,764)
Benefits paid to employees	22	**(45,720)**	(21,561)	(36,305)
Net cash provided by operating activities		**1,924,964**	2,117,807	3,747,812

Forward

			Years Ended December 31	
	Note	**2018**	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of:				
Assets held for sale		**P73,083**	P–	P–
Investments in shares of stock		**17,832**	–	1,476,056
Property, machinery and equipment		**–**	15,280	1,102
Investment property		**–**	–	508,165
Advances to contractors	*18*	**(2,069,601)**	–	–
Additions to:				
Property, machinery and equipment	*18*	**(1,254,527)**	(1,148,213)	(722,210)
Investments in shares of stock	*14*	**(790)**	(134)	–
Decrease (increase) in other noncurrent assets		**(101,547)**	(396,211)	23,654
Acquisition of subsidiaries, net of cash acquired	*19*	**–**	–	(44,137,515)
Net cash used in investing activities		**(3,335,550)**	(1,529,278)	(42,850,748)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Long-term loan from related parties (net of transaction cost)	*13*	**2,279,121**	849,900	40,760,694
Bank loan drawdown (net of transaction cost)	*23*	**–**	13,831,596	–
Issuance of common stock (net of issuance cost)	*25A*	**–**	–	27,145,155
Payments of:				
Bank loan	*23*	**(140,123)**	(105,092)	–
Long-term payable to a related party	*13*	**–**	(15,458,475)	(27,439,418)
Net cash provided by (used in) financing activities		**2,138,998**	(882,071)	40,466,431
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**728,412**	(293,542)	1,363,495
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**26,986**	14,654	(31,262)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,058,267**	1,337,155	4,922
CASH AND CASH EQUIVALENTS AT END OF YEAR	*11*	**P1,813,665**	P1,058,267	P1,337,155

The accompanying notes are part of these consolidated financial statements

NOTE 1 - DESCRIPTION OF BUSINESS

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 consolidated 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. (see Note 29).

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 CRG and 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. CRG, an entity under common control of CEMEX, was organized under the laws of Switzerland. CRG develops and manages CEMEX's research and development initiatives.

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 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 (PSE), resulting in an increase in capital stock of P2,337,928 and additional paid-in capital of P21,959,159, net of P835,639 transaction cost that is accounted for as a reduction in equity.

Based on the lists of stockholders registered with the stock transfer agent of the Parent Company, the Parent Company had 20 and 16 stockholders as at December 31, 2018 and 2017, respectively, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

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

NOTE 2 - BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs, which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for retirement benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets and derivative financial asset and equity investments at FVTPL and FVOCI that are measured at fair value.

C) DEFINITION OF TERMS

When reference is made to "P", it means Philippine Peso. Unless otherwise indicated, the Philippine Peso amounts in the consolidated financial statements and the accompanying notes are stated in thousands. When reference is made to "$" or dollar and "€" or euro, it means thousands of dollars of the United States of America (the "United States" or "U.S.") and euros of the European Union, respectively.

D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements of the Company are presented in Philippine Peso, the functional currency of the Parent Company and each of its subsidiaries, except for Falcon and CAR whose functional currencies are both in U.S. dollar. All values are rounded to the nearest thousand, except when otherwise stated.

E) STATEMENTS OF COMPREHENSIVE INCOME

The line item "Other expenses - net" in the consolidated statements of comprehensive income consists primarily of income and expenses not directly related to the Company's main activity, or which are non-recurring in nature, such as impairment loss on property, machinery and equipment, reorganization expenses, back office and other support service and losses related to the landslide, among others.

F) STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows present cash inflows and outflows, excluding unrealized foreign exchange result and the following that did not represent sources or uses of cash:

a) The increases in other equity reserves associated with CEMEX's Ordinary Participation Certificates (CPOs) granted in 2018, 2017 and 2016 as part of the executive's long-term share-based compensation programs for P20,333, P25,171 and P11,655, respectively, as described in Note 25D.

b) The Company capitalized decommissioning cost amounting to P5,805 in 2017. This capitalized cost pertains to its estimated cost of restoring the plant site at the end of its useful life.

c) The Company has incurred liability amounting to P163,200, P180,783 and P573,836, respectively, arising from the acquisition of various property, machinery and equipment in 2018, 2017 and 2016, respectively.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on April 2, 2019.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

A) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted have been applied consistently to all years presented in these consolidated financial statements, except for the following relevant new and amendments to standards and interpretation, which were adopted on January 1, 2018 and have been applied in preparing these consolidated financial statements. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's consolidated financial statements.

1. Adoption of New and Amendments to Standards and Interpretation

1.1 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 that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss (ECL) model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that present a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

Additionally, the Company has adopted consequential amendments to PFRS 7, *Financial Instruments: Disclosures*, that are applied to disclosures for 2018 but have not been generally applied to comparative information.

Impact of the Adoption of PFRS 9
Classification and Measurement. PFRS 9 contains three principal classification categories for financial assets: (1) measured at amortized cost; (2) measured at fair value through other comprehensive income (FVOCI); and (3) measured at fair value through profit or loss (FVTPL). The classification of financial assets under PFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under PFRS 9, see Note 3E.

The following table and the accompanying notes below explain the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018. The effect of adopting PFRS 9 on the carrying amounts of financial assets at January 1, 2018 relates solely to the new impairment requirements.

	Original classification under PAS 39	**New classification under PFRS 9**	Original carrying amount under PAS 39	**New carrying amount under PFRS 9**
Cash and cash equivalents	Loans and receivables	**Amortized cost**	P1,058,267	**P1,058,267**
Trade receivables	Loans and receivables	**Amortized cost**	833,259	**818,847**
Due from related parties	Loans and receivables	**Amortized cost**	26,386	**26,386**
Other current accounts receivable	Loans and receivables	**Amortized cost**	74,616	**74,616**
Long-term time and guaranty deposits*	Loans and receivables	**Amortized cost**	607,862	**607,862**
Equity investment**	AFS	**FVTPL - equity instrument**	2,100	**2,100**
Equity investments**	AFS	**FVOCI - equity instrument**	1,491	**1,491**
			P2,603,981	**P2,589,569**

**recognized under "Other assets and noncurrent accounts receivable" account*
***recognized under "Investment in an associate and other investments" account*

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Financial assets that were previously classified as loans and receivables were all classified and measured at amortized cost as the Company intends to hold these assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Equity investments represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by PFRS 9, the Company has designated its investment in golf club shares amounting to P2,100 at the date of initial application as measured at FVTPL. The remaining equity investments were designated as measured at FVOCI. Since these equity instruments do not have quoted market price in active market and the fair value cannot be reliably measured, these were measured at cost prior to the adoption of PFRS 9. However, the Company assessed that the fair value of these equity investments approximates their costs at the date of initial application.

The Company has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement of the Company's financial liabilities.

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 new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company has determined that the application of PFRS 9's impairment requirements at January 1, 2018 results in additional allowance for impairment loss on trade receivables. The effects are detailed below:

		As reported as at December 31, 2017	Adjustments due to new impairment requirement by PFRS 9	Opening balance at January 1, 2018
Trade receivables - net	P	833,259	(14,412)	818,847
Deferred income tax assets - net		1,026,941	4,324	1,031,265
Retained earnings		2,067,692	(10,088)	2,057,604

The Company has assessed that the impact of providing ECL on other financial assets classified at amortized cost is immaterial; thus, no additional impairment loss is recognized. Additional information about how the Company measures the allowance for impairment on financial assets is described in Note 3E.

Hedge

In connection with hedge accounting under PFRS 9, among other changes, there is a relief for entities in performing: a) the retrospective effectiveness test at inception of the hedging relationship; and b) the requirement to maintain a prospective effectiveness ratio between 0.8 and 1.25 at each reporting date for purposes of sustaining the hedging designation, both are requirements of PAS 39. Under PFRS 9, a hedging relationship can be established to the extent the entity considers, based on the analysis of the overall characteristics of the hedging and hedged items, that the hedge will be highly effective in the future and the hedge relationship at inception is aligned with the entity's reported risk management strategy. PFRS 9 maintains the same hedge accounting categories of cash flow hedge, fair value hedge and hedge of a net investment established in PAS 39, as well as the requirement of recognizing the ineffective portion of a cash flow hedge immediately in profit or loss. The Company has no recognized hedging instrument as at the date of initial application, hence, the adoption of PFRS 9 has no impact on the balances as at January 1, 2018 in this regard.

Transition

Changes in accounting policies resulting from the adoption of PFRS 9 have been applied retrospectively, except as described below:

- The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of PFRS 9, if any, are recognized in retained earnings as at January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of PFRS 9, but rather those of PAS 39.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held; and
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security has low credit risk at the date of initial application of PFRS 9, then the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

<u>1.2 PFRS 15, *Revenue from Contracts with Customers*</u>

PFRS 15 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 and more comprehensive 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.

PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the entity'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 PFRSs, then the guidance on separation and measurement contained in the other PFRSs takes precedence.

The Company has adopted PFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard recognized at the date of initial application (i.e., January 1, 2018). Accordingly, the information presented for 2017 has not been restated - i.e., it is presented, as previously reported, under PAS 18, PAS 11 and related interpretations. Additionally, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

Sale of Goods
Under PAS 18, revenue was recognized when the goods were delivered to the customers' premises, which was taken to be at the time at which the customer accepts the goods and the related risks and rewards of ownership were transferred. Under PFRS 15, revenue is recognized when the control of the goods has transferred to the customer. Based on the management's assessment, the transfer of the control over the goods is at a point in time and coincides with its delivery and acceptance by the customer. The management assessed that the application of PFRS 15 did not result in a significant impact on the recognition of revenue from the sale of goods.

Customer Loyalty Programme
In previous accounting periods, the consideration received from the sale of goods was allocated to the points and the goods sold using the residual method. Under this method, a part of the consideration equalling the fair value of the points was allocated to the points and the residual part of the consideration was allocated to the goods. Under PFRS 15, the total consideration must be allocated to the points based on the relative stand-alone selling prices. Using this new method, the amounts allocated to the goods sold are, on average, higher than the amounts allocated than the residual value method. As a consequence, the amount of the contract liability recognized in relation to the customer loyalty programme is lower than the amount being recognized as unearned revenue under the previous policy. However, the changes did not result in significant impact on the consolidated financial statements of the Company.

Construction Contracts
Under PFRS 15, the Company's construction contracts qualify for an over-time revenue recognition as the performance obligations commonly pertain to construction of an asset on properties controlled by the customer. The management assessed that the impact on the measure of progress is not significant as the Company's current recognition policy recognizes construction revenue using the percentage-of-completion method on the basis of the actual cost incurred as a percentage of the estimated cost at completion of the contract and does not ordinarily result in material amounts of work-in-progress recorded as an asset. Contract revenue also includes the initial amount agreed in the contract plus any variations in contract work and claims, to the extent that it is probable that they will result in revenue and can be measured reliably. When variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. The practice is expected to remain similar when applying the contract modification guidance of PFRS 15, considering common contracts of the Company. Hence, the Company assessed that the application of PFRS 15 have no significant impact on its revenue recognition on construction contracts.

1.3 Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2, *Share-based Payment*)

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.

1.4 *Annual Improvements to PFRSs 2014 - 2016 Cycle*

This cycle of improvements contains amendments to three standards. Following is the relevant improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018:

- 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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

1.5 Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation 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.

2. Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. However, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's consolidated financial statements. The Company will adopt the following new and amendments to standards in their respective effective dates.

2.1 Effective January 1, 2019

a) 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 with several transition approaches and individual options and practical expedients that can be elected independently for each other. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

As at December 31, 2018, by means of analyses of its outstanding lease contracts and other contracts that may have embedded the use of an asset and the assessment of the most relevant characteristics of such contracts (types of assets, committed payments, maturity dates, renewal clauses, etc.), the Company has substantially concluded the inventory and measurement of its leases for purposes of adopting PFRS 16 and is on its final review. Moreover, the Company has defined its accounting policy under PFRS 16 and will apply the recognition exemptions for short-term leases and low-value assets, as well as the practical expedient not to separate the non-lease component from the lease component included in the same contract. The Company will adopt PFRS 16 using the full retrospective approach pursuant to which prior periods will be restated. Upon adoption of PFRS 16, the Company has determined the impact of adjustments on the following dates:

Opening Balance at January 1, 2018

Consolidated Statement of Financial Position		As reported as at December 31, 2017	Adjustments due to adoption of PFRS 16	Opening balance at January 1, 2018
Assets for the right-of-use	P	-	1,035,445	1,035,445
Lease liabilities		-	1,144,631	1,144,631
Deferred income tax assets - net		1,026,941	32,756	1,059,697
Retained earnings		2,067,692	(76,430)	1,991,262

(Amounts in Thousands, Except Number of Shares and Per Share Data)

For the year ended December 31, 2017

Consolidated Statement of Comprehensive Income		As reported for the year ended December 31, 2017	Adjustments due to adoption of PFRS 16	As adjusted for the year ended December 31, 2017
Costs of sales and services	P	12,400,901	(239)	12,400,662
Operating expenses		7,396,982	(64,089)	7,332,843
Financial expense		858,449	68,588	927,037
Foreign exchange loss - net		66,738	4,114	70,852
Income tax expense		139,544	(2,512)	137,032

As at and for the year ended December 31, 2018

Consolidated Statement of Financial Position		As reported as at December 31, 2018	Adjustments due to adoption of PFRS 16	As adjusted as at December 31, 2018
Assets for the right-of-use	P	-	1,042,503	1,042,503
Lease liabilities		-	1,188,832	1,188,832
Deferred income tax assets - net		720,373	43,842	764,215
Retained earnings		1,127,626	(102,487)	1,025,139

Consolidated Statement of Comprehensive Income		As reported for the year ended December 31, 2018	Adjustments due to adoption of PFRS 16	As adjusted for the year ended December 31, 2018
Costs of sales and services	P	14,307,126	(243)	14,306,883
Operating expenses		7,744,129	(90,519)	7,653,610
Financial expense		919,852	77,471	997,323
Foreign exchange loss - net		331,009	50,434	381,443
Income tax expense		970,993	(11,086)	959,907

b) Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments, clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes,* 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 interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, if possible without the use of hindsight, or retrospectively with cumulative effect recognized at the date of initial application without restating comparative information. The Company is currently assessing the potential impact on its consolidated financial statements resulting from the application of this interpretation.

c) 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 FVOCI 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.

d) 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.

e) Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, Employee Benefits). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

f) Annual Improvements to PFRSs 2015 - 2017 Cycle. This cycle of improvements contains amendments to four standards. The following are the improvements relevant to the Company:

- *Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12).* The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e., in profit or loss, OCI or equity.

  The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

- *Borrowing costs eligible for capitalization (Amendments to PAS 23, Borrowing Costs).* The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool.

  The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The amendments are applied to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies the amendments.

2.2 Effective January 1, 2020

a) Amendments to References to Conceptual Framework in PFRS Standards sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions; and
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

b) Definition of Material (Amendments to PAS 1, Presentation of Financial Statements and PAS 8). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

- raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence;
- including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
- clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
- clarifying the explanatory paragraphs accompanying the definition; and
- aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

2.3 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.

B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements includes those of the Parent Company and those of the subsidiaries in which the Parent Company exercises control (see Note 29), by means of which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Among other factors, control is evidenced when the Parent Company: a) holds directly or through subsidiaries, more than 50% of an entity's common stock; or b) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Company obtains control and continue to be consolidated until the date that such control ceases.

The consolidated financial statements of the Company are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. It is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related OCI recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statements of comprehensive income.

The Company has P193 and P221 non-controlling interest as at December 31, 2018 and 2017, respectively (see Note 25C).

All intragroup transactions, balances and income and expenses are eliminated in consolidation. Each subsidiary is a legally responsible separate entity and maintains custody of its own financial resources.

C) USE OF JUDGMENTS, ESTIMATES AND CRITICAL ASSUMPTIONS

The preparation of consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each of the consolidated entities in the Company considers the following:

a) The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b) The currency in which funds from financing activities are generated; and
c) The currency in which receipts from operating activities are usually retained.

In case of a subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

Determining Whether the Company has Control over its Investee Companies

The Parent Company uses judgment in determining control over its investee companies. The Parent Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee; and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Parent Company assessed that it has control over its investee companies disclosed in Note 29 and treats these investee companies as its subsidiaries.

Determining Whether an Arrangement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes an assessment of whether it is dependent on the use of a specific asset or assets and conveys a right to use the asset.

Leases

The Company has entered into various lease arrangements as lessee. The Company has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

Determining Whether the Company is Acting as a Principal or an Agent

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the entity has discretion in establishing the price for the specified good or service.

An entity is acting as a principal if it controls the promised goods or services before transferring them to the customer. The Company assessed that it is acting as principal on all of its revenue transactions.

Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, classification of financial assets depends on the results of the solely payments of principal and interest test and the business model test. The Company determines the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or FVOCI to understand the reason for any disposal prior to maturity and determine whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Financial assets are classified as financial assets at amortized cost or at FVTPL, debt investments at FVOCI and equity investment at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVTPL or other financial liabilities.

Distinction between Held for Sale and Owner-Occupied Property

The Company determines whether a property qualifies as held for sale. In making its judgment, the Company considers whether the property is not occupied substantially for use by, or in operations by the Company, but is expected to be recovered through sale. Owner-occupied properties generate cash flows that are attributable not only to the property, but also to the other assets used in the production or supply process.

The Company assessed that its machinery and equipment which were previously being used for concrete operations, its marine vessels, and other machinery and equipment qualify as "assets held for sale" as at December 31, 2017 (see Note 17).

Assessing Whether the Insurance Contract with the Third Party Insurer and Reinsurance Contract of Falcon are Linked Transactions

The Company, through Solid and APO, insures certain risks with a third party insurer in which Falcon takes some of the risk back into the Company. It was assessed that the insurance transactions between the third party insurer and Solid and APO are interdependent with the reinsurance transaction to Falcon. Since Falcon does not have the regulatory approval required to issue direct insurance contract to Philippine entities, the third party insurer acts as a conduit for Falcon, the captive insurer. This makes the transactions, in substance, form a single arrangement that achieves an overall commercial effect of self-insurance. In addition, the reinsurance contract by Falcon were entered in contemplation of the insurance contracts entered by Solid and APO with the third party insurer. Thus, the insurance expense of Solid and APO and revenue from insurance contracts of Falcon were offset during consolidation.

Assessing Whether the Business Combination Transaction has Commercial Substance

PFRS 3, *Business Combinations*, does not include in its scope transactions among entities under common control. The Company assesses whether a business combination transaction of the Parent Company has commercial substance pursuant to the Company's accounting policy discussed in Note 3K. Since the Parent Company's acquisition of the entities comprising the Philippine operations was undertaken as an integral part of its IPO, the Company assessed such transaction as having commercial substance. Hence, the Company accounted for such business combination transaction using acquisition method of accounting.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Impairment of Trade Receivables

In 2018, the loss allowances for trade receivables are based on assumptions about risk of default and ECL rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Details of key assumptions and inputs and other information about the Company's ECL are disclosed in Note 21. As at December 31, 2018, the carrying amount of trade receivables amounted to P708,906.

Impairment of Goodwill

The Company performed its annual impairment test on its goodwill as at the reporting date. The recoverable amount of goodwill was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The assumptions that were applied to the cash flow projections are disclosed in Note 19 to the consolidated financial statements. The following bases were used to develop the assumptions used in computing value-in-use, among others:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Calculated value-in-use for goodwill impairment testing is most sensitive to changes in discount rate and terminal growth rate. The carrying amount of goodwill as at December 31, 2018 and 2017 amounted to P27,859,694. No impairment on goodwill has been recognized in 2018 and 2017.

Estimating Realizability of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets include an amount which relates to the carried forward tax losses of the Parent Company and its local subsidiaries (see Note 24B). The Parent Company has incurred the tax losses over the last three years. They relate mainly to the expenses incurred by the Parent Company during the IPO, interest expenses and realized foreign exchange loss during its loan refinancing. These carried forward tax losses have an expiration of three years from the taxable year when such tax losses were incurred. The foreign subsidiaries are expected to generate profit in the succeeding years which will be available for dividend declaration to the Parent Company and will eventually form part of the Parent Company's taxable income in which the said carried forward tax losses may be applied. However, the Company has concluded that they will only benefit from a portion of the said tax losses before they eventually expire. The assessment was based on the level of estimated profit that the foreign subsidiaries will generate in the subsequent years which is based on their past results and future expectations of revenues and expenses. For the carried forward tax losses of the local subsidiaries, deferred income tax assets were recognized only up to the extent of forecasted taxable income in subsequent periods. Each forecast was based on the subsidiaries' past results and future expectations of revenue and expenses. As at December 31, 2018 and 2017, net deferred income tax assets amounted to P720,373 and P1,026,941, respectively (see Note 24B). The Company has unrecognized deferred income tax assets in respect of its net operating loss carryover (NOLCO) and deductible temporary differences amounting to P4,383,832 and P2,646,805 as at December 31, 2018 and 2017, respectively, which mostly pertain to NOLCO. The outcomes within the next financial year with respect to the results of operations of the foreign and local subsidiaries that are different from the assumption could require a material adjustment to the carrying amount of the Company's deferred income tax assets.

Assessing the Probability of an Outflow from Legal Proceedings

Pending legal cases are reviewed continuously to assess whether an outflow of resources has become probable. If the recognition criteria in the Company's policy (see Note 3M) are met, then the liability is recognized in the consolidated statements of financial position in the period in which the probability occurs. Further information about the Company's assessment on its legal proceedings are disclosed on Notes 28 and 30.

D) FOREIGN CURRENCY

Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of each of the consolidated entities in the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the transaction of the following items are recognized in OCI:

- FVOCI/available-for-sale equity investments (except on impairment on available-for-sale equity investments, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss); and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign currency gains and losses are reported on a net basis. During the period, there was no hyperinflationary economy, which is generally considered to exist when the cumulative inflation rate over the last three years is approaching, or exceeds 100%. In a hyperinflationary economy, the accounts of the entity's income statements should be restated to constant amounts as at the reporting date.

Foreign Operation

The assets and liabilities of foreign operation with functional currency other than the Philippine peso are translated into Philippine peso at the exchange rates at the reporting date. The income, expenses and cash flows of foreign operations are translated into Philippine peso at the monthly weighted average exchange rates for the period. Capital transactions of the foreign operations are translated to Philippine Peso at the exchange rates at the dates of the relevant transactions. Foreign currency differences are recognized in OCI and accumulated in "Other equity reserves" account in equity, except to the extent that the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the "Other equity reserves" account in the consolidated statements of comprehensive income related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

E) FINANCIAL INSTRUMENTS

Recognition and Initial Measurement
Financial instruments within the scope of PFRS 9 are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

A financial asset (unless it is a receivable without a financing component) or financial liability is initially measured at fair value. Except for financial instruments classified or designated at FVTPL, the initial measurement of financial assets includes directly attributable transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement
(Financial assets - Policy applicable from January 1, 2018)
The Company determines the classification of its financial assets on initial recognition. The Company classifies its financial assets into the following categories: financial assets at amortized cost, financial assets at FVTPL, debt investments at FVOCI and equity investments at FVOCI. The classification depends on the Company's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

As at December 31, 2018, the Company has no debt investments at FVOCI.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Impairment losses on trade receivables are recognized under selling expenses. Any gain or loss on derecognition is recognized in profit or loss. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, trade receivables, due from related parties, insurance claims and premium receivables, other current accounts receivable and noncurrent accounts receivable are included in this category.

Cash equivalents are mainly represented by short-term investments of high liquidity, which are easily convertible into cash, and which are not subject to significant risks of changes in their values, including overnight investments, which yield fixed returns and have maturities of less than three months from the investment date. Cash and cash equivalents exclude those which are restricted from Company's use in operations. Cash and cash equivalents are stated at face value which includes accrued interest. Interest income accruing from cash and cash equivalents are recognized as part of "Other financial expenses - net" account in the consolidated statements of comprehensive income.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. Included in this category is the Company's other investments.

All financial assets not classified and measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the standard policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(Financial assets - Policy applicable before January 1, 2018)
The Company classifies its financial assets into the following categories: financial assets at FVTPL, HTM investments, AFS financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2017, the Company has no financial assets and financial liabilities at FVPL and HTM investments.

Loans and receivables are measured at amortized cost using the effective interest method, less impairment losses. The Company's cash and cash equivalents, trade receivables, due from related parties, other current accounts receivable and long-term time and guaranty deposits (under "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) were included in this category.

AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements of changes in market conditions. AFS financial assets are generally measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve within equity. AFS financial assets that do not have quoted market price in active market and whose fair value cannot be measured reliably are measured at cost. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss. Included in this category was the Company's other investments.

Classification and Subsequent Measurement - Financial Liabilities
Trade payables, due to related parties, other accounts payable and accrued expenses (excluding advances from customers and liabilities covered by other PFRSs, such as statutory liabilities), long-term payable to a related party and bank loan, are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the consolidated statements of financial position within "Unearned revenue, other accounts payable and accrued expenses", "Long-term payable to a related party" or "Bank loan" against financial expenses. As at December 31, 2018 and 2017, the Company did not have financial liabilities classified as at FVTPL, or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss.

Derivative Financial Instruments and Hedge Accounting

(Policy applicable from January 1, 2018)
Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in commodity prices. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. To qualify for hedge accounting the hedging relationship must comply with the strict requirements such as the eligibility of both the hedging instrument and hedged item must have formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, and the hedging relationship has to meet the following hedge accounting requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognised or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the intrinsic value of the purchased option contract as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value ('forward points') of the purchased option contract is separately accounted for as a cost of hedging and recognized in costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

(Policy applicable before January 1, 2018)
The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, and the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognized immediately in profit or loss.

'Day 1' Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Derecognition of Financial Instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. The difference between the carrying amount of financial liability (or part of a financial liability) extinguished and the consideration paid is recognized in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

F) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company discloses balances and transactions with related parties. These balances and transactions resulted primarily from: i) the sale and purchase of goods and equipment between related parties; ii) the invoicing of administrative services, rentals, royalties and other services rendered between related parties; and iii) loans and advances between related parties.

G) INVENTORIES

Inventories are valued using the lower of their acquisition cost and net realizable value (NRV). The cost of inventories is based on the moving average method and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. NRV of inventories, other than spare parts, is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The NRV of spare parts is the replacement cost. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired.

When an impairment situation arises, the inventory balance is adjusted to its NRV, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results for the period. Advances to suppliers of inventory are presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position.

When the inventories are sold, the carrying amounts of those inventories are recognized under "Costs of sales and services" account in profit or loss in the period when the related revenue is recognized.

H) PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments

Prepayments are carried at cost. Prepaid insurance and prepaid rent are subsequently amortized over the terms of the contract to which the payment applies. Advances to suppliers of raw materials and spare parts and prepaid freight cost are subsequently recognized as inventories or expense when the goods are received or services are rendered. Prepaid taxes represent creditable withholding taxes which are deducted from income tax payable.

Assets Held for Sale

Noncurrent assets that are expected to be recovered primarily through sale rather through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies on the particular account from which the asset was previously classified. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amounts and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains for any subsequent increase in fair value less costs to sell of the asset are not recognized in excess of any cumulative impairment loss that has been recognized. Any gain or loss from the derecognition of assets held for sale is recognized in profit or loss.

I) INVESTMENT IN AN ASSOCIATE

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interest in an associate is accounted for using the equity method. It is initially recorded at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share in the profit or loss and OCI of the associate, until the date on which the significant influence ceases.

J) PROPERTY, MACHINERY AND EQUIPMENT

An item of property, machinery and equipment is initially recognized at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition of its intended use. Property, machinery and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The acquisition or construction cost includes all expenditures directly attributable to bringing the assets to a working condition for their intended use. Major components of an item of property, machinery and equipment with different useful lives are accounted for as separate items.

Depreciation of property, machinery and equipment is recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income and is calculated using the straight-line method over the estimated useful lives of the assets.

As at December 31, 2018 and 2017, the Company's maximum estimated useful lives by category of property, machinery and equipment were as follows:

	Years
Buildings and improvements	50
Machinery and equipment	
Plant Machinery and equipment	10 - 35
Ready-mix trucks and motor vehicles	5
Office equipment and other assets	3

The assets' residual values, useful lives and method of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property, machinery and equipment. Any change in the expected residual values, useful lives and method of depreciation are adjusted prospectively from the time the change was determined necessary.

The Company capitalizes, as part of the historical cost of property, machinery and equipment, interest expense arising from existing debt during the construction or installation period of significant property, machinery and equipment, considering the Company's corporate average interest rate and the average balance of investments in process for the period.

Construction in-progress represents property, machinery and equipment under construction and is recognized at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for operational use but tested for impairment.

Costs incurred in respect of operating property, machinery and equipment that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. The capitalized costs are depreciated over the remaining useful lives of such property, machinery and equipment. Other costs, including periodic maintenance on property, machinery and equipment, are expensed as incurred. Advances to suppliers of property, machinery and equipment are presented as part of "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, machinery and equipment are accounted for as property, machinery and equipment. Depreciation on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

An item of property, machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statements of comprehensive income in the period the item is derecognized.

K) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted using the acquisition method of accounting when control is transferred to the Parent Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets, liabilities and contingent liabilities (that satisfy certain recognition criteria) acquired. The consideration is allocated to all identifiable assets acquired and liabilities assumed, based on their estimated fair values at acquisition date. Intangible assets acquired are identified and recognized at fair value. Any unallocated portion of the consideration transferred represents goodwill, which is not amortized and is subject to periodic impairment tests (see Note 3L). Goodwill can be adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed within the twelve-month period after purchase. Costs associated with the acquisition are expensed in profit or loss as incurred.

For business combination transactions among entities under common control, the Company applies the provisions of the Philippine Interpretations Committee Questions and Answers No. 2011-02, *Common Control Business Combinations*, in assessing whether a transaction has commercial substance and qualifies for acquisition method of accounting under PFRS 3.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Company's cash-generating units (CGUs), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the assets or liabilities of the Company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Company's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Note 3L).

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

L) IMPAIRMENT

Non-derivative Financial Assets

(Policy applicable from January 1, 2018)
The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities and other receivables (i.e., insurance claims and premium receivable) that are determined to have low credit risk at the reporting date; and
- other debt securities, other receivables and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when: (1) the borrower is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realizing any collateral; or (2) the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when: i) the debt security has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of Allowance for ECL in the Consolidated Statements of Financial Position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written-off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company categorizes a financial asset for write-off when the debtor fails to make contractual payments more than 365 days past due. The Company expects no significant recovery from the amount written-off.

(Policy applicable before January 1, 2018)
Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

Loans and Receivables
The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and collectively for such financial assets that are not individually significant.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Company.

AFS Financial Assets
If there is objective evidence that an impairment loss has been incurred on an equity instrument that does not have a quoted price in an active market and that is not carried at fair value because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Property, Machinery and Equipment and Investment in an Associate

Property, machinery and equipment and investment in an associate are tested for impairment upon the occurrence of factors, such as a significant adverse event, changes in the Company's operating environment, changes in projected use or in technology, as well as expectations of lower operating results for each CGU, in order to determine whether their carrying amounts may not be recovered, in which case an impairment loss is recognized in profit or loss for the period when such determination is made within "Other expenses - net" account in the consolidated statements of comprehensive income.

The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs of disposal, and its value-in-use, the latter represented by the net present value of estimated cash flows related to the use or disposal of the asset.

Significant judgment by management is required to appropriately assess the fair values and value-in-use of these assets. The main assumptions utilized to develop these estimates are a discount rate that reflects the risk of the cash flows associated with the assets evaluated and the estimations of generation of future income. Those assumptions are evaluated for reasonableness by comparing such discount rates to market information available and by comparing to third-party expectations of industry growth, such as governmental agencies or industry chambers of commerce.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statements of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested for impairment when needed due to significant adverse changes or at least once a year by determining the recoverable amount of the group of CGUs to which goodwill was allocated, which consists of the higher between the CGU's fair value, and their value-in-use, represented by the discounted amount of estimated future cash flows to be generated by such CGUs to which those net assets relate. The Company determines discounted cash flows over a 5-year period. If the value-in-use of any CGU is lower than their respective carrying amount, the Company determines the fair value of its CGUs using a methodology widely accepted in the market to determine the value of entities, such as multiples of Operating Earnings Before Income Tax, Depreciation and Amortization (EBITDA) and by reference to other market transactions, among others. An impairment loss is recognized in profit or loss within "Other expenses - net" account in the consolidated statements of comprehensive income, if the recoverable amount is lower than the carrying amount of the group of CGUs to which goodwill was allocated. Impairment charges recognized on goodwill are not reversed in subsequent periods.

The Company operates through its major operating subsidiaries, Solid and APO, which represents the Company's groups of CGUs to which goodwill has been allocated for purposes of testing goodwill for impairment and represents the lowest level at which goodwill is monitored for internal management purposes.

Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of the Company's products, the development of operating expenses, economic trends in the relevant construction industry, the long-term growth expectations in the market, as well as to the discount rate and the growth rate in perpetuity applied. For purposes of estimating future prices, the Company uses, to the extent available, historical data plus the expected increase or decrease according to information issued by trusted external sources and/or governmental economic expectations. Operating expenses are estimated taking into account past experience. However, such operating expenses are also reviewed and adjusted considering inflation and other external information sources in respect to inputs that behave according to international prices, such as gas and oil that may have an impact on future costs.

The Company uses pre-tax discount rates which are applied to discount pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. Likewise, the amounts of discounted estimated future cash flows are significantly sensitive to the weighted average cost of capital (discount rate) applied. The higher the growth rate in perpetuity applied, the higher the amount obtained of undiscounted future cash flows by CGU. Conversely, the higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by CGU.

M) PROVISIONS AND CONTINGENCIES

The Company recognizes provisions when it has a legal or constructive obligation resulting from past events, whose resolution would imply probable and reliably measurable cash outflows or delivery of other resources owned by the Company. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a borrowing cost.

Restructuring

The Company recognizes provisions for restructuring costs only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to the third parties involved and/or affected by the restructuring prior to the reporting date. These provisions may include costs not associated with the Company's ongoing activities.

Asset Retirement Obligations

Unavoidable obligations, legal or constructive, to restore operating sites upon retirement of long-lived assets at the end of their useful lives are measured at the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' carrying amount. The increase in the assets' carrying amount is depreciated during its remaining useful life. The increase in the liability related to the passage of time is charged to profit or loss. Adjustments to the liability for changes in estimations are recognized against the related property, machinery and equipment and depreciation is modified prospectively. Once the related asset is fully depreciated over its useful life, all subsequent changes in the liability shall be recognized in profit or loss as they occur. These liabilities relate mainly to the future costs of demolition, cleaning and rehabilitation and vacating from, under certain conditions, production or operating sites, including maritime terminals.

Costs Related to Remediation of the Environment

Provisions associated with environmental damage represent the estimated future cost of remediation, which are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. Reimbursements from insurance companies are recognized as assets only when their recovery is virtually certain. In that case, such reimbursement assets are not offset against the provision for remediation costs.

Commitments and Contingencies

Obligations or losses related to contingencies are recognized as liabilities in the consolidated statements of financial position when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the consolidated financial statements on an incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the consolidated financial statements. The Company does not recognize contingent revenues, income or assets.

Reimbursements and Compensation

Reimbursements related to provision is recognized as a separate asset when recovery is virtually certain. The loss and the recovery are recognized at the same time. However, if the party that will make the reimbursement cannot be identified, then the reimbursement is not considered as virtually certain and is not recognized. If the only uncertainty regarding the recovery of an insured loss is the amount of the recovery, then the reimbursement amount will qualify to be recognized as an asset. Receivable from compensation for lost income is recognized when the Company has an unconditional right to receive the compensation. The Company's unconditional contractual right to receive compensation is established when: (1) the Company has an insurance contract under which it can make a claim for compensation; and (2) the loss event that creates a right for the Company to assert a claim at the reporting date has occurred and the claim is not disputed by the insurer. The compensation receivable should be measured based on the amount and timing of the expected cash flows discounted at a rate that reflects the credit risk of the insurer. Income arising from compensation is offset against the loss recognized from where such right to compensation arises.

N) FAIR VALUE MEASUREMENTS

The Company applies the guidance of PFRS 13, *Fair Value Measurement*, for its fair value measurements of financial assets and financial liabilities recognized or disclosed at fair value. Under PFRS 13, fair value represents an "Exit Price," which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, considering the counterparty's credit risk in the valuation. The concept of exit value is premised on the existence of a market and market participants for the specific asset or liability. When there is no market and/or market participants willing to make a market, PFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement), secondly, to inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly (Level 2 measurement), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement). The Company recognizes transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

O) EMPLOYEE BENEFITS

Defined Benefit Pension Plans

Pursuant to PAS 19, *Employee Benefits*, the Company recognizes the costs associated with employees' defined benefit pension plans as services are rendered, based on actuarial estimations of the benefits' present value with the advice of external actuaries. The actuarial assumptions consider the use of nominal rates.

The service cost, corresponding to the increase in the obligation for additional benefits earned by employees during the period, is recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income. The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss within "Other financial expenses - net" account in the consolidated statements of comprehensive income.

The effects from modifications to the pension plans that affect the cost of past services are recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income during the period in which such modifications occur or when any related restructuring or termination benefits are recognized, if earlier. Likewise, the effects from curtailments and/or settlements of obligations occurred during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income.

Remeasurements such as the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, and actuarial gains and losses, related to differences between the previous actuarial assumptions and actual occurrences, and changes in actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of OCI for the period within equity. Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in profit or loss for the period in which they are incurred.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Transportation Allowance

The Company grants transportation allowance to "entitled executives" for the purpose of purchasing a motor vehicle and to cover other transportation-related expenses such as, but not limited to, maintenance cost, gasoline, registration expenses and insurance premiums on motor vehicle for a period of five (5) years from the date of grant. The amount paid to executives in respect of the Company's transportation allowances is recorded as an asset carried at cost (the current portion is part of "Prepayments and other current assets" account, while the noncurrent portion is part of "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) and subsequently amortized as an expense over the term of the contract.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

P) BORROWING COSTS

Interest and other finance costs incurred on borrowings used to finance property development are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets are completed. These costs are amortized using the straight-line method over the estimated useful life of the related property, machinery and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Q) TAXES

Income Taxes

Based on PAS 12, the effects reflected in profit or loss for income taxes include the amounts payable or recoverable in respect of taxable profit or loss during the period and the amounts of deferred income taxes pertaining to amounts payable or recoverable in future periods, determined according to the income tax law applicable to each entity. Consolidated deferred income taxes represent the addition of the amounts determined in each legal entity by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable amounts of assets and liabilities, considering tax loss carryforwards as well as other recoverable taxes and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income taxes for the period represent the difference between balances of deferred income taxes at the beginning and at the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. Pursuant to PFRSs, all items charged or credited directly in equity or as part of OCI for the period are recognized net of their current and deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the period in which the change is officially enacted.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused NOLCO, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred income tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Parent Company and of the individual subsidiaries in the Company. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is not considered probable that the related tax benefit will be realized. In conducting such assessment, the Company analyzes the aggregate amount of self-determined tax loss carryforwards included in its income tax returns in each country where the Company believes, based on available evidence, that the tax authorities would not reject; and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through an analysis of estimated future taxable income. If the Company believes that it would not be able to use a tax loss carryforward before its expiration or any other deferred income tax asset, the Company will not recognize such deferred income tax assets.

Both situations would result in additional income tax expense for the period in which such determination is made. In order to determine whether it is probable that deferred income tax assets will ultimately be realized, the Company takes into consideration all available positive and negative evidence, including factors such as market conditions, industry analysis, expansion plans, projected taxable income, carryforward periods, current tax structure, potential changes or adjustments in tax structure, tax planning strategies, future reversals of existing temporary differences, etc. Likewise, every reporting period, the Company analyzes its actual results versus the Company's estimates, and adjusts its estimations as necessary. If actual results vary from the Company's estimates, the deferred income tax asset may be affected and necessary adjustments will be made based on relevant information. Any adjustments recorded will affect the Company's profit or loss in such period.

Excess income tax payments are recognized as "Prepaid taxes" under "Prepayments and other current assets" account in the consolidated statements of financial position and are carried at cost.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as a part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of "Prepayments and other current assets" or "Unearned revenue, other accounts payable and accrued expenses" accounts, respectively, in the consolidated statements of financial position.

R) STOCKHOLDERS' EQUITY

Common Stock and Additional Paid-in Capital

Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the consolidated statements of financial position.

Other Equity Reserves

Represent the horizontal sum of each consolidated entity's cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to equity, and includes the elements presented in the OCI for the period, which includes certain changes in stockholders' equity during a period not resulting from investments by owners and distributions to owners. As at December 31, 2018 and 2017, the "Other equity reserves" account in the consolidated statements of financial position represents the share-based compensation, remeasurements on retirement benefit liability, changes in fair value of the derivative instrument in an effective cash flow hedge and cumulative currency translation of foreign subsidiaries.

Retained Earnings

Represent the horizontal sum of each consolidated entity's cumulative results of prior accounting periods, net of dividends declared to stockholders.

S) EXECUTIVE STOCK-BASED COMPENSATION

Certain executives of the Company receive compensation under CEMEX's Long-Term Incentive Program using CPOs. Pursuant to the guidance of PFRS 2, stock awards based on the ultimate parent company's shares granted to the Company's executives are treated as equity instruments, considering that services received from employees are settled by delivering such CEMEX's shares. The cost of equity instruments represents the estimated fair value at the date of grant and is recognized in profit or loss during the period in which the exercise rights of the employees become vested against other equity reserves.

T) REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's consolidated revenue represents the value of products sold by the consolidated entities, net of VAT on sales, as a result of their ordinary activities, after the elimination of transactions between consolidated entities, and is measured at the consideration specified in a contract with a customer. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer.

Revenue from Sale of Cement and Cement Products
(Policy applicable from January 1, 2018)
Customers obtain control of the cement or cement products when these goods are delivered to and have been accepted at their premises. Hence, revenue is recognized at that point in time. Invoices are usually payable within 30 to 60 days. No discounts are provided for the sale of cement and cement products, but customers may earn loyalty points instead which they can redeem against future orders or other packages defined in the program.

(Policy applicable before January 1, 2018)
Revenue was recognized when the goods were delivered to the customers' premises, which was taken to be at the time at which the customer accepts the goods and the related risks and rewards of ownership were transferred.

Customer Loyalty Programme
The Company has a customer loyalty programme whereby customers are awarded credits known as "Points" entitling customers to redeem against any future purchases of the Group's cement goods. The Company grants Points to a customer as part of the sales transaction and subject to condition set-out in the programme. These Points has an expiration of 15 months from the date of grant.

(Policy applicable from January 1, 2018)
The Company allocates a portion of the consideration received to the Points. This allocation is based on the relative stand-alone selling prices, taking into account the expected forfeiture rate. The amount allocated to the Points is deferred, and is recognized as revenue when the Points are redeemed or the right to redeem the Points expires. The deferred revenue is recognized as "Contract liabilities" under current liabilities in the consolidated statements of financial position.

(Policy applicable before January 1, 2018)
Revenue was allocated between the Points and the other components of the sale using the residual approach. The amount allocated to the Points is measured by reference to the peso amount of such Points granted based on the product type purchased by the customer. The amount allocated to the Points was recorded as "Unearned revenue from customer loyalty programs" under "Unearned revenue, other accounts payable and accrued expenses" account in the consolidated statements of financial position. Revenue was then recognized when the Company fulfilled its obligations to supply the free or discounted products under the terms of the programme or when the right to redeem the Points expires.

Revenue for Construction Contracts
(Policy applicable from January 1, 2018)
The Company becomes entitled to invoice customers for construction contracts based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work and an invoice for the related milestone payment. Prior to invoicing, the Company recognizes a contract asset for the value of work performed. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date under the cost–to–cost method then the Company recognizes a contract liability for the difference. There is no significant financing component in construction contracts with customers as the payments at each milestone is generally expected to approximate cash selling price of performance to date, and no significant time intervals are expected in between milestones. To determine whether the contract modification shall be treated as a separate contract or as part of the original contract, the Company also assesses whether the contract modification add distinct goods or services that are priced commensurate with their stand-alone selling prices. If not, the Company then assesses whether the remaining goods or services are distinct from those already transferred.

(Policy applicable before January 1, 2018)
Revenue associated with construction contracts of building houses and other structures is recognized in the period in which the work is performed by using the percentage-of-completion method of accounting and is measured principally on the basis of the estimated completion of the contract work based on cost incurred, considering that the following have been defined: a) each party's enforceable rights regarding the asset to be constructed; b) the consideration to be exchanged; c) the manner and terms of settlement; d) actual costs incurred and contract costs required to complete the asset which are effectively controlled; and e) the probability that the economic benefits associated with the contract will flow to the Company. Contract expenses were recognized as they were incurred and the expected loss on a contract was recognized immediately in profit or loss.

Contract Balances
Trade receivables
Trade receivables represent the Company's right to consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of Trade receivables in Notes 3E and 3L.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier).

U) INSURANCE CONTRACTS

An insurance contract is an agreement whereby one party, called the insurer, undertakes for a consideration paid by the other party, called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Premiums from insurance contracts are recognized as revenue over the period of the contracts. The portion of the premiums written that relate to the unexpired periods of the policies at each reporting date is accounted for as "Unearned revenue" and is presented under current liabilities section of the consolidated statements of financial position. The net changes in this account between reporting dates are credited to or charged against profit or loss. Insurance revenue is presented as an offset to insurance expense in the consolidated statements of comprehensive income.

Benefits and Claims

Benefits and claims consist of all costs incurred during the year, which are recognized when the Company receives notification from policyholders. Estimates have to be made as at the reporting date both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported (IBNR). The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to project future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss against insurance liability. Claims provisions are not discounted for the time value of money.

V) COSTS OF SALES AND SERVICES, ADMINISTRATIVE AND SELLING EXPENSES AND DISTRIBUTION EXPENSES

Cost of sales represents the production cost of goods sold. Such cost of sales includes power and fuel, raw materials and supplies, personnel expenses, depreciation of property, machinery and equipment involved in production, as well as freight expenses of raw material in plants. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities and storage of product at points of sales and costs related to warehousing of products at the selling points, which are included as part of administrative and selling expenses, as well as freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers' facilities, which are included as part of the distribution expenses line item in the consolidated statements of comprehensive income. Cost of construction contracts are recognized when incurred.

W) LEASES

The determination of whether an arrangement is, or contains a lease is, based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) There is a change in determination of whether fulfillment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Lease which do not transfer to the Company substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

X) BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Pursuant to PAS 33, *Earnings Per Share*, basic earnings (loss) per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period. Shares that would be issued depending only on the passage of time should be included in the determination of the basic weighted average number of shares outstanding. Diluted earnings (loss) per share should reflect in both, the numerator and denominator, the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions, to the extent that such assumption would lead to a reduction in basic earnings per share or an increase in basic loss per share, otherwise, the effects of potential shares are not considered because they generate anti-dilution.

Y) EVENTS AFTER THE REPORTING DATE

Post year-end events, up to the approval of the consolidated financial statements by the BOD, that provide additional information about the Company's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed on the notes to the consolidated financial statements when material.

NOTE 4 - 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 results and performance is evaluated for decision-making purposes and allocation of resources is made on a per country basis. Hence, the Company represents a single geographical operating segment. 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 years ended December 31, 2018, 2017 and 2016, the cement sector represented approximately 86.15%, 84.50% and 85.88%, respectively, of total net revenues before eliminations resulting from consolidation, and 147.19%, 134.26% and 109.60% respectively, of Operating EBITDA.

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.

(Amounts In Thousands, Except Number of Shares and Per Share Data)

NOTE 5 - DEPRECIATION

Depreciation charges for the years ended December 31, 2018, 2017 and 2016 are detailed as follows:

		2018	2017	2016
Depreciation expense related to assets used in the production process	P	**1,360,582**	1,145,032	1,128,248
Depreciation expense related to assets used in administrative and selling activities		**55,841**	124,201	93,024
	P	**1,416,423**	1,269,233	1,221,272

NOTE 6 - REVENUE

Disaggregation of Revenue from Contracts with Customers
Revenue for the years ended December 31, 2018 and 2017 and 2016 are detailed by major product lines and timing of revenue recognition as follows:

	Timing of revenue recognition		2018	2017	2016
Sale of goods					
Cement	At a point in	P	**23,399,750**	21,571,211	23,893,481
Ready-mix concrete	At a point in		**11,169**	175,711	333,041
Admixtures	At a point in		**6,345**	16,824	13,516
			23,417,264	21,763,746	24,240,038
Construction services	Over time		**433**	20,704	46,715
		P	**23,417,697**	21,784,450	24,286,753

Breakdown of cement sales per customer is as follows:

		2018	2017	2016
Retailers	P	**18,746,316**	17,359,547	19,659,746
Institutional		**4,540,657**	4,048,021	4,152,817
Others		**112,777**	163,643	80,918
Total	P	**23,399,750**	21,571,211	23,893,481

The Company does not depend on any single or few customers, and no single customer represented more than 10% of the Company's consolidated Revenue. Export sales are mainly from the sale of cement to the Pacific Islands amounting to P95.6 million, P84.8 million and P80.9 million in 2018, 2017 and 2016, respectively.

Contract Balances
The following table provides information about receivables and contract liablities from contracts with customers:

		December 31, 2018	January 1, 2018
Trade receivables	P	**708,906**	833,259
Contract liabilities		**375,224**	426,999

The contract liabilities include unredeemed customer loyalty points and advances from customers. These will be recognized as revenue when the points are redeemed by customers or when the goods are delivered to the customer, which is expected to occur the following year. The amount recognized in contract liabilities at January 1, 2018 has been fully recognized as revenue in 2018. There are no other unperformed obligation other than those already included in contract liabilities.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 7 - COSTS AND EXPENSES

Costs of sales and services, administrative and selling expenses for the years ended December 31, 2018, 2017 and 2016 are detailed as follows:

		Costs of Sales and Services		
		2018	2017	2016
Power, fuels, raw materials and production supplies	P	**9,699,937**	8,298,147	7,744,997
Depreciation		**1,360,582**	1,145,032	1,128,248
Cement purchases		**807,799**	710,481	786,859
Repairs and maintenance		**633,594**	549,769	671,819
Outside services		**513,389**	545,245	503,230
Rental		**512,867**	349,512	358,963
Salaries and wages [1]		**487,509**	466,936	454,948
Others [2]		**291,449**	335,779	236,819
	P	**14,307,126**	12,400,901	11,885,883

[1] Includes retirement benefit expense amounting to P40,670, P39,192 and P41,390 in 2018, 2017 and 2016, respectively (see Note 22).
[2] Others pertain to insurance expense, taxes and licenses, transportation and communication expenses and other costs that are individually immaterial.

		Administrative Expenses		
		2018	2017	2016
Administrative fees	P	**424,957**	625,833	671,490
Salaries and wages [1]		**538,464**	434,081	212,977
Insurance		**220,268**	143,506	695,506
Travel expenses		**70,123**	40,397	50,443
Utilities and supplies		**36,662**	30,208	37,814
Rental		**22,854**	31,626	28,810
Depreciation		**20,617**	33,019	61,679
Taxes and licenses		**11,790**	8,542	12,425
Others		**61,325**	4,227	41,921
	P	**1,407,060**	1,351,439	1,813,065

[1] Includes retirement benefit expense amounting to P20,122, P44,832 and P33,433 in 2018, 2017 and 2016, respectively (see Note 22).

		Selling Expenses		
		2018	2017	2016
License fees	P	**883,458**	827,829	942,985
Administrative fees		**231,902**	252,756	180,588
Salaries and wages		**114,518**	156,814	150,204
Utilities and supplies		**70,544**	71,454	62,562
Rental		**58,234**	79,797	51,791
Advertising and travel		**50,792**	137,865	157,461
Taxes and licenses		**35,535**	38,582	39,553
Depreciation		**35,224**	91,182	31,345
Impairment losses on receivables (Note 21)		**10,526**	26,403	10,615
Insurance		**6,574**	10,608	2,790
Others [1]		**104,432**	34,620	50,635
	P	**1,601,739**	1,727,910	1,680,529

[1] Includes packaging materials, fuel, representation and entertainment and freight insurance.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 8 - DISTRIBUTION EXPENSES

Distribution expenses for the years ended December 31, 2018 and 2017 and 2016 are detailed as follows:

		2018	2017	2016
Trucks, barge and charter hire	P	**3,568,955**	3,311,631	3,065,909
Fuel for vessel		**561,869**	498,273	366,850
Handling expenses		**518,573**	418,259	428,530
Harbor services		**76,737**	74,880	95,465
Others		**9,196**	14,590	4,882
	P	**4,735,330**	4,317,633	3,961,636

NOTE 9 - OTHER EXPENSES - Net

Net other expenses for the years ended December 31, 2018 and 2017 and 2016 are detailed as follows:

		2018	2017	2016
Other losses related to the landslide[6]	P	**71,716**	–	–
Impairment loss on property, machinery and equipment[1]		**3,669**	175,230	–
Gain on sale of golf club shares (Note 14)		**(15,732)**	–	–
Gain on sale of scraps		**(12,052)**	(20,625)	(11,399)
Loss (gain) on disposal of property, machinery and equipment and assets held for sale		**(2,522)**	4,602	24,263
Reorganization expenses[2]		–	139,409	–
Loss from early extinguishment of debt[3]		–	64,603	–
Freight on disposal of property, machinery and equipment		–	1,086	–
Back office and other support service[4]		–	(136,647)	–
Costs related to listing of shares[5]		–	–	287,930
Miscellaneous expense (income)		**(2,426)**	(1,479)	18,989
	P	**42,653**	226,179	319,783

[1] Refer to Note 18 to the consolidated financial statements.
[2] Reorganization costs consist of severance and other post-termination benefit costs resulting from the cost reduction efforts of the Company.
[3] Unamortized portion of documentary stamp tax arising from the Parent Company's loan with New Sunward Holding B.V., an entity under common control of CEMEX, written-off due to early settlement (see Note 13).
[4] Income generated by Solid for the back office and other support service provided to related parties (see Note 13).
[5] Costs related to the listing of shares include legal fees, stock exchange listing fees, roadshow presentation, among others.
[6] Refer to Note 30.

NOTE 10 - OTHER FINANCIAL EXPENSES - Net

Net other financial expenses for the years ended December 31, 2018, 2017 and 2016 are detailed as follows:

		2018	2017	2016
Interest expense on retirement benefit plan (Note 22)	P	**53,204**	40,132	29,964
Bank charges		**3,982**	3,606	36,485
Interest income		**(25,093)**	(6,892)	(33,715)
	P	**32,093**	36,846	32,734

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31 consisted of:

		2018	2017
Cash on hand and in banks	P	**1,747,453**	629,089
Short-term investments		**66,212**	429,178
	P	**1,813,665**	1,058,267

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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 1.3% to 2.4% per annum and 0.6% to 1.3% per annum in 2018 and 2017, respectively.

In 2018, 2017 and 2016, interest income on cash and cash equivalents amounted to P16,444, P3,034 and P6,067, respectively.

As mentioned in Note 3E, as at December 31, 2018 and 2017, the following cash equivalents, which include deposits to a related party, are considered highly liquid investments readily convertible to cash:

		2018	2017
Lomez International B.V. (Lomez) (Note 13)	P	**66,212**	–
New Sunward Holding B.V. (NSH) (Note 13)		–	380,178
Local banks		–	49,000
	P	**66,212**	429,178

The short-term investment in NSH is 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 and zero interest. On March 1, 2018, NSH assigned and transferred all its rights and obligations under the deposit agreement to Lomez.

The Company's exposures to credit risk, foreign currency risk, and interest rate risk related to cash and cash equivalents are disclosed in Note 21 to the consolidated financial statements.

NOTE 12 - TRADE RECEIVABLES - Net

Trade receivables as at December 31 consisted of:

		2018	2017
Trade receivables - gross	P	**733,054**	869,357
Allowance for impairment losses		**(24,148)**	(36,098)
	P	**708,906**	833,259

The Company's exposure to credit risk related to trade receivables is disclosed in Note 21 to the consolidated financial statements.

NOTE 13 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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).

As at December 31, 2018 and 2017, balances of related party receivables and payables which are generally expected to be settled in cash, are detailed as follows:

Short-term investments		2018	2017
Other related party[19]			
Lomez (Note 11)	P	**66,212**	–
NSH (Note 11)		–	380,178
	P	**66,212**	380,178

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Receivables - current		2018	2017
Other related parties[19]			
Topmix LLC [1]	P	**14,738**	–
Beijing CXP Import & Export Co. [2]		**7,277**	–
CEMEX Central, S.A. de C.V. [3]		**3,424**	6,404
CRG [4]		**2,593**	–
CEMEX International Trading LLC [5]		**1,126**	–
APO Land & Quarry Corporation [6]		**886**	1,450
Island Quarry and Aggregates Corporation [7]		**203**	4,720
CEMEX Paving Solutions Ltd. [8]		**–**	13,682
Others [18]		**79**	130
	P	**30,326**	26,386

Payables - current		2018	2017
Ultimate Parent			
CEMEX [10]	P	**26,290**	6,864
Other related parties [19]			
CEMEX Asia B.V. (CABV) [12]		**1,074,083**	215,224
Transenergy, Inc. [13]		**674,721**	1,066,157
CEMEX Construction Materials South, LLC (CCM)[14]		**599,881**	567,135
CEMEX Central, S.A. de C.V. [3]		**198,108**	114,666
Sunbulk Shipping, N.V. [5]		**37,810**	–
APO Land & Quarry Corporation (ALQC) [15]		**25,553**	28,909
Island Quarry and Aggregates Corporation (IQAC) [16]		**17,443**	36,633
CEMEX Asia Pte., Ltd. - Philippine Headquarters (CAPL-PHQ) [17]		**15,506**	8,308
CEMEX Mexico, S.A. de C.V. [9]		**9,772**	9,413
Beijing CXP Import & Export Co. [2]		**2,837**	10,050
CEMEX Internacional, S.A. de C.V. [11]		**715**	–
CRG [4]		**42**	210,045
Others [18]		**290**	–
	P	**2,683,051**	2,273,404

Payables - non-current		2018	2017
Other related parties[19]			
CABV [12]	P	**2,520,914**	1,073,635

[1] The balance, which is unimpaired, unsecured, noninterest-bearing and has a 30-day term, includes sale of concrete equipment of the Company and shipping costs on transportation equipment sold.

[2] The receivable balance pertains to advances which are unsecured, noninterest-bearing and due on demand; while the balance payable pertains to the outstanding liability for the purchases of materials and spare parts, which is unsecured, noninterest-bearing and due on demand.

[3] 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 balance payable, 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, S.A. de C.V. and, accordingly, CAPL-PHQ collected from each of Solid and APO as reimbursement of the fees billed by CEMEX Central, S.A. de C.V. for services rendered. In 2017, the arrangement between CAPL-PHQ and CEMEX Central, S.A. de C.V. was changed resulting in Solid and APO entering into separate service agreements directly with CEMEX Central, S.A. de C.V. 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.

[4] The receivable balance pertain to overpayment of royalties/license fees of the Company to CRG, which is unimpaired, unsecured, noninterest-bearing and due on demand. The liability balance pertain to unpaid royalties/license fees which is unsecured, noninterest-bearing and due on demand.

[5] The balance, which is unimpaired, unsecured, noninterest-bearing and has a 30-day term pertains to international freight services.

[6] The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes a) receivables from service agreement amounting to P713 and P1,446 as at December 31, 2018 and 2017, respectively; and b) others amounting to P173 and P4 as at December 31, 2018 and 2017, respectively. In 2016, each of Solid and APO entered into an agreement with ALQC 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.

[7] 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 December 31, 2017; b) receivables from service agreements amounting to P177 and P2,299 as at December 31 2018 and, 2017, respectively; and c) others amounting to P26 and P149 as at December 31 2018 and, 2017, respectively. In 2016, Solid entered into an agreement with IQAC wherein the former shall provide back-office and other support services to the latter. Fees are calculated at cost incurred plus fixed mark-up.

[8] The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to the sale of paving equipment of the Company in 2017.

[9] The balance, which is unsecured, noninterest-bearing and due on demand, pertains to purchase of equipment from CEMEX Mexico, S.A. de C.V.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

[10]The payable balance pertains to the use of CEMEX "marks" which is 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 territories.
[11]The balance pertains to purchase of fuel with a 30-day term as at December 31, 2018 which is unsecured and noninterest-bearing.
[12]The balance includes a) interest on short-term loan with the Company amounting to P448 and P525 as at December 31, 2018 and 2017, respectively; b) short-term loan with the Company amounting to P1,073,635 which bears interest at 7.68% per annum for APO and P214,699 which bears interest at an annual rate equal to 6-month LIBOR plus 369 basis points for Solid as at December 31, 2018 and 2017, respectively; c) on November 21, 2018, Solid executed a revolving facility agreement with CABV, a subsidiary of CEMEX, allowing Solid to withdraw in one or several installments a sum of up to U.S.$75,000. The principal amount of P2,520,914 shall bear a fixed interest based on the Company's consolidated leverage ratio. This revolving facility agreement with CABV has a term of six (6) years from the date of the agreement. On September 1, 2017, APO and CABV changed the currency of the outstanding loan from $21.0 million to P1.1 billion. The loan is unsecured and is due to be paid in 2024 and 2019 by Solid and APO, respectively.
[13]The balance pertains to purchase of coal with a term of 30 days, noninterest-bearing and unsecured.
[14]The balance, which is unsecured, noninterest-bearing and due on demand, pertains to the purchase of equipment for the expansion of Solid plant.
[15]The balance includes a) purchase of raw materials with a 30-day term amounting to P25,510 and P28,774 as at December 31, 2018 and 2017, respectively; b) reimbursable expenses amounting to P43 as at December 31, 2018 and c) advances amounting to P135 as at December 31, 2017. These transactions are unsecured and are noninterest-bearing. APO purchases majority of its limestone, pozzolan and clay requirements from ALQC pursuant to a long-term supply agreement.
[16]The balance includes a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P14,967 and P29,063 as at December 31, 2018 and 2017, respectively; b) reimbursable expenses amounting to P38 as at December 31, 2018; c) rental of equipment amounting to P7,570 as at December 31, 2017; and d) collections from housing loan owned by IQAC amounting to P2,436 in 2018, which is unsecured, noninterest-bearing and due on demand. Solid purchases majority of its limestone, pozzolan and clay requirements from IQAC pursuant to a long-term supply agreement.
[17]The balance includes a) corporate and administrative service fees received by the Company which is unsecured, noninterest-bearing, and has a term of 30 days amounting to P8,308 as at December 31, 2017 and b) overpayment of transferred pension amounting to P15,506 as at December 31, 2018 (see Note 22). The service agreement was terminated in December 2017.
[18]The balance pertains to reimbursable expenses, which is unsecured, noninterest-bearing and due on demand.
[19]Other related parties pertain to entities under common control of CEMEX, except for IQAC and ALQC.

The reconciliation of opening and closing balances of loans from a related party payables follows:

		2018	2017
Balance as at January 1	P	**1,288,859**	15,919,322
Proceeds from drawdowns (net of transaction costs)		**2,279,121**	849,900
Interest expense		**145,786**	252,827
Effect of exchange rate changes		**(5,745)**	44,713
Loss from early extinguishment of debt (Note 9)		**–**	64,603
Payments of:			
Interest		**(113,024)**	(384,031)
Principal		**–**	(15,458,475)
Balance as at December 31	P	**3,594,997**	1,288,859

The main transactions entered by the Company with related parties for the years ended December 31, 2018, 2017 and 2016 are shown below:

Transaction with ultimate parent		2018	2017	2016
Hedging transaction				
CEMEX [2]	P	**–**	–	12,016

Transactions with other related parties[11]

		2018	2017	2016
Purchases of raw materials				
Transenergy, Inc.[1]	P	**2,022,607**	2,709,300	1,853,913
ALQC [1]		**263,004**	253,483	312,103
IQAC [1]		**242,042**	306,812	303,383
Beijing CXP Import & Export Co. [1]		**26,340**	29,848	2,517
CEMEX Admixtures GmbH [10]		**–**	–	265
	P	**2,553,993**	3,299,443	2,472,181
Loan drawdowns				
CABV [1]	P	**2,295,194**	849,900	617,784
NSH [1]		**–**	–	40,142,910
	P	**2,295,194**	849,900	40,760,694

(Amounts in Thousands, Except Number of Shares and Per Share Data)

		2018	2017	2016
Royalties and trademarks				
CRG [1]	P	853,031	797,320	908,074
CEMEX [1]		30,427	30,509	34,911
	P	883,458	827,829	942,985
Freight services				
Sunbulk Shipping, N.V.[1]		334,469	–	–
Cemex International Trading LLC[1]	P	163,777	–	–
	P	498,246	–	–
Corporate services and administrative services				
CEMEX Central, S.A. de C.V. [1]	P	287,306	258,861	–
ALQC [1]		7,779	5,639	3,032
IQAC [1]		7,719	5,708	3,179
CAPL-PHQ [1]		–	145,124	469,121
CEMEX Strategic Philippines, Inc. [1]		–	57,346	85,906
	P	302,804	472,678	561,238
Interest expense				
CABV [1]				
Short-term	P	98,353	84,085	–
Long-term		47,433	18,797	32,976
NSH				
Long-term [1]		–	149,945	861,318
Short-term [8]		–	–	271,044
	P	145,786	252,827	1,165,338
Land rental				
ALQC [3]	P	58,210	58,210	58,210
IQAC [3]		28,789	24,651	32,929
	P	86,999	82,861	91,139
Sale of equipment				
Topmix LLC[1]	P	30,753	–	–
CEMEX Paving Solutions Ltd. [1]		–	13,682	–
	P	30,753	13,682	–
Interest income				
LOMEZ [7]	P	7,199	–	–
NSH[7]		502	2,913	22,092
ALQC [5]		–	–	435
Others [6]		–	–	68
	P	7,701	2,913	22,595
Sales of goods				
ALQC [4]	P	242	115	184
IQAC [4]		159	64,832	108,197
CEMEX Cement Bangladesh Ltd. [4]		–	–	4,411
	P	401	64,947	112,792
Reimbursements				
CEMEX Concrete (Malaysia) Sdn Bhd. [9]	P	–	136,647	1,084
Purchase of equipment				
CCM [1]	P	–	–	573,836
CEMEX Mexico, S.A. de C.V. [1]		–	9,413	–
	P	–	9,413	573,836

(Amounts in Thousands, Except Number of Shares and Per Share Data)

		2018	2017	2016
Transactions with Key Management Personnel				
Short-term employee benefits	P	**210,439**	138,788	215,818
Post-employment and other long-term employee benefits		**46,768**	33,775	47,892
Share-based compensation (Note 25D)		**20,333**	25,171	11,655
	P	**277,540**	197,734	275,365

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.
[2] In 2016, the Company entered into a commodity swap transaction to hedge its risk exposure on fuel price volatility. The hedge qualifies for hedge accounting. The commodity swap is a contractual agreement to buy fuel at a fixed price and sell fuel at market rate with notional quantity of 10,371 liters for 2016.
[3] These land rentals have a 30-day term, and are both noninterest-bearing and unsecured. The principal manufacturing installations of APO and Solid are located on land owned by IQAC or ALQC, under long-term lease agreements.
[4] These sale transactions have a 30-day term, and are both noninterest-bearing and unsecured.
[5] This amount pertains to the interest from loan drawdowns that bear interest at 4.625% annually. The total outstanding balance from which this interest income relates to, including interest accrued, were paid in 2016.
[6] This amount pertains to the interest from loan drawdowns that bear interest at fixed rates annually. The total outstanding balance from which this interest income relates to, including interest accrued, were paid in 2016.
[7] The amount pertains to the interest income on short-term investments (see Note 11).
[8] The amount pertains to the interest on short-term loan from NSH which has been fully paid in 2016.
[9] The amount pertains to income generated by Solid for the back office and other support service (see Note 9) and reimbursement of expenses.
[10] The amount pertains to purchases of raw materials and spareparts.
[11] Other related parties pertain to entities under common control of CEMEX, except for IQAC and ALQC.

Transactions with the Retirement Fund

The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees (BOT). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group (BPI AMTG), the Company's duly appointed trust fund manager.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has no contributions to the retirement fund in 2018, 2017 and 2016. There are also no other transactions entered into by the Company with the plan for the year. As at December 31, 2018 and 2017, the fund's unfunded status amounted to P715,184 and P761,008, respectively. The retirement plan consists of unit investment trust fund, mutual funds, debt instruments and others (cash, government securities, foreign currency time deposits, US sovereigns, receivables and others), which accounted for 34%, 3%, 15% and 48%, respectively, of plan assets in 2018 and 56%, 34%, 8% and 2%, respectively, of plan assets in 2017 (see Note 22).

Balances and transactions between consolidated entities eliminated during consolidation

The following are the transactions and balances among related parties which are eliminated in the consolidated financial statements:

Amounts owed by	Amounts owed to		2018	2017
Parent Company [10]	CAR	P	**3,741,492**	2,590,674
Parent Company [10]	Falcon		**852,967**	2,184,613
APO [5]	CAR		**327,578**	365,166
SOLID [5]	CAR		**192,313**	202,789
Sandstone Strategic Holdings, Inc. [6]	Bedrock Holdings, Inc.		**109,817**	109,817
Solid [1]	APO		**29,862**	41,005
APO [11]	Parent Company		**15,628**	35,765
Solid [11]	Parent Company		**10,862**	19,335
APO [2]	Solid		**17,053**	80,281
Ecocrete, Inc. [3]	Solid		**44,202**	43,512

Forward

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Amounts owed by	Amounts owed to		2018	2017
Ecocast Builders, Inc. [7]	Ecopavements, Inc.	P	**46,766**	45,206
Solid [8]	Ecocast Builders, Inc.		**14,865**	14,865
Parent Company [12]	Solid		**424**	89
Ecocrete, Inc.	Parent Company		**290**	–
Solid [9]	Ecocrete, Inc.		**81**	11
Ecocast Builders, Inc. [4]	Solid		–	43,178
Solid [6]	Ecopavements, Inc.		–	7
		P	**5,404,200**	5,776,313

[1] Amount includes a) P29,602 and P40,994 as at December 31, 2018 and 2017, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; and b) reimbursable expenses amounting to P260 and P11 as at December 31, 2018 and 2017, respectively, which are due on demand, noninterest-bearing and unsecured.

[2] Amount includes a) P7,613 and P39,590 as at December 31, 2018 and 2017, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; and b) reimbursable expenses amounting to P9,440 and P40,691 as at December 31, 2018 and 2017, respectively, which are due on demand, noninterest-bearing and unsecured.

[3] Amount includes a) P3 and P622 as at December 31, 2018 and 2017, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) P8 and P81 as at December 31, 2018 and 2017 from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured; c) loan and interest amounting to P44,041 and P42,809 as at December 31, 2018 and 2017, respectively, which is due in one year, with interest at 3.63% per annum and unsecured; and d) advances amounting to P150 as at December 31, 2018.

[4] Amount includes a) P290 as at December 31, 2018 arising from pension liability related to transferred employees to the Company; and b) P43,178 as at December 31, 2017 arising from sale of equipment, which has a 30-day term, noninterest-bearing and unsecured.

[5] Amounts were related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

[6] Amounts are from cash advances or reimbursable expenses, which are due on demand, noninterest-bearing and unsecured.

[7] Amount includes a) P45,000 loan as at December 31, 2018 and 2017, respectively, which is due in one year, with interest at 2.6% per annum and unsecured; and b) interest on loan amounting to P1,766 and P206 as at December 31, 2018 and 2017, which is due on demand, noninterest-bearing and unsecured.

[8] Amount pertains to construction services which has a 30-day term, noninterest-bearing and unsecured.

[9] Amount pertains to reimbursements amounting to P11 as at December 31, 2017.

[10] Amount pertains to long-term unsecured loans which are due to be paid in 2021, with interest at 2.5% per annum, which increased to 3% per annum starting March 2018 for CAR and at WAILRF minus 10 basis points annually for Falcon.

[11] Amounts pertain to advisory services in connection with various areas, including general administration and management, which has a 60-day term, noninterest bearing, and unsecured.

[12] Amounts pertain to a) service agreement of Solid with the Parent Company amounting to P100 and P87 as at December 31, 2018 and 2017, respectively; and b) reimbursements of P324 and P2 as at December 31, 2018 and 2017, respectively, which has a 30-day term, noninterest bearing, and unsecured.

[13] Amount pertains to reimbursable expenses as at December 31, 2018.

Royalties and technical assistance	Selling and administrative expenses		2018	2017
CAR	APO	P	**1,779,924**	1,769,562
CAR	Solid		**948,415**	955,371
		P	**2,728,339**	2,724,933

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Dividend declared by	Dividend received by		2018	2017
Falcon	Parent Company	P	**1,568,700**	–
CARG	Parent Company		**330,687**	–
		P	**1,899,387**	–

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Sales	Purchases		2018	2017
APO	Solid	P	**611,149**	359,165
Solid	APO		**220,739**	319,545
Solid	Ecocast Builders, Inc.		–	3,451
Ecocast Builders, Inc.	Solid		–	951
		P	**831,888**	683,112

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Service Income	Selling and administrative expenses		2018	2017
Parent Company	APO	P	**262,479**	36,495
Parent Company	Solid		**138,948**	19,703
		P	**401,427**	56,198

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Interest income	Interest expense		2018	2017
CAR	Parent Company	P	**107,411**	59,130
Falcon	Parent Company		**30,753**	20,636
Ecopavements	Ecocast		**1,560**	1,223
Solid	Ecocrete, Inc.		**1,232**	1,224
APO	Solid		**–**	110
		P	**140,956**	82,323

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

NOTE 14 - INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an associate and other investments as at December 31 are detailed as follows:

	Activity	Country	%		2018	2017
Calabar Aggregates Corporation	Aggregates	Philippines	40.0	P	**11,816**	11,816
Greencrete, Inc.	–	Philippines	5.0		**156**	156
Others	–	–	–		**2,125**	3,435
				P	**14,097**	15,407

The investments above are mainly investments of Solid and APO which were acquired by the Parent Company upon business combination. Others include golf club shares and other investment in shares. In 2018, the Company sold its golf club shares amounting to P2,100 and made additional investment amounting to P790.

NOTE 15 - OTHER ACCOUNTS RECEIVABLE

15A) INSURANCE CLAIMS AND PREMIUM RECEIVABLES

		2018	2017
Insurance premiums receivable	P	**604,933**	–
Claims from insurance (Note 30)		**345,050**	–
	P	**949,983**	–

Insurance premiums receivable, which is related to non-damage business interruption insurance, consists of premiums receivable from third party insurance company. Premiums receivable represents premiums on written policies which are collectible within the Company's credit term.

15B) OTHER CURRENT ACCOUNTS RECEIVABLE

Other current accounts receivable as at December 31 consisted of:

		2018	2017
Loan receivable [1]	P	**38,140**	37,192
Receivable from contractors		**13,032**	8,806
Short-term deposits		**12,920**	16,026
Receivable from employees		**6,807**	11,690
Others		**2,171**	902
	P	**73,070**	74,616

[1] Loan receivable pertains to the amount provided by the Company to CEMEX Philippines Foundation, Inc., with fixed interest at 2.96% per annum and is due on demand.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

15C) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE

Other assets and noncurrent accounts receivable as at December 31 consisted of:

		2018	2017
Long-term time deposits [1]	P	**601,241**	485,476
Rental guaranty deposits		**115,664**	122,386
Long-term prepayments [2]		**41,696**	47,769
Right of way		**21,429**	26,190
Others[3]		**38,217**	34,879
	P	**818,247**	716,700

[1] Long-term time deposits are restricted cash pertaining to: a) debt service reserve account amounting to P506,189 and P390,424 as at December 31 2018 and 2017, respectively, arising from the Company's supplemental agreement with BDO Unibank, Inc. (BDO) in relation to refinancing of the U.S. dollar 280 million loan with NSH (see Note 23); and b) cash bonds deposited by customers as collateral and cash restricted for related party tax cases amounting to P95,052 as at December 31, 2018 and 2017.

[2] Long-term prepayments primarily pertain to a) prepaid mining and quarry royalty fees related to the purchase of raw materials amounting to P27,937 as at December 31, 2018 and 2017; b) option fee to purchase a vessel amounting to P5,292 and P7,203 as at December 31, 2018 and 2017, respectively; c) charter hire amounting to P3,960 as at December 31, 2017; and d) unamortized portion of the SEC filing fee amounting to P8,467 and P8,669 as at December 31, 2018 and 2017, respectively.

[3] Others primarily pertain to prepaid transportation allowance amounting to P38,075 and P34,214 as at December 31, 2018 and 2017, respectively.

NOTE 16 - INVENTORIES

Inventories as at December 31 consisted of:

		2018	2017
At NRV:			
Materials and spare parts	P	**1,693,611**	1,591,842
Finished goods		**615,141**	359,002
Work-in-process inventory		**612,589**	992,288
Raw materials		**212,679**	314,288
At Cost:			
Inventory in transit		**354,158**	832
	P	**3,488,178**	3,258,252

In 2018 and 2017, the Company recognized in the consolidated statements of comprehensive income the cost of inventories sold amounting to P14,307,126 and P12,400,901 (see Note 7). As at December 31, 2018 and 2017, inventory write-down to NRV amounted to P137,994 and P56,203, respectively. Write-down (reversal of write-down) of inventories to NRV included under "Costs of Sales and Services" account in the consolidated statements of comprehensive income amounted to (P2,053) and P48,199 in 2018 and 2017, respectively. The reversal of write-down in 2018 was due inventories which were assessed to be useable in the operations. In 2018, the Company recognized additional provisions amounting to P83,844 related to loss on materials buried during the landslide (see Note 30). Such loss incurred was claimed from insurance.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 17 - PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31 consisted of:

		2018	2017
Prepayments:			
Prepaid insurance [1]	P	529,806	542,709
Prepaid taxes [2]		525,286	548,850
Advances to suppliers [3]		444,862	116,802
Prepaid freight cost		152,602	79,059
Prepaid rent		13,809	9,162
Advances to employees		10,106	9,797
Noncurrent assets held for sale [4]		–	90,629
Others		1,200	4,125
	P	1,677,671	1,401,133

[1] Prepaid insurance pertains to unamortized portion of payments on property, non-damage business interruption and political risks insurance.
[2] Prepaid taxes include input VAT, property taxes, creditable withholding taxes, and licenses.
[3] Advances to suppliers include advance payments for clinker and other raw materials.
[4] (a) In December 2017, the Company ceased its ready-mix concrete operations located in Manila Harbour Center. Accordingly, the Company decided to sell the machinery and equipment which were previously being used for the concrete operations. It was assessed by the management that these assets are not impaired before these were reclassified from property, machinery and equipment. As at December 31, 2017, the fair value less costs to sell of these assets is not lower than their carrying amount of P40,160; (b) In 2017, management decided to sell two of its marine vessels. The marine vessels were written-down to their recoverable amount before they were reclassified to noncurrent asset held for sale (see Note 18). As at December 31, 2017, the fair value less costs to sell is not lower than the vessels' carrying amount of P47,932. In 2018, the vessels were sold to third parties at a loss of P3,277 (see Note 18); and (c) The Company also identified other machinery and equipment as held for sale. It was assessed by the management that these assets are not impaired before these were reclassified from property, machinery and equipment. The fair value less costs to sell is not lower than their carrying amount of P2,537. In 2018, machinery and equipment previously used for the concrete operations and was classified as held for sale in 2017 amounting to P22,653 was reverted back to property, machinery and equipment as the Company no longer expects that the related assets will be recovered through sale (see Note 18).

NOTE 18 - PROPERTY, MACHINERY AND EQUIPMENT - Net

The movements for each class of property, machinery and equipment are as follows:

		Buildings and Improvements	Machinery and Equipment	Constructions in-Progress	Total
Gross Carrying Amount					
January 1, 2017	P	3,982,565	11,915,071	1,025,207	16,922,843
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		87,992	364,666	965,069	1,417,727
Disposals		(14,826)	(7,642)	–	(22,468)
Transfers		32,333	482,189	(514,522)	–
Reclassification from asset held for sale		–	22,653	–	22,653
December 31, 2018		**4,177,729**	**13,053,684**	**2,031,337**	**19,262,750**
Accumulated Depreciation and Impairment					
January 1, 2017		(153,493)	(954,539)	–	(1,108,032)
Depreciation for the year		(183,818)	(1,091,515)	–	(1,275,333)
Impairment of asset held for sale		–	146,660	–	146,660
Reclassifications to assets held for sale		–	139,429	–	139,429
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 year		(306,302)	(1,092,785)	–	(1,399,087)
Disposals		14,156	5,322	–	19,478
Impairment		–	(3,670)	–	(3,670)
December 31, 2018		**(629,246)**	**(3,016,139)**	**–**	**(3,645,385)**
Carrying Amounts					
December 31, 2017	P	3,735,130	10,266,812	1,580,790	15,582,732
December 31, 2018	P	**3,548,483**	**10,037,545**	**2,031,337**	**15,617,365**

(Amounts in Thousands, Except Number of Shares and Per Share Data)

In 2018, 2017 and 2016, there were no interest expense arising from borrowings that have been capitalized as part of property, machinery and equipment.

The Company recognized impairment loss on property, machinery and equipment amounting to P3,669 and P175,230 in 2018 and 2017, respectively. In 2017, management has decided to sell two of its marine vessels. Before reclassifying the asset as held for sale, the Company tested the said asset for impairment and recognized an impairment loss of P146,660. The Company's management also identified machinery and equipment that are already obsolete and are no longer used in the Company's operations. Accordingly, impairment loss was recognized on these machinery and equipment amounting to P28,570 in 2017.

The recoverable amount of the vessels reclassified to assets held for sale amounting to P47,932 in 2017 pertains to its fair value less costs to sell. The Company used market comparison technique for measuring the fair value of these vessels. Under this method, the valuation is based on the recent sale of a comparable vessel adjusted for age, cargo carrying capacity and vessel specifications. The fair value measurement has been categorized as Level 2 of the fair value hierarchy based on the inputs to the valuation technique used. The recoverable amount of the obsolete machinery and equipment was assessed to be nil which pertains to its fair value less costs to sell.

Impairment losses are recognized under "Other expenses - net" account in the consolidated statements of comprehensive income.

The Company made a downpayment amounting to P2,069,601 to a third party for the construction and installation of Solid's new production line and is presented under noncurrent assets in the consolidated statements of financial position.

NOTE 19 - ACQUISITION OF SUBSIDIARIES AND GOODWILL

As part of CEMEX's overall current priorities, CEMEX has been focusing in strengthening its capital structure. One way of doing so is through the optimization of CEMEX's global corporate structure which should lead to less administration costs and facilitate the implementation of CEMEX's business strategy. Considering these premises and in line with the Parent Company's IPO, the Parent Company was created and on January 1, 2016, the Parent Company acquired interest in the economic benefit of the entities listed in Note 29 (except for CAR, which was incorporated by the Parent Company in 2015 and Falcon, which was incorporated by the Parent Company in 2016). The acquisition price of P47,825,147 was initially financed through accounts payable to a related party, which was eventually paid from the proceeds from short-term and long-term loans from a local bank and a related party.

The Company incurred acquisition-related costs in 2016 amounting to P9,569 on documentary stamp taxes and other costs, which were recognized as part of "Administrative and selling expenses" account in the consolidated statements of comprehensive income.

The amounts of revenue and profit of the acquiree in 2016 included in the consolidated statements of comprehensive income follow:

		Amount
Revenue	P	24,286,753
Profit		1,413,466

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The following table summarizes the recognized amounts and assets acquired and liabilities assumed at the date of the acquisition:

Assets (liabilities)		Amounts
Cash and cash equivalents	P	3,687,632
Trade receivables		813,392
Due from related parties		999,896
Other current accounts receivable		1,459,014
Inventories		2,250,415
Prepayments and other current assets		1,205,663
Investment in an associate and other investments		15,273
Other assets and noncurrent accounts receivable		344,134
Property, machinery and equipment - net		15,796,474
Trade payables		(2,258,403)
Due to related parties		(619,705)
Income tax payable		(249,284)
Other accounts payable and accrued expenses		(1,608,339)
Long-term payable to related parties		(987,027)
Retirement benefit liabilities		(716,903)
Deferred income tax liabilities		(138,473)
Other noncurrent liabilities		(28,306)
Total identifiable net assets acquired	P	19,965,453

The valuation techniques used for measuring the fair value of assets acquired were as follows:

Assets acquired	Valuation technique
Property, machinery and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The trade receivables comprise gross contractual amounts due of P883,990, of which P70,598 was expected to be uncollectible at the date of the acquisition. The carrying amount of the acquired property, machinery and equipment acquired in the books of the acquirees at the date of acquisition amounted to P14,026,454.

Goodwill arising from the acquisition has been recognized as follows:

		Amount
Amount of the consideration	P	47,825,147
Fair value of the identifiable net assets		19,965,453
Goodwill	P	27,859,694

The goodwill is attributable mainly to the synergy with other subsidiaries, assembled work force and dealer network. None of the goodwill recognized is expected to be deductible for tax purposes.

As mentioned in Note 3L, the consolidated entities test their goodwill balances for impairment at the level of the CGUs to which goodwill has been allocated, which are commonly composed of the operating subsidiaries of the Company in the country. The Company's cash flow projections for five years to determine the value-in-use of its CGU consider the use of long-term economic assumptions. The Company believes that its discounted cash flow projections and the discount rates used reasonably reflect current economic conditions at the time of the calculations, considering, among other factors that: a) the cost of capital reflects current risks and volatility in the markets; and b) the cost of debt represents the actual interest rates recognized by the CGUs in their outstanding interest-bearing debt. The Company performed its annual goodwill impairment test, and based on the analysis, the Company does not need to recognize impairment loss on goodwill. For purposes of impairment testing, goodwill has been allocated to the Company's CGUs (significant operating divisions) as follows:

		Amount
APO	P	17,648,162
Solid		10,211,532
	P	27,859,694

(Amounts in Thousands, Except Number of Shares and Per Share Data)

In 2018 and 2017, the Company's pre-tax discount rates and expected growth rates in perpetuity used in the Company's impairment tests, to determine the discounted cash flows in both the CGUs with the main goodwill balances, were as follows:

	APO		Solid	
	2018	2017	2018	2017
Discount rate	9.6%	9.4%	9.4%	9.7%
Growth rate	6.5%	6.8%	6.5%	6.8%

In connection with the Company's assumptions as at December 31, 2018 and 2017, included in the table above, the Company made sensitivity analyses to changes in assumptions, affecting the value-in-use of all CGUs. The following table shows the amount (in percentage) by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	APO		Solid	
	2018	2017	2018	2017
Discount rate	1.9	0.4	6.0	3.3
Growth rate	(0.3)	(0.4)	(4.9)	(2.9)

As at December 31, 2018 and 2017, the estimated recoverable amount of the Company's CGUs exceeds carrying amount by P66,856,273 and P37,302,135, respectively.

NOTE 20 - UNEARNED REVENUE, OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Unearned revenue, other accounts payable and accrued expenses as at December 31 consisted of:

		2018	2017
Accrued expenses [2]	P	784,889	864,463
Unearned revenue from reinsurance premiums [1]		499,539	453,555
Taxes payable		336,201	298,278
Advances from customers		–	352,831
Unearned revenue from customer loyalty programs		–	74,168
Others		261,540	65,472
	P	1,882,169	2,108,767

1 Unearned revenue from reinsurance premiums pertain to the portion of reinsurance premiums written by Falcon that relate to unexpired period of the policies.

2 Accrued expenses includes a) interest on loans amounting to P132,907 in 2018 and P98,079 in 2017; b) utilities and supplies amounting to P330,025 in 2018 and P335,965 in 2017; c) salaries and employee benefits amounting to P141,213 in 2018 and P252,764 in 2017; d) freight cost amounting to P157,592 in 2018 and P147,940 in 2017; e) outside services amounting to P16,774 in 2018 and P23,336 in 2017; and f) royalty fees amounting to P6,379 in 2018 and 2017.

For the years ended December 31, 2018 and 2017, the roll-forward analyses of unearned revenue from reinsurance premiums are as follows:

		2018	2017
Balance at beginning of year	P	453,555	793,320
Policies written during the year		1,082,461	711,945
Premiums earned during the year		(1,056,854)	(1,064,605)
Effect of translation to Philippine peso		20,377	12,895
Balance at end of year	P	499,539	453,555

For the years ended December 31, 2018 and 2017, the roll-forward analyses of provisions (under "Taxes payable" account) are as follows:

		2018	2017
Balance at beginning of year	P	9,717	29,312
Net reversals made during the year		–	(19,595)
Balance at end of year	P	9,717	9,717

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 21 - FINANCIAL RISK AND INSURANCE RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Risk Management Framework

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

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 counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade receivables. As at December 31, 2018 and 2017, the maximum exposure to credit risk is represented by the balance of financial assets (excluding equity investments). 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 guarantee deposits from its customers and financial counterparties with regard to financial assets, which can be called upon if the counterparty is in default under the terms of the agreement.

The Company's management has established a policy which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, and 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 below represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

		2018	2017
Cash and cash equivalents (excluding cash on hand)	P	1,813,595	1,058,147
Trade receivables		708,906	833,259
Due from related parties		30,326	26,386
Insurance claims and premium receivables		949,983	–
Other current accounts receivable		73,070	74,616
Derivative asset		12,875	–
Long-term time deposits and rental guaranty deposits (under other assets and noncurrent accounts receivable)		716,905	607,862
	P	4,305,660	2,600,270

Other than trade receivables, the amounts above represent the gross carrying amount of these financial assets.

Trade receivables
The Company applied the simplified approach in measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped by shared credit risk characteristics based on customer type and determines for each group an average ECL, considering actual credit loss experience over the last 12 months and the Company's view of economic conditions over the expected lives of the trade receivables. The ECL rate that is used to arrive at the ECL arising from the current year credit sales is computed as the percentage of prior year's credit sales that eventually became more than 365 days overdue. The ECL rate is 100% for the trade receivables

(Amounts in Thousands, Except Number of Shares and Per Share Data)

that are 365 and more days past due. The Company has identified the GDP growth rate to be the most relevant macroeconomic factor that affects the ability of the customers to settle the receivables. However, it was assessed that the adjustment for forward-looking information is not material.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at December 31, 2018:

As at December 31, 2018		Current	1 to 30 days	31 to 60 days	More than 60 days	Total
Average expected credit loss rates		0.19%	6.45%	58.28%	26.23%	3.29%
Trade receivables - gross carrying amount	P	630,107	25,670	3,249	74,028	733,054
Allowance for impairment losses		1,179	1,657	1,893	19,419	24,148

Other Financial Assets (excluding Equity Instruments)
Impairment on cash and cash equivalents and restricted cash (recognized under "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that these financial assets, as well as derivative assets, have low credit risk as these are held with reputable banks and financial institutions. All other debt investments and other receivables (i.e., insurance claims and premium receivable) that are measured at amortized cost are considered to have low credit risk, because they have low risk of default as the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Credit risk on these financial assets has not increased significantly since their initial recognition. Hence, the loss allowance calculated was therefore limited to 12 months expected losses. The Company has determined an insignificant amount of ECL on these financial assets because of the zero-instance of default from the counterparties and the effect of forward-looking information on macro-economic factors affecting the ability of the counterparties to settle the receivables were assessed to have an insignificant impact.

Comparative information under PAS 39

As at December 31, 2017	Neither past due nor impaired	Past due but not impaired: 1 to 30 days	31 to 60 days	More than 60 days	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	P 1,058,147	–	–	–	–	1,058,147
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 receivable	74,616	–	–	–	–	74,616
Long-term time and guaranty deposits	607,862	–	–	–	–	607,862
	2,405,827	61,689	17,215	115,539	36,098	2,636,368
Less allowance for impairment losses	–	–	–	–	36,098	36,098
	P 2,405,827	61,689	17,215	115,539	–	2,600,270

Cash in banks, short-term investments and long-term time 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, 76% are neither past due nor impaired, and are considered of high grade quality as at December 31, 2017. 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, cash equivalents and long-term time and guaranty deposits are based on the credit standing or rating of the counterparty.

- Trade receivables, 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.

The Company sells its products primarily to retailers in the construction industry, with no specific geographic concentration of credit within the country in which the Company operates. As at December 31, 2018 and 2017, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

Movements in the allowance for impairment losses in Trade receivables
Changes in the allowance for impairment losses for the years ended December 31, 2018 and 2017 are as follows:

		2018	2017
Balance at beginning of year under PAS 39	P	**36,098**	10,615
Adjustment on initial application of PFRS 9		**14,412**	–
Balance at beginning of year under PFRS 9		**50,510**	10,615
Charged to selling expenses (Note 7)		**10,526**	26,403
Write-off of trade receivables		**(36,888)**	(920)
Allowance for impairment losses at end of year	P	**24,148**	36,098

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 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 revenue and costs are generated and settled mainly in Philippine Peso. For the years ended December 31, 2018 and 2017, approximately less than 5% of the Company's net sales, before eliminations, were generated in U.S. dollars.

The Company had an exposure arising from the dollar-denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As at December 31, 2018 and 2017, the Company has not implemented any derivative financing hedging strategy 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 consolidated statements of comprehensive income.

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

	2018		2017	
Amounts in thousands of dollars	**in U.S. dollar**	**in Euro**	**in U.S. dollar**	**in Euro**
Cash and cash equivalents	**$10,015**	**€–**	$9,919	€–
Due from related parties	**555**	**–**	402	–
Trade payables	**(30,001)**	**(1,677)**	(3,855)	(301)
Due to related parties	**(77,741)**	**–**	(43,842)	–
Net liabilities denominated in foreign currency	**($97,172)**	**(€1,677)**	($37,376)	(€301)

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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

Amounts owned by	Amounts owned to	2018	2017
Parent Company	CAR	**($71,158)**	($51,886)
Parent Company	Falcon	**(16,222)**	(43,754)
APO	CAR	**(6,230)**	(7,314)
Solid	CAR	**(3,657)**	(4,061)
		($97,267)	($107,015)

The most significant closing exchange rates and the approximate average exchange rates of Philippine Peso per U.S. dollar and Euro used in the consolidated financial statements were as follows:

	2018		2017	
Currency	Closing	Average	Closing	Average
U.S. dollar	**52.58**	**52.69**	49.93	50.38
Euro	**60.25**	**62.15**	59.93	57.27

Sensitivity analysis on Foreign Currency Risk

The following table demonstrates the sensitivity to a reasonably possible change in various foreign currencies, with all other variables held constant, of the Company's earnings before income tax and equity as at December 31, 2018 and 2017:

USD	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2018	**+5.3%**	**P270,793**	**P189,555**
	-5.3%	**(270,793)**	**(189,555)**
2017	+0.4%	7,882	5,517
	-0.4%	(7,882)	(5,517)

EUR	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2018	**+0.5%**	**P505**	**P354**
	-0.5%	**(505)**	**(354)**
2017	+14.6%	2,632	1,842
	-14.6%	(2,632)	(1,842)

Sensitivity Analysis Pertaining to Eliminated Intragroup Balances

USD	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2018	**+5.3%**	**P271,058**	**P189,740**
	-5.3%	**(271,058)**	**(189,740)**
2017	+0.4%	21,373	14,961
	-0.4%	(21,373)	(14,961)

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Interest Rate Risk

As at December 31, 2018 and 2017, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P8 billion of the long-term bank loan with BDO (see Note 23), short-term investments in LOMEZ amounting to P66 million as at December 31, 2018 and NSH amounting to P380 million as at December 31, 2017, and long-term loan payable to CABV amounting to P2.5 billion and P215 million as at December 31, 2018 and 2017, respectively. The short-term investments in LOMEZ and NSH bear interest at a rate equivalent to the higher of WAILRF rate minus 10 basis points and zero interest (see Note 11). The long-term loan from CABV bears interest at a fixed rate to be revalued semiannually based on the Company's financial ratios and at an annual rate equal to 6-month LIBOR plus 369 basis points in 2018 and 2017, respectively (see Note 13).

Sensitivity analysis on Interest Rate Risk

As at December 31, 2018 and 2017, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the years ended December, 31, 2018 and 2017 would have decreased by approximately P75,029 and P57,165, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

Commodity Price Risk

In the ordinary course of business, the Company is exposed to commodity price risk, including the exposure from diesel fuel prices, and expose the Company to variations in prices of the underlying commodity. The Company established specific policies oriented to obtain hedge with the objective of fixing diesel fuel prices. In 2018 and 2017, the Company has purchased option contract and a commodity swap transactions, respectively, to hedge the price of diesel fuel. By means of these contracts, the Company fixed the price of diesel over certain volume representing a portion of the estimated consumption of diesel fuel in the operations. These contracts have been designated as cash flow hedges of diesel fuel consumption, and as such, changes in fair value are recognized temporarily through OCI and are recycled to profit or loss as the related diesel volumes are consumed.

As at December 31, 2018, there are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied.

The following amounts relating to items designated as hedging instruments as at December 31, 2018 were as follows:

	Notional amount	Carrying amount
Purchase option contract - Inventory purchases	P385,795	P12,875

For the years 2018 and 2017 and 2016, changes in fair value of these contracts recognized in OCI amounted to (P6,458), nil and P18,821, respectively. The amount reclassified from hedge reserve to profit or loss (because the hedged item has affected profit or loss) are nil, (P6,805) and P(12,016) in 2018, 2017 and 2016, respectively. There are no hedge ineffectiveness recognized in profit or loss in 2018, 2017 and 2016.

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. 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 operating activities, as presented in its consolidated statements of cash flows, was P1,924,964 and P2,117,807 as at December 31, 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. There is no significant concentration of a specific supplier relating to the purchase of raw materials. The maturities of the Company's long-term contractual obligations are included in Note 27 to the consolidated financial statements.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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 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.

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.

As at December 31, 2018 and 2017, the carrying amounts of financial assets and liabilities and their respective fair values are as follows:

		2018				2017		
		Carrying amount	Fair value	Fair value hierarchy level		Carrying amount	Fair value	Fair value hierarchy level
Financial assets								
Long-term time and guaranty deposits	P	716,905	716,905	Level 2	P	607,862	607,862	Level 2
Derivative Asset		12,875	12,875	Level 2		-	-	
	P	729,780	729,780		P	607,862	607,862	
Financial liabilities								
Bank loan	P	13,628,851	14,089,868	Level 2	P	13,740,598	14,688,476	Level 2
Payable to a related party		2,520,914	2,520,914	Level 2		1,288,858	1,472,950	Level 2
	P	16,149,765	16,610,782		P	15,029,456	16,161,426	

The estimated fair value of the Company's long-term time and guaranty deposits, long-term payable to a related party and bank loan are either based on estimated market prices for such or similar instruments, considering interest rates currently available for the Company to negotiate debt with the same maturities, or determined by discounting future cash flows using market-based interest rates currently available to the Company. The estimated fair value of the derivative asset is determined by measuring the effect of the future economic variables according to the yield curved shown on the market as at the reporting date.

NOTE 22 - RETIREMENT BENEFIT LIABILITY

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date was made on December 31, 2018. Valuations are obtained on an annual basis.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement and Late Retirement Benefit" and "Voluntary Separation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

Normal Retirement, Early Retirement and Late Retirement

In 2017, the Company had an agreement to revise the retirement package for union members. The total benefit that will be received by a retired non-union member employee and a union member (**) employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*
***for YOS rendered before January 1, 2011*

The following retirement benefit formula table applies to a union member employee for services rendered on or after January 1, 2011:

YOS	Retirement Benefit*
20 & Below	110% of the plan salary for every year of credited service
Above 20 to 25	130% of the plan salary for every year of credited service
Above 25	150% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service unless approved by the Company. The late retirement may be availed only beyond age sixty (60) but not beyond sixty-five (65), on a case-to-case and yearly extension basis and subject to the consent of the Company.

Voluntary Separation

The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit
10 to 15	79% of the plan salary for every year of credited service
16 to 20	99% of the plan salary for every year of credited service
21 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

Total and Permanent Disability and Death Benefit

In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least five (5) years and three (3) years of credited service for Solid and APO, respectively.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

a) Movement in Retirement Benefit Liability

The following table shows reconciliation from the opening balances to the closing balances for retirement benefit liability and its components:

	Note	Present Value of Defined Benefit Obligation		Fair Value of Plan Assets		Retirement Benefit Liability	
		2018	2017	2018	2017	2018	2017
Balance at January 1		P849,836	P849,055	(P88,828)	(P79,715)	P761,008	P769,340
Included in profit or loss							
Service costs:							
Current service cost		60,792	57,918	–	–	60,792	57,918
Past service cost [1]		–	26,882	–	–	–	26,882
Interest cost, net		56,716	47,467	(3,512)	(7,335)	53,204	40,132
Settlement gain		–	(776)	–	–	–	(776)
		117,508	131,491	(3,512)	(7,335)	113,996	124,156
Included in OCI							
Actuarial loss (gain) from:							
Change in financial assumptions		(75,370)	(37,717)	–	–	(75,370)	(37,717)
Change in demographic assumptions		(6,353)	(320)	–	–	(6,353)	(320)
Experience adjustments		(118,215)	(66,659)	–	–	(118,215)	(66,659)
Return on plan assets excluding interest income		–	–	3,846	(1,778)	3,846	(1,778)
		(199,938)	(104,696)	3,846	(1,778)	(196,092)	(106,474)
Others							
Benefits paid		(41,267)	(21,561)	–	–	(41,267)	(21,561)
Benefits to be paid		(10,986)	(4,453)	–	–	(10,986)	(4,453)
Net acquired (transferred) obligation	13	90,077	–	(1,552)	–	88,525	–
		37,824	(26,014)	(1,552)	–	36,272	(26,014)
Balance at December 31		P805,230	P849,836	(P90,046)	(P88,828)	P715,184	P761,008

[1] The past service cost in 2017 is the result of the amendment on the retirement benefit plan for union members in 2017.

b) Plan Assets

Plan assets consisted of the following:

		2018	2017
Foreign currency time deposits	P	26,038	82
Unit investment trust fund (UITF)			
Equities - local currency		21,109	35,833
Money market		6,053	4,977
Fixed income - local currency		3,754	9,238
US sovereigns		11,799	–
Debt instruments			
Local currency		7,713	7,125
Foreign currency		5,479	–
Receivables		3,996	–
Mutual funds		3,150	30,255
Government securities		426	1,133
Cash in bank		1	117
Others		528	68
	P	90,046	88,828

Equity UITF investments are placed in a concentrated portfolio of stocks listed in the PSE which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Fixed income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities, such as special deposit accounts from the BSP and treasury notes with weighted average term to maturity of up to five (5) years.

Mutual funds are invested in listed equity instruments which are actively traded in globally developed markets. Other mutual funds are invested in debt instruments with terms generally ranging from five (5) to more than ten (10) years which were issued by low and middle income developing countries and are rated mostly at "BBB," "BB" and "B" by Standard and Poor's Financial Services. Investments in bonds have quoted prices in active market and are rated "Aaa," based on ratings made by Philippine Rating Services Corporation.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

US sovereigns include treasury bills, notes and bonds which are fixed income investments issued by the U.S. Department of the Treasury. Local and foreign currency debt instruments are financial instruments issued by the government or corporate entity in the domicile or country of origin. Foreign currency time deposits were made to a reputable bank which is rated Baa2 based on Moody's credit rating.

The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The objective of BPI AMTG is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTG, and to be able to provide and fund benefits as they fall due.

c) Defined Benefit Obligation

(i) Assumptions

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	CHPI		Solid		APO		Ecocrete, Inc.		Ecocast Builders, Inc.	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Discount rate	7.25%	–	7.29%	5.75%	7.26%	5.76%	–	5.80%	–	5.80%
Future salary growth	6.00%	–	6.00%	6.00%	6.00%	6.00%	–	6.00%	–	6.00%

The following are the turnover rate assumption in 2018 and 2017:

Age	2018	2017
18 – 30	10 to <12	5 to <7
31 – 34	8 to <10	4 to <5
35 – 37	7 to <8	3 to <4
38 – 42	5 to <7	2 to <3
42 – 50	3 to <5	1 to <2
51 – 59	1 to <3	0 to <1

Mortality rates in 2018 and 2017 are based on the "2017 Philippine Intercompany Mortality Study" from the Actuarial Society of the Philippines. Disability rate is based on "1952 Disability Study," Period 2, Benefit 5.

ii) Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31, 2018 and 2017 by the amounts shown below:

	2018		2017	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(P28,707)	P30,543	(P40,853)	P44,088
Future Salary Increase rate (0.5% movement)	33,519	(31,742)	46,225	(43,182)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

d) Maturity Analysis

Maturity analysis of the benefit follow:

	Carrying Amount	Contractual Cash Flows	Within >1 Year	Within 1 - 5 Years	More than 5 Years
2018	P805,230	P3,161,610	P80,829	P271,677	P2,809,104
2017	P849,836	P4,021,872	P42,641	P164,730	P3,814,501

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2018 and 2017, the weighted average duration in years of the defined benefit obligation are as follows:

	2018	2017
Solid	**15.93**	19.09
APO	**14.45**	17.14
CHPI	**14.00**	–
Ecocrete, Inc.	–	28.08
Ecocast Builders, Inc.	–	23.39

The Company does not expect to contribute to its pension plan in 2019. Effective January 1, 2018, all employees from Ecocrete Inc. and Ecocast Builders, Inc. were all transferred to Solid.

e) Retirement Benefit Expense

Retirement benefit expense is recognized in the following line items in the consolidated statements of comprehensive income:

		2018	2017	2016
Costs of sales and services	P	**40,670**	39,192	41,390
Administrative expenses		**20,122**	44,832	33,433
Other financial expenses - net		**53,204**	40,132	29,964
	P	**113,996**	124,156	104,787

NOTE 23 - 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 280 million U.S. dollars to refinance a majority of the Parent Company's outstanding long-term loan with NSH. 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 under the Facility Agreement amounted to P14 billion. Short-term portion of the bank loan amounted to P140,123 as of December 31, 2018 and 2017.

The debt issuance cost of the loan under the Facility Agreement, corresponding to P138,215 and P166,591 on unamortized basis, was deducted from the total loan liability as at December 31, 2018 and 2017, respectively. Interest expense incurred in 2018 and 2017, excluding amortized direct cost, amounted to P719,174 and P571,808 million, respectively, which is recognized under "Financial expenses" account in the consolidated statements of comprehensive income.

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually.

On December 8, 2017, the Parent Company entered into a Supplemental Agreement to the Facility Agreement with BDO pursuant to which, more notably, it was agreed that (i) the commencement date for compliance with certain financial covenants under the Facility Agreement would be on June 2020; (ii) debt service reserve accounts were created; and (iii) additional debt incurrence restrictions be put in place. One of these debt incurrence restrictions agreed is based on a financial ratio that measures, on a consolidated basis, the Parent Company's ability to cover its interest expense using its Operating EBITDA (interest coverage ratio) and is measured by dividing Operating EBITDA by the financial expense for the last twelve months as of the calculation date. Operating EBITDA equals operating income before other expenses, net plus depreciation and amortization. On December 14, 2018, the Parent Company entered into another Supplemental Agreement to the Facility Agreement that provides an option, only for certain potential events of default under the Facility Agreement, for the Parent Company's ultimate parent company, CEMEX, S.A.B. de C.V., or any affiliate of CEMEX, S.A.B. de C.V. which is not a direct or indirect subsidiary of the Parent Company, to pay all amounts outstanding under the Facility Agreement before they become due and payable prior to their maturity in certain events.

As at December 31, 2018, the Parent Company is in compliance with the applicable restrictions and covenants of the Facility Agreement.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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 January 1, 2018		13,740,598	98,079	13,838,677
Proceeds				
Interest expense		28,376	719,174	747,550
Payment of:				
Principal		(140,123)	–	(140,123)
Interest		–	(684,346)	(684,346)
Balance as at December 31, 2018	P	13,628,851	132,907	13,761,758

Accrued interest from this bank loan amounting to P132,907 and P98,079 as at December 31, 2018 and 2017, respectively, are recognized under "Unearned revenue, other accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 20).

NOTE 24 - INCOME TAXES

24A) INCOME TAXES FOR THE PERIOD

The amounts of income taxes recognized in profit or loss for the years ended December 31, 2018, 2017 and 2016 are as follows:

		2018	2017	2016
Current income tax expense	P	664,644	652,115	1,151,631
Deferred income tax benefit arising from origination and reversal of temporary differences		(300,604)	(642,186)	(587,887)
Write-down of previously recognized deferred income tax asset		606,953	129,615	–
	P	970,993	139,544	563,744

The Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until		Amount	Addition During the Period	Expired/Utilized During the Period	Ending Balance
2018	2021	P	–	1,290,309	–	1,290,309
2017	2020		2,363,198	–	(2,375)	2,360,823
2016	2019		2,590,598	–	(869,383)	1,721,215
2015	2018		27,433	–	(27,433)	–
		P	4,981,229	1,290,309	(899,191)	5,372,347

The Company has MCIT that can be claimed as tax credits against regular future income tax liabilities as follows:

Year Incurred	Valid until		Amount	Additions During the Period	Expired/Utilized During the Period	Ending Balance
2018	2021	P	–	192,550	–	192,550
2017	2020		199,428	31	–	199,459
2016	2019		69	–	–	69
		P	199,497	192,581	–	392,078

(Amounts in Thousands, Except Number of Shares and Per Share Data)

24B) DEFERRED INCOME TAXES

For the years ended December 31, 2018 and 2017, the income tax effects of the temporary differences, NOLCO and MCIT that resulted in deferred income tax assets and liabilities are presented below:

2018		Balance at January 1 (As restated – see Note 3A)	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets:					
NOLCO	P	702,130	(286,226)	–	415,904
Accrued retirement benefit liability and past service cost		229,651	46,909	(58,782)	217,778
Unrealized foreign exchange loss		13,847	51,522	–	65,369
Write-down of:					
Property, machinery and equipment to recoverable amount		69,405	(4,658)	–	64,747
Inventories to NRV		34,846	5,728	–	40,574
Allowance for impairment losses on receivables		32,671	3,403	–	36,074
Contract liabilities from loyalty points		22,251	(2,387)	–	19,864
Provisions		6,603	(380)	–	6,223
MCIT		199,342	(199,242)	–	100
Accrued employee severance pay		3	–	–	3
Fair value adjustment on property, machinery and equipment		(366,503)	64,365	–	(302,138)
Accrued documentary stamp tax		(18,658)	4,643	–	(14,015)
Other items		3,966	9,974	–	13,940
	P	929,554	(306,349)	(58,782)	564,423

2017		Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets (liabilities):					
NOLCO	P	278,061	424,069	–	702,130
Accrued retirement benefit liability and past service cost		229,379	32,214	(31,942)	229,651
MCIT		90	199,252	–	199,342
Write-down of:					
Property, machinery and equipment to recoverable amount		9,232	60,173	–	69,405
Inventories to NRV		23,451	11,395	–	34,846
Allowance for impairment losses on receivables		24,365	3,982	–	28,347
Unearned revenue		12,145	10,106	–	22,251
Unrealized foreign exchange loss		303,694	(289,847)	–	13,847
Provisions		5,340	1,263	–	6,603
Accrued employee severance pay		3	–	–	3
Fair value adjustment on property, machinery and equipment		(447,060)	80,557	–	(366,503)
Accrued documentary stamp tax		–	(18,658)	–	(18,658)
Other items		5,901	(1,935)	–	3,966
	P	444,601	512,571	(31,942)	925,230

Net deferred income tax assets (liabilities) presented in the consolidated statements of financial position on a net basis by entity are as follows:

Deferred Income Tax Assets		2018	2017
APO	P	553,763	482,333
Parent Company		165,997	538,985
Ecocast Builders, Inc.		613	5,623
	P	720,373	1,026,941

Deferred Income Tax Liabilities		2018	2017
Solid	P	153,970	100,537
Edgewater Ventures Corporation		1,901	1,069
Sandstone Holdings, Inc.		65	63
Triple Dime Holdings, Inc.		13	9
Bedrock Holdings, Inc.		1	1
Ecocrete, Inc.		–	32
	P	155,950	101,711

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Deferred income tax assets have not been recognized in respect of the following items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom:

	2018		2017	
	Gross amount	Tax effect	Gross amount	Tax effect
NOLCO	P3,986,001	P1,195,800	P2,640,797	P792,239
Excess MCIT over RCIT	391,978	391,978	155	155
Allowance for impairment losses on accounts receivable	4,790	1,437	4,790	1,437
Allowance for write-down of inventories	626	188	626	188
Accrued retirement benefit liability	347	104	347	104
Unrealized foreign exchange losses	3	1	3	1
Others	87	26	87	26
	P4,383,832	P1,589,534	P2,646,805	P794,150

As at December 31, 2018 and 2017, based on the forecasts of future cash flows and operating results, the Company believes that sufficient taxable income will be generated so that it is probable that it will realize the tax benefits associated with the recognized deferred income tax assets related to tax loss carryforwards prior to their expiration. In addition, the Company concluded that the deferred income tax liabilities that were considered in the analysis of recoverability of its deferred income tax assets will reverse in the same period and tax jurisdiction of the related recognized deferred income tax assets. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, currently recognized deferred income tax assets would be evaluated and derecognized if necessary against the results of the period.

24C) EFFECTIVE TAX RATE

Differences between the financial basis and the corresponding tax basis of assets and liabilities and the different income tax rates and laws applicable to the Company, among other factors, give rise to permanent differences between the average statutory tax rate of the entities included in the consolidated financial statements, and the effective tax rate presented in the consolidated statements of comprehensive income, which were as follows:

	2018	2017	2016
Statutory income tax rate	30.00%	30.00%	30.00
Taxable income eliminated at consolidated level	1329.65	–	–
Movement in NOLCO	1006.01	35.46	13.63
MCIT	959.45	–	–
Non-deductible expenses	130.76	6.62	0.61
CAR and FALCON tax rate difference	(1011.21)	(53.19)	(14.01)
Non-taxable income	(19.39)	(1.69)	(0.10)
Others	(47.43)	0.28	(1.62)
Consolidated effective income tax rate	2377.84%	17.48%	28.51

(Amounts in Thousands, Except Number of Shares and Per Share Data)

24D) SIGNIFICANT TAX PROCEEDINGS

Certain subsidiaries of the Company are the subject of tax investigations. As at April 2, 2019, below is the status of the said tax investigations:

Entities	Period	Covered taxes	Status
Solid	2017	All internal revenue taxes	On-going
	2016	VAT	On-going
APO	2017	All internal revenue taxes	On-going
	2016	VAT	On-going
Ecocrete, Inc.	2013-2015	All internal revenue taxes	The assessment notices issued by the BIR were duly protested.
Ecocast Builders, Inc.	2016-2017	VAT	On-going
Parent Company	Jan-Jun 2018	VAT	On-going

The Company's assessment on the impact of the above tax proceedings in the consolidated financial statements is disclosed in Note 28.

24E) IMPACT OF NEW TAX LAW

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018.

The TRAIN Law, which took effect on January 1, 2018, represents Package 1 of the comprehensive tax reform program of the current administration that aims to correct gaps in the present tax system, allowing it to be more effective and equitable. Below are the salient points of the TRAIN Law:

- Reduction in personal income taxes
- Changes in capital income taxes
  - Final withholding tax on interest from foreign-currency deposits increased to 15% (from 7.5%)
  - Capital gains tax on unlisted/untraded shares increased to 15% (from 5%/10%)
  - Stock transaction tax on listed/traded shares increased to 6/10 of 1% (from ½ of 1%)
- Amendments to other taxes
  - VAT
    - Certain VAT zero-rated transactions to become subject to 12% VAT upon implementation of VAT refund system
    - VAT exemption threshold for sale of goods and services increased to P3.0 million (from P1.9 million)
    - Included in VAT-exempt transactions, among others: transfers of properties pursuant to a tax-free merger; association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations
  - Increased documentary stamp taxes (DST) rates by 50% to 100% on certain transactions
  - Excise taxes
    - Revised excise tax rates on cigars and cigarettes, manufactured oils and other fuels, petroleum products, automobiles, and minerals
    - Expanded scope of excise tax to include non-essential services and sweetened beverages

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 25 - STOCKHOLDERS' EQUITY

25A) COMMON STOCK

As at December 31, 2018, 2017 and 2016, information on the Parent Company's common stock is summarized as follows:

	Authorized			Issued and Outstanding		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
Balance at January 1, 2016	1,504,000	P100	P150,400	94,000	P100	P9,400
Full payment of previously subscribed common stock	-	-	-	282,000	100	28,200
Effect of decrease in par value on previously authorized and subscribed shares	148,896,000	-	-	37,224,000	-	-
Effect of increase in authorized capital stock	5,044,995,454	1	5,044,995	2,819,867,500	1	2,819,867
Shares issued during IPO	-	-	-	2,337,927,954	1	2,337,928
Balance at December 31, 2016	5,195,395,454	P1	P5,195,395	5,195,395,454	P1	P5,195,395
Balance at December 31, 2017	5,195,395,454	P1	P5,195,395	5,195,395,454	P1	P5,195,395
Balance at December 31, 2018	**5,195,395,454**	**P1**	**P5,195,395**	**5,195,395,454**	**P1**	**P5,195,395**

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Parent Company at P100 par value per share. 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 BOD 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 P2,819,867 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).

25B) OTHER EQUITY RESERVES

Other equity reserves as at December 31 consisted of:

		2018	2017
Cumulative translation of foreign subsidiaries	P	**316,283**	77,339
Remeasurements on retirement benefit liability		**222,923**	85,764
Share-based compensation reserve		**57,159**	36,826
Hedge reserve		**(6,458)**	–
	P	**589,907**	199,929

25C) NON-CONTROLLING INTERESTS

Non-controlling interest represents the 30% share of non-controlling stockholders in the results and equity of Newcrete Management, Inc. As at December 31, 2018 and 2017, non-controlling interest in equity amounted to approximately P193 and P221, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

25D) SHARE - BASED PAYMENTS

As part of CEMEX's share-based payments programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX's CPOs, pursuant to which new CPOs are issued by the ultimate parent company under each annual program over a four (4) year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a one (1) year restriction on sale.

Under these programs, CEMEX issued new shares to certain executives of the Company for approximately 1,798,264, 429,761 and 765,586 CPOs in 2018, 2017 and 2016, respectively, that were subscribed and pending for payment in the ultimate parent company's treasury. As at December 31, 2018 and 2017, there are approximately 4,287,065 and 634,636 CPOs, respectively, associated with these annual programs that are expected to be issued in the future as the Company's executives render services.

The compensation expense related to these programs for the years ended December 31, 2018, 2017 and 2016 for approximately P20,333, P25,171 and P11,655, respectively, corresponding to the fair value of the number of CEMEX's CPOs at the date of grant, was recognized in the Company's profit or loss against other equity reserves. The weighted average fair value, which pertains to the market price of CPOs granted, is 13.61, 14.28 and 13.79 Mexican Pesos in 2018, 2017 and 2016, respectively. As at December 31, 2018 and 2017, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's own stock (intrinsic value).

25E) RETAINED EARNINGS (DEFICIT)

As at December 2018 and 2017, the Company's retained earnings include unappropriated retained earnings (deficit) of its significant operating subsidiaries, Solid and APO, amounting to (P853,355) and P831,756, respectively, which pertains to the result of the operations of both Solid and APO from the date the Parent Company obtained control over these subsidiaries. Such amount was offset by the net results of the Parent Company and its remaining subsidiaries. The retained earnings of both Solid and APO are not available for distribution as dividends by the Parent Company until declared by the respective investees.

25F) 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 for the Company with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD 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 "Stockholders' Equity" as shown in the consolidated 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:

		2018	2017
Total liabilities	P	**26,981,771**	22,430,991
Less cash and cash equivalents		**(1,813,665)**	(1,058,267)
Net debt	P	**25,168,106**	21,372,724
Total equity	P	**28,872,280**	29,422,396
Net debt to equity ratio	P	**0.87:1**	0.73:1

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 26 - BASIC AND DILUTED EARNINGS PER SHARE

The amounts considered for the calculation of earnings per share (EPS) for 2018, 2017 and 2016 are as follows:

		2018	2017	2016
Profit (loss) (a)	P	(930,158)	658,811	1,413,466
Add: non-controlling interest profit (loss)		28	25	24
Controlling interest in profit (loss)		(930,130)	658,836	1,413,490
Weighted average number of shares outstanding - Basic/Diluted (b)		5,195,395,454	5,195,395,454	2,845,589,135
Basic/Diluted earnings (loss) per share (a/b)	P	(0.18)	0.13	0.50

The EPS calculation reflects the effect of the stock split resulting from the increase in par value of the common stock from P100 per share to P1 per share, which was approved by the SEC on May 20, 2016.

As at December 31, 2018, 2017 and 2016, the Company has no dilutive equity instruments.

NOTE 27 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2018 and 2017, the Company had the following contractual obligations. The interest payments on floating rate bank loans reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for this financial liability, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

		2018			
		Less than 1 year	1-5 Years	More than 5 Years	Total
Bank loan	P	860,926	16,017,161	–	16,878,087
Payable to a related party [1]		1,395,586	3,751,481	–	5,147,067
Operating leases [2]					
Land lease		87,002	435,010	1,479,036	2,001,048
Warehouse lease		72,896	213,167	47,365	333,428
Vessel lease		431,990	623,604	–	1,055,594
Office lease		17,342	97,179	22,446	136,967
Housing lease		805	–	–	805
Retirement plans and other benefits [3]		80,829	882,659	2,198,122	3,161,610
Total contractual obligations	P	2,947,376	22,020,261	3,746,969	28,714,606

		2017			
		Less than 1 year	1-5 Years	More than 5 Years	Total
Bank loan	P	786,759	14,847,076	1,682,734	17,316,569
Long-term payable to a related party [1]		326,601	1,147,467	–	1,474,068
Operating leases [2]					
Land lease		87,002	435,010	1,566,038	2,088,050
Warehouse lease		77,073	879,642	150,376	1,107,091
Vessel lease		141,523	107,137	–	248,660
Office lease		16,491	92,551	43,823	152,865
Retirement plans and other benefits [3]		42,641	164,730	3,814,501	4,021,872
Total contractual obligations	P	1,478,090	17,673,613	7,257,472	26,409,175

1 The payables pertain to the Company's loan from CABV. The loan bears interest at a fixed rate to be revalued semi-annually based on the Company's financial ratio in 2018 for Solid and fixed rate for APO. The loan is unsecured and is due to be paid in 2024 and 2019 for Solid and APO, respectively (see Note 13).

2 The Company leases vessels, land, warehouses and office premises under operating leases with periods ranging from 1 - 25 years. Total rental expenses pertaining solely to minimum lease payments recognized in profit or loss by the Company from these operating leases amounted to P593,955 and P460,935 for the years ended December 31, 2018 and 2017, respectively. The amounts of payments under operating leases have been determined on the basis of nominal cash flows. Some of these operating leases with a term of more than one (1) year have escalation clauses, whereby rental fees increase over the lease term. In addition, these lease agreements provided renewal options subject to the mutual agreement of both the lessor and the Company.

3 Represents the estimated payments for retirement benefits over the expected maturity of the retirement and other benefit liabilities (see Note 22). Future payments include an estimation of new pensioned personnel over those years.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 28 - CONTINGENCIES FROM LEGAL PROCEEDINGS

As at December 31, 2018 and 2017, the Company is involved in other 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.

NOTE 29 - MAIN SUBSIDIARIES

The Parent Company's direct and indirect subsidiaries as at December 31, 2018 and 2017 are as follows:

Entities	Country of Incorporation	Main activity	% of interest
CAR	Switzerland	Services	100.0
Falcon	Barbados	Insurance	100.0
Edgewater Ventures Corporation	Philippines	Holdings	100.0
Triple Dime Holdings, Inc.	Philippines	Holdings	100.0
APO	Philippines	Cement	100.0
Bedrock Holdings, Inc.	Philippines	Holdings	100.0
Sandstone Strategic Holdings, Inc.	Philippines	Holdings	100.0
Solid	Philippines	Cement/Concrete	100.0
Ecocast Builders, Inc.	Philippines	Construction	100.0
Ecocrete, Inc.	Philippines	Services	100.0
Ecopavements, Inc.	Philippines	Construction	100.0
Enerhiya Central Inc.	Philippines	Energy	100.0
Newcrete Management, Inc.	Philippines	Services	70.0

NOTE 30 - RELEVANT INFORMATION REGARDING THE IMPACT OF THE LANDSLIDE

Impact on the Operations

On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the "Landslide"), a site located within an area covered by the mining rights of ALQC. ALQC is a principal raw material supplier of APO. The Company does not own any equity stake (directly or indirectly) in ALQC or Impact Assets Corporation, its parent company. CASEC, an indirect subsidiary of CEMEX, S.A.B. de C.V. which is a majority shareholder of the Parent Company, owns a minority 40% stake in Impact Assets Corporation.

The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO and implemented to address the disruption in the supply arrangement with ALQC. As a result, the Company incurred incremental costs of raw materials in production and other expenses. In addition, the Company incurred losses amounting to P83,844 on inventories which were buried during the incident. However, substantial portion of such incremental costs and losses were offset by the insurance claims recognized amounting to P662,210. Other losses as result of the landslide amounting to P71,716 were not covered by the insurance. In December 2018 and February 2019, the Company received portion of its insurance claims amounting to P317,160 and P206,800, respectively. As at December 31, 2018, outstanding claims from insurance amounted to P345,050, which are recognized under "Insurance claims and premiums receivables" in the consolidated statements of financial position (see Note 15A).

Lawsuit
On November 19, 2018, the Parent Company and APO were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu, against the Parent Company, APO, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for "Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems". As at December 31, 2018, ALQC has not yet received summons concerning the class action.

In the complaint, among other allegations, (i) plaintiffs claim that the Landslide occurred as a result of the defendants' gross negligence; and (ii) seek, among other relief, (a) monetary damages in the amount of approximately P4.3 billion, (b) the establishment of a P500 million rehabilitation fund, and (c) the issuance of a Temporary Enviroment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO and the Parent Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund.

As at December 31, 2018, among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Parent Company, ALQC and APO hold the position that the landslide occurred due to natural causes and deny liability. In the event a final adverse resolution is issued in this matter, plaintiffs will have the option to proceed against any one of ALQC, APO or the Parent Company for satisfaction of the entirety of the potential judgement award, without the need to proceed against any other private defendant beforehand. Thus, ALQC's, APO's or the Parent Company's assets alone could be exposed to execution proceedings.

As at December 31, 2018, because of the current status and preliminary nature of the lawsuit, considering all possible defenses available, the Company cannot assess with certainty the likelihood of an adverse result in this lawsuit, and in turn, the Company cannot assess if a final adverse resolution, if any, would have a material adverse impact on its results of operations, liquidity and financial condition.

NOTE 31 - SUBSEQUENT EVENTS

In relation to the revolving loan agreement with CABV executed on November 21, 2018 (see Note 13), the Company advanced additional funds to settle trade and insurance payables totaling to $41.8 million in January and February 2019. As at April 2, 2019, long-term payable of Solid to CABV amounted to P4,653,000.

During its meeting on April 2, 2019, the BOD of the Parent Company approved the amendment of the Seventh Article of the Amended Articles of Incorporation, increasing the authorized capital stock of the Parent Company from P5,195,395, divided into 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395, divided into 18,310,395,454 common shares with a par value of P1 per share.

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 885 7000
Fax	+63 (2) 894 1985
Internet	www.kpmg.com.ph
Email	ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of CEMEX Holdings Philippines, Inc. (the "Company") and Subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated April 2, 2019.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration;
- Map of Group of Companies within which the Group belongs;
- Schedule of Philippine Financial Reporting Standards and Interpretations; and
- Supplementary Schedules of Annex 68-E.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-4, Group A, valid until June 20, 2021
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-012-2018
Issued November 29, 2018; valid until November 28, 2021
PTR No. MKT 7333606
Issued January 3, 2019 at Makati City

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April 2, 2019
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC.
34th Floor, Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue, Makati City
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, January 1, 2018		**P3,453,273,951**
Adjustments:		
Adjustments in previous years' reconciliation		**(566,139,379)**
Unappropriated Retained Earnings, as adjusted, January 1, 2018		**2,887,134,572**
Add: Net income actually earned/realized during the year		
Net income during the period closed to Retained Earnings	P356,008,765	
Less: Non-actual/unrealized income net of tax		
Equity in net income (loss) of associate/ joint venture	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting in gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	91,034,792	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Deferred income tax expense for the year	360,608,369	
Net income actually earned/realized during the year		**807,651,926**
Add (Less):		
Dividends declaration during the period		-
Appropriation of retained earnings during the period		-
Reversal of appropriations		-
Effect of prior period adjustments		-
Treasury shares		-
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2018		**P3,694,786,498**

BUREAU OF INTERNAL REVENUE
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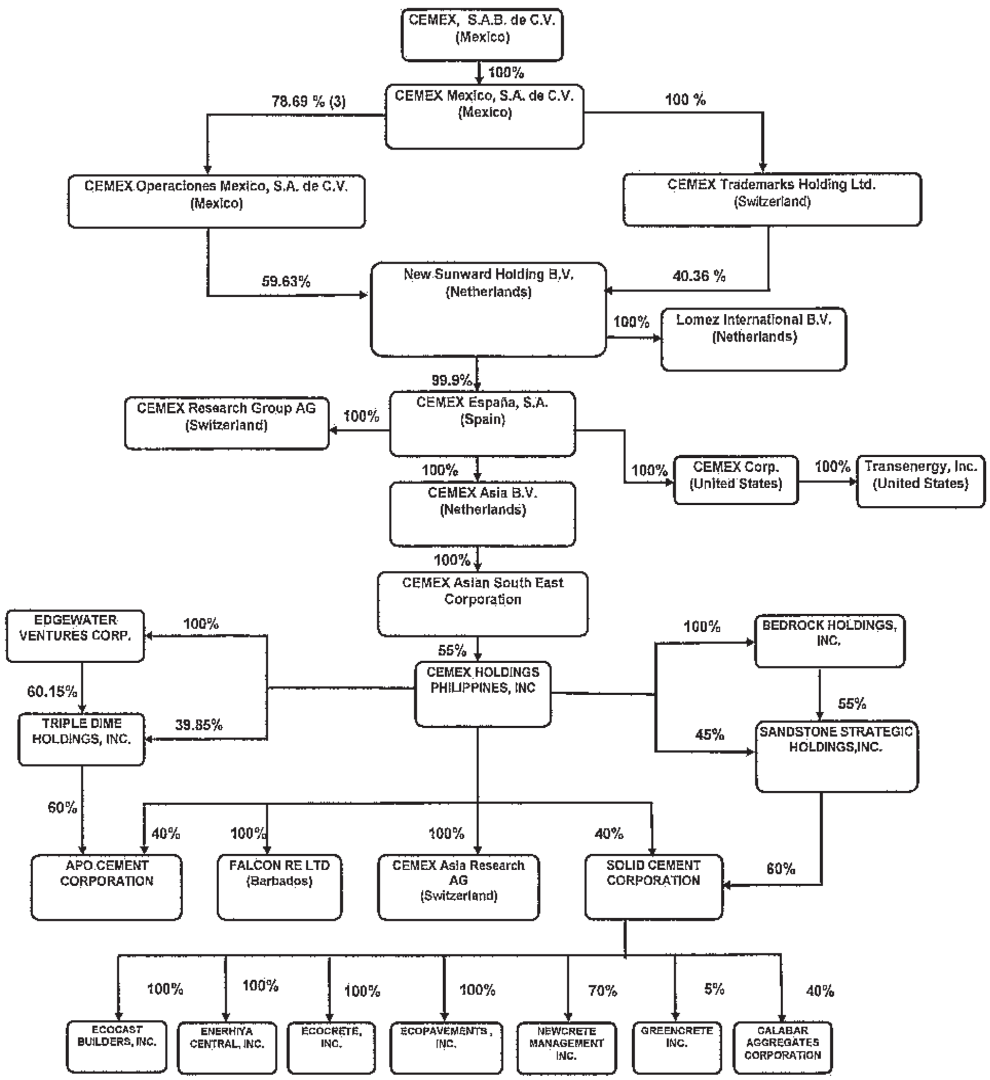
APR 15 2019

CEMEX Holdings Philippines, Inc. and Subsidiaries

Map of the Group of Companies Within which the Company Belongs
As at December 31, 2018



Note: The diagram provides the organizational and ownership structure as at December 31, 2018 and has been simplified to show the relevant intermediate holding companies of CEMEX, S.A.B. de C.V.

CEMEX Holdings Philippines, Inc. and Subsidiaries

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation			✓
	Amendments to PFRS 3: Definition of a Business		✓	
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements	✓		
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases		✓	
PFRS 17	Insurance Contracts		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material		✓	
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity		✓	
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone	✓		
	Amendments to PAS 19: Plan Amendment, Curtailment or Settlement		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 23 - Borrowing costs eligible for capitalization		✓	
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value	✓		
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of investment properties - asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013	✓		
PIC Q&A 2013-03	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
(Revised)	Republic Act (RA) 7641, The Philippine Retirement Law			
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	✓		
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity	✓		
PIC Q&A 2016-03	Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts	✓		
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017	✓		
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	✓		
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures	✓		
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	✓		
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	✓		
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	✓		
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property	✓		
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy	✓		
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test	✓		
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost	✓		
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease	✓		
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items	✓		
PIC Q&A 2018-10	Scope of disclosure of inventory write-down	✓		
PIC Q&A 2018-11	Classification of land by real estate developer			✓
PIC Q&A 2018-12	PFRS 15 implementation issues affecting the real estate industry			✓
PIC Q&A 2018-13	Conforming Changes to PIC Q&As - Cycle 2018	✓		
PIC Q&A 2018-14	PFRS 15 - Accounting for Cancellation of Real Estate Sales			✓
PIC Q&A 2018-15	PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current	✓		
PIC Q&A 2018-16	PFRS 13 - Level of fair value hierarchy of government securities using Bloomberg's standard rule on fair value hierarchy			✓
PIC Q&A 2019-01	Accounting for service charges under PFRS 15, Revenue from Contracts with Customers			✓
PIC Q&A 2019-02	Accounting for cryptographic assets			✓
PIC Q&A 2019-03	Revenue recognition guidance for sugar millers			✓

Legend:

Adopted *- means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

Not Adopted *- means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

Not Applicable *- means the standard or interpretation is not relevant at all to the operations of the entity.*

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIALS ASSETS
December 31, 2018
(Amounts in Thousands)

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
December 31, 2018
(Amounts in Thousands)

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
VIDAL, APRIL	P6,100,220	P-	(P1,000,000)	P-	P5,100,220	P-	P5,100,220
RAMOS, ARTURO	3,825,796	-	(3,825,796)	-	-	-	-
CARPIO, EDMUND	795,167	-	-	-	795,167	-	795,167
BLANCO, HERMINIA	406,936	-	(406,936)	-	-	-	-
SORONGON, JOAN	139,750	-	(139,750)	-	-	-	-
FESTEJO, ALEXANDER	130,802	-	(130,802)	-	-	-	-
HUFEMIA, EDWIN	-	302,035	(139,776)	-	162,259	-	162,259
URRIZA, RALPH ANDREW	-	180,000	(26,250)	-	153,750	-	153,750
	P11,398,671	P482,035	(5,669,310)	P-	6,211,396	P-	P6,211,396

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS

December 31, 2018

(Amounts in Thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
CEMEX Holdings Philippines, Inc.	P55,100	P505,942	(P534,262)	P -	P26,780	P -	P 26,780
Solid Cement Corporation	167,060	258,888	(364,269)	-	61,679	-	61,679
APO Cement Corporation	41,005	621,295	(632,438)	-	29,862	-	29,862
Bedrock Holdings, Inc.	109,817	-	-	-	200	109,617	109,817
Ecocast Builders, Inc.	14,865	-	-	-	14,865	-	14,865
Ecopavements, Inc.	45,213	1,553	-	-	1,766	45,000	46,766
Ecocrete, Inc.	11	775	(705)	-	81	-	81
Cemex Asia Research AG	3,158,629	4,156,052	(3,053,298)	-	4,261,383	-	4,261,383
Falcon Re Ltd.	2,184,613	144,574	(1,476,220)	-	852,967	-	852,967
	P5,776,313	P5,689,079	(P6,061,192)	P -	P5,249,583	P154,617	P5,404,200

CEMEX HOLDINGS PHILIPPINES, INC. AND A SUBSIDIARIES
SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2018
(Amounts in Thousands)

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
Goodwill	P27,859,694	P-	P-	P-	P-	P27,859,694

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE E. LONG TERM DEBT
December 31, 2018
(Amounts in Thousands)

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Expense	Number of Periodic Installments	Final Maturity Date
Senior Unsecured Peso Term Loan Facility Agreement	BDO Unibank, Inc.	P13,628,851	P140,123	P13,488,728	P719,174 (Fixed rate tranche - as agreed by the parties; Floating rate tranche - based on prevailing market rate plus spread)	28	February 2, 2024

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)
December 31, 2018
(Amounts in Thousands)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
CEMEX Asia B.V.	P1,288,334	3,594,549

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2018
(Amounts in Thousands)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOTHING TO REPORT

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE H. CAPITAL STOCK
December 31, 2018

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common shares	5,195,395,454	5,195,395,454	Not applicable	2,857,467,498	1,586,891	2,336,341,065

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Current ratio (Current assets over current liabilities)	**0.9:1**	1.0:1
Solvency ratio (Profit plus depreciation and amortization over total liabilities)	**0.018:1**	0.1:1
Bank debt-to-equity ratio (Bank debt over total equity)	**0.5:1**	0.5:1
Asset-to-equity ratio (Total assets over total equity)	**1.9:1**	1.8:1
Interest rate coverage ratio (Operating income before other expenses over interest expense)	**1.5:1**	2.3:1
Operating profit margin (Operating profit over net sales)	**6%**	9%
Net profit margin (Profit over net sales)	**-4%**	3%

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201518815

COMPANY NAME

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

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

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
16		December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Steve Kuansheng Wu	steve.wu@cemex.com	(02) 849 3647	

CONTACT PERSON's ADDRESS

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

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

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

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

Opinion

We have audited the consolidated financial statements of CEMEX Holdings Philippines, Inc. and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015, in accordance with Philippine Financial Reporting Standards (PFRSs).

RECEIVED

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

12 APR 2018

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Goodwill Impairment Assessment</u>
Refer to Note 3L to the consolidated financial statements for the Group's policy on impairment of Goodwill.

The Group has goodwill amounting to P27.86 billion as at December 31, 2017 which arose from the Group's business acquisition transactions in 2016. Such goodwill has been allocated to the Group's cash-generating units (CGUs), comprising APO Cement Corporation and Solid Cement Corporation. Management has undertaken an annual impairment review in respect of this goodwill in accordance with the requirements of PFRSs, and concluded that no impairment arose as at December 31, 2017.

The Risk
In assessing impairment of goodwill, complex and subjective judgments in determining a number of key assumptions, such as growth rate, discount rate and other economic assumption (i.e. inflation rate), are made to determine its value-in-use. We focused on this area due to both the significance of the carrying amount of the goodwill and because management's assessment of the value-in-use of the Group's CGUs involves significant judgments about the future results of the business and the discount rates applied to future cash flow forecasts.

Our Response
Our procedures included assessment of the appropriateness of the CGUs identified. We evaluated management's future cash flow forecast and the process by which they were determined and approved, including checking that the forecasts were consistent with the latest approved budgets and confirming the mathematical accuracy of the underlying calculations. We assessed the methodology used to generate the discounted cash flow model for each CGU. We involved our own valuation specialists to assist us in evaluating the assumptions applied and comparing the assumptions used to historical results and external economic forecasts. We performed sensitivity analysis on the key assumptions used to ascertain the extent of change that individually would be required for the goodwill to be impaired. We also evaluated the adequacy of the disclosures in respect of the impairment assessment in the consolidated financial statements.

KPMG

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

KPMG

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Emerald Anne C. Bagnes.

R.G. MANABAT & CO.

Emerald Anne C. Bagnes

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-3, Group A, valid until April 30, 2018
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-12-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 6615124MD
Issued January 3, 2018 at Makati City

March 22, 2018
Makati City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of **CEMEX Holdings Philippines, Inc. and Subsidiaries** (the "**Company**") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature JOAQUIN MIGUEL ESTRADA SUAREZ
Chairman of the Board

Signature IGNACIO ALEJANDRO MIJARES ELIZONDO
President/Chief Executive Officer

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Signature STEVE KUANSHENG WU
Treasurer/Chief Financial Officer

'12 APR 2018

Signed this 22nd day of March 2018

SUBSCRIBED AND SWORN TO BEFORE ME THIS MAR 2 2 2018
AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER
ID No.

DOC. NO 199
PAGE NO 41
BOOK NO. 213
SERIES OF 2018

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88
UNTIL DECEMBER 31, 2018
ROLL OF ATTORNEYS NO. 45348
MCLE COMPLIANCE NO. ...2353/4-10-2013
IBP O.R No. ...
PTR No. ... JAN 03, 2018
CENEXECUTIVE BLDG. CENTER
MAKATI AVE., COR. JUPITER

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **CEMEX Holdings Philippines, Inc. And Subsidiaries** for the period ending **December 31, 2017.**

In discharging this responsibility, I hereby declare that:

______ I, am the ________________, of ____________.

__✓__ I, am the **Assistant Manager** of **Solid Cement Corporation** and was contracted to perform this service.

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of **R.G. Manabat & Co.** who is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME: MELANIE C. LEGASPI

PROFESSIONAL IDENTIFICATION CARD NUMBER 0074287
VALID UNTIL: January 17, 2020

ACCREDITATION NUMBER: 2016 - 3034
VALID UNTIL: January 17, 2020

12 APR 2018

MAR 2 2 2018

SUBSCRIBED AND SWORN TO BEFORE ME THIS _____
AT MAKATI CITY ... TO ME HIS/HER ... ID No. _____

Doc No. 192
Page No. 40
Book No. 297
Series of 2018

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	December 31 2017	December 31 2016
ASSETS			
Current Assets			
Cash and cash equivalents	*11, 21*	P1,058,267	P1,337,155
Trade receivables - net	*12, 21*	833,259	909,667
Due from related parties	*13, 21*	26,386	215,215
Other current accounts receivable	*15, 21*	74,616	127,346
Inventories	*16*	3,258,252	2,577,577
Prepayments and other current assets	*17*	1,401,133	1,420,056
Total Current Assets		6,651,913	6,587,016
Noncurrent Assets			
Investment in an associate and other investments	*14*	15,407	15,273
Other assets and noncurrent accounts receivable	*15, 21*	716,700	320,489
Property, machinery and equipment - net	*18*	15,582,732	15,814,811
Deferred income tax assets - net	*24*	925,230	444,601
Goodwill	*19*	27,859,694	27,859,694
Total Noncurrent Assets		45,099,763	44,454,868
		P51,751,676	P51,041,884
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		P2,318,979	P2,170,646
Due to related parties	*13*	2,273,404	1,482,096
Current portion of long-term bank loan	*21, 23*	140,123	–
Unearned revenue, other accounts payable and accrued expenses	*20*	2,108,767	1,958,973
Income tax payable		32,279	42,490
Total Current Liabilities		6,873,552	5,654,205
Noncurrent Liabilities			
Long-term bank loan - net of current portion	*21, 23*	13,600,475	–
Long-term payable to related parties	*13, 21*	1,073,635	15,919,322
Retirement benefit liability	*13, 22*	761,008	769,340
Other noncurrent liabilities		20,610	14,805
Total Noncurrent Liabilities		15,455,728	16,703,467
Total Liabilities		22,329,280	22,357,672
Stockholders' Equity			
Controlling interest:			
Common stock	*25A*	5,195,395	5,195,395
Additional paid-in capital		21,959,159	21,959,159
Other equity reserves	*25B*	199,929	120,556
Retained earnings	*25E*	2,067,692	1,408,856
Total controlling interest		29,422,175	28,683,966
Non-controlling interest	*25C*	221	246
Total Equity		29,422,396	28,684,212
		P51,751,676	P51,041,884

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Data)

	Note	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016 (As restated - see Note 30)	For the Period from September 17 to December 31, 2015
Revenue	8	P21,784,450	P24,286,753	P–
Costs of sales and services	6	(12,400,901)	(11,885,883)	–
GROSS PROFIT		9,383,549	12,400,870	–
Administrative and selling expenses	6	(3,079,349)	(3,493,594)	(4,415)
Distribution expenses	7	(4,317,633)	(3,961,636)	–
TOTAL OPERATING EXPENSES		(7,396,982)	(7,455,230)	(4,415)
OPERATING INCOME (LOSS) BEFORE OTHER EXPENSES - Net		1,986,567	4,945,640	(4,415)
Other expenses - net	9	(226,179)	(319,783)	–
OPERATING INCOME (LOSS) AFTER OTHER EXPENSES - Net		1,760,388	4,625,857	(4,415)
Financial expenses	13, 23	(858,449)	(1,236,021)	–
Foreign exchange loss - net		(66,738)	(1,379,892)	(31)
Other financial expenses - net	10	(36,846)	(32,734)	–
EARNINGS (LOSS) BEFORE INCOME TAX		798,355	1,977,210	(4,446)
Income tax expense	24	(139,544)	(563,744)	–
PROFIT (LOSS)		658,811	1,413,466	(4,446)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Gain on remeasurements on retirement benefit liability	22	106,474	16,046	–
Tax effect	24	(31,942)	(4,814)	–
		74,532	11,232	–
Items that will be reclassified subsequently to profit or loss				
Currency translation gain (loss) of foreign subsidiaries		(13,525)	90,898	(34)
Cash flow hedges - reclassified to profit or loss		(6,805)	(12,016)	–
Cash flow hedges - effective portion of changes in fair value		–	18,821	–
		(20,330)	97,703	(34)
		54,202	108,935	(34)
TOTAL COMPREHENSIVE INCOME (LOSS)		713,013	1,522,401	(4,480)
Non-controlling interest comprehensive loss		25	24	–
CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)		P713,038	P1,522,425	(P4,480)
Basic/Diluted Earnings (Loss) Per Share	26	P0.13	P0.50	(P0.12)

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2017 and 2016 and For the Period from September 17 to December 31, 2015
(Amounts in Thousands)

	Note	Common Stock	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings (Deficit)	Total Controlling Interest	Non-controlling Interest	Total Equity
As at September 17, 2015		P–	P–	P–	P–	P–	P–	P–
Transactions with owners of the Company								
Issuance of capital stock	25A	9,400	–	–	–	9,400	–	9,400
Share issuance cost		–	–	–	(188)	(188)	–	(188)
Total comprehensive income								
Loss for the period		–	–	–	(4,446)	(4,446)	–	(4,446)
Other comprehensive loss for the period		–	–	(34)	–	(34)	–	(34)
As at December 31, 2015		9,400	–	(34)	(4,634)	4,732	–	4,732
Transactions with owners of the Company								
Issuance of capital stock	25A	5,185,995	22,794,798	–	–	27,980,793	–	27,980,793
Share issuance cost		–	(835,639)	–	–	(835,639)	–	(835,639)
Changes in non-controlling interest due to business combination	25C	–	–	–	–	–	270	270
Share-based compensation	25D	–	–	11,655	–	11,655	–	11,655
Total comprehensive income								
Profit for the period		–	–	–	1,413,490	1,413,490	(24)	1,413,466
Other comprehensive income for the period		–	–	108,935	–	108,935	–	108,935
		5,185,995	21,959,159	120,590	1,413,490	28,679,234	246	28,679,480
As at December 31, 2016		5,195,395	21,959,159	120,556	1,408,856	28,683,966	246	28,684,212
Transactions with owners of the Company								
Share-based compensation	25D	–	–	25,171	–	25,171	–	25,171
Total comprehensive income								
Profit for the period		–	–	–	658,836	658,836	(25)	658,811
Other comprehensive income for the period		–	–	54,202	–	54,202	–	54,202
		–	–	79,373	658,836	738,209	(25)	738,184
As at December 31, 2017		P5,195,395	P21,959,159	P199,929	P2,067,692	P29,422,175	P221	P29,422,396

The accompanying notes are part of these consolidated financial statements.

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CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Period from September 17 to December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss)		P658,811	P1,413,466	(P4,446)
Allocation for non-controlling interest		–	270	–
Adjustments for:				
Depreciation of property, machinery and equipment	5	1,269,233	1,221,272	–
Financial expenses, other financial expenses and foreign exchange result		998,479	2,422,547	–
Net provisions (reversal of provisions) during the period	12, 16, 20, 22	179,163	(165,732)	–
Impairment loss on property, machinery and equipment	9	175,230	–	–
Income tax expense	24	139,544	563,744	–
Loss from early extinguishment of debt	9	64,603	–	–
Stock-based compensation expense	25	25,171	11,655	–
Loss on disposal of property, machinery and equipment	9	4,602	24,263	–
Operating profit (loss) before working capital changes		3,514,836	5,491,485	(4,446)
Net changes in operating assets and liabilities:				
Decrease (increase) in:				
Trade receivables		50,005	(92,357)	–
Due from related parties		164,187	(144,842)	190
Other current accounts receivable		53,679	(139,803)	–
Inventories		(722,775)	(297,353)	–
Prepayments and other current assets		(18,820)	502,805	–
Increase (decrease) in:				
Trade payables		(29,250)	(75,313)	–
Due to related parties		471,769	314,857	–
Unearned revenue, other accounts payable and accrued expenses		71,312	(232,738)	–
Cash generated from (absorbed by) operations		3,554,943	5,326,741	(4,256)
Interest received		3,034	8,570	–
Interest paid		(860,786)	(311,430)	–
Income taxes paid		(553,370)	(1,239,764)	–
Benefits paid to employees	22	(25,014)	(36,305)	–
Net cash provided by (used in) operating activities		2,117,807	3,747,812	(4,256)

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	Note	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Period from September 17 to December 31, 2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of:				
Property, machinery and equipment		P15,280	P1,102	P–
Investments in shares of stock		–	1,476,056	–
Investment property		–	508,165	–
Additions to:				
Property, machinery and equipment	*18*	(1,148,213)	(722,210)	–
Investments in shares of stock	*14*	(134)	–	–
Decrease (increase) in other noncurrent assets		(396,211)	23,654	–
Acquisition of subsidiaries, net of cash acquired	*19*	–	(44,137,516)	–
Net cash used in investing activities		(1,529,278)	(42,850,748)	–
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Bank loan drawdown (net of transaction cost)	*23*	13,831,596	–	–
Long-term loan from related parties	*13*	849,900	40,760,694	–
Issuance of common stock (net of issuance cost)	*25A*	–	27,145,155	9,212
Payments of:				
Long-term payable to related parties	*13*	(15,458,475)	(27,439,418)	–
Bank loan		(105,092)	–	–
Net cash provided by (used in) financing activities		(882,071)	40,466,431	9,212
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(293,542)	1,363,495	4,956
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		14,654	(31,262)	(34)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,337,155	4,922	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*11*	P1,058,267	P1,337,155	P4,922

The accompanying notes are part of these consolidated financial statements

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NOTE 1 - DESCRIPTION OF BUSINESS

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 consolidated 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. (see Note 29).

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. CRG, an entity under common control of CEMEX, was organized under the laws of Switzerland. CRG develops and manages CEMEX's research and development initiatives.

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 damage and 100% of the risks associated with political violence and non-damage business interruption programs of 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 (PSE), resulting in an increase in capital stock of P2,337,928 and additional paid-in capital of P21,959,159, net of P835,639 transaction costs that is accounted for as a reduction in equity.

Based on the lists of stockholders registered with the stock transfer agent of the Parent Company, the Parent Company had 16 and 14 stockholders as at December 31, 2017 and 2016, respectively, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

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

NOTE 2 - BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs, which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

B) BASIS OF MEASUREMENT

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

C) DEFINITION OF TERMS

When reference is made to "P", it means Philippine Peso. Unless otherwise indicated, the Philippine Peso amounts in the consolidated financial statements and the accompanying notes are stated in thousands. When reference is made to "$" or dollar and "€" or euro, it means thousands of dollars of the United States of America (the "United States" or "U.S.") and euro of European Union, respectively.

D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements of the Company are presented in Philippine Peso, the functional currency of the Parent Company and each of its subsidiaries, except for Falcon and CAR whose functional currency is both in U.S. dollar. All values are rounded to the nearest thousand, except when otherwise stated.

E) STATEMENTS OF COMPREHENSIVE INCOME

The line item "Other expenses - net" in the consolidated statements of comprehensive income consists primarily of income and expenses not directly related to the Company's main activity, or which are non-recurring in nature, such as impairment loss on property, machinery and equipment, reorganization expenses, back office and other support service, among others.

F) STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows present cash inflows and outflows, excluding unrealized foreign exchange result and the following that did not represent sources or uses of cash:

a) The increases in other equity reserves associated with CEMEX's Ordinary Participation Certificates (CPOs) granted in 2017 and 2016 as part of the executive's long-term share-based compensation programs for P25,171 and P11,655, respectively, as described in Note 25D.
b) In line with its production expansion plan, the Company acquired equipment from CEMEX Construction Materials South LLC by incurring a liability amounting to nil and P573,836 in 2017 and 2016, respectively (see Note 13).
c) The Company capitalized decommissioning cost amounting to P5,805 in 2017. This capitalized cost pertains to its estimated cost of restoring the plant site at the end of its useful life.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 22, 2018.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

A) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted have been applied consistently to all years presented in these consolidated financial statements, except for the following relevant amendments to standards, which were adopted on January 1, 2017 and have been applied in preparing this consolidated financial statements. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's consolidated financial statements.

Certain comparative amounts in the consolidated statement of comprehensive income have been re-presented as a result of changes in the presentation of certain accounts during the current year (see Note 30).

1. Adoption of Amendments to Standards

1.1 Disclosure Initiative (Amendments to PAS 7, *Statement of Cash Flows*)
The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Company has provided the required information in Notes 13 and 23 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Company did not present comparative information for the year ended December 31, 2016.

1.2 Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, *Income Taxes*)
The amendments clarify that:

- the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

- the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

- the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

- an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

1.3 Annual Improvements to PFRSs 2014 - 2016 Cycle
This cycle of improvements contains amendments to three standards. The following is the amendment to PFRSs effective for annual periods beginning on or after January 1, 2017:

- Clarification of the scope of the standard (Amendments to PFRS 12, *Disclosure of Interests in Other Entities*). The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The amendments are applied retrospectively, with early application permitted.

2. Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's consolidated financial statements. The Company will adopt the following new and amendments to standards in their respective effective dates.

2.1 Effective January 1, 2018

a) 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.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Estimated Impact of the Adoption of PFRS 9
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 consolidated 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 consolidated 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	P	833,259	(14,412)	818,847
Deferred income tax assets - net		925,230	4,324	929,554
Retained earnings		2,067,692	(10,088)	2,057,604

The estimated 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.

The Company assessed that the new classification requirements of PFRS 9 will have no material impact on its accounting for cash and cash equivalents, trade receivables, due from related parties, other current accounts receivable and long-term and guarantee deposits which will in general also be measured at amortized cost, having cash flows that are solely payments of principal and interest under a held-to-collect business model.

The actual impact of adopting PFRS 9 at January 1, 2018 may change because the new accounting policies are subject to change until the assessment is finalized and the Company presents its first consolidated financial statements that include the date of initial application.

b) Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2, *Share-based Payment*). 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.

The amendments are effective for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted.

c) 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 PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has assessed the impact of the new revenue standard on the Company's consolidated financial statements as follows:

Sale of Goods
The revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Under PFRS 15, revenue will be recognized when the customer obtains control of the goods. Based on the management's assessment, the transfer of the control over the goods is at a point in time and coincides with its delivery and acceptance by the customer. Hence, the management does not expect the application of PFRS 15 to result in a significant impact on its revenue recognition on the sale of goods.

For the customer loyalty programme being implemented locally by the management, the fair value method is the current practice being followed by the Company in valuing the customer loyalty points earned by its customers. Under PFRS 15, consideration will be allocated between the loyalty points earned by the customer and the goods sold based on their relative stand-alone selling prices. As a consequence, a lower proportion of the consideration will be allocated to the loyalty programme, and therefore less revenue is likely to be deferred. The changes are assessed to be not material considering circumstances specific to the Company.

Construction Contracts
In the adoption of PFRS 15, the Company's construction contracts qualify for an over-time revenue recognition as the performance obligations commonly pertain to construction of an asset on properties controlled by the customer. The management assessed that significant impact on the measure of progress is not expected as the Company's current recognition policy recognizes construction expense as incurred and does not ordinarily result in material amounts of work in progress recorded as an asset. Contract revenue also includes the initial amount agreed in the contract plus any variations in contract work and claims, to the extent that it is probable that they will result in revenue and can be measured reliably. When variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. The practice is expected to remain similar when applying the contract modification guidance of PFRS 15, considering common contracts of the Company. Hence, the Company does not expect the application of PFRS 15 to have significant impact on its revenue recognition on construction contracts.

The actual impact of adopting PFRS 15 at January 1, 2018 may change because the new accounting policies are subject to change until the assessment is finalized and the Company presents its first consolidated financial statements that include the date of initial application.

d) Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration.* The interpretation 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.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

e) *Annual Improvements to PFRSs 2014 - 2016 Cycle.* This cycle of improvements contains amendments to three standards. Following is the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018:

- 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.

2.2 Effective January 1, 2019

a) 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 consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying PFRS 16 on the consolidated 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.

So far, the most significant impact identified is that the Company will recognize new assets and liabilities for its operating leases of land, office space, warehouse and transportation equipment. As at December 31, 2017, the Company's minimum lease payments under non-cancellable operating leases amounted to P3,596,666, on an undiscounted basis (see Note 27). In addition, the nature of expenses related to those leases will now change as PFRS 16 replaces the straight-line operating lease expense with depreciation charge for the right-of-use assets and interest expense on lease liabilities.

b) 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 consolidated financial statements resulting from the application of this interpretation.

c) 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.

d) 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.

e) 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.

B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements includes those of the Parent Company and those of the subsidiaries in which the Parent Company exercises control (see Note 29), by means of which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Among other factors, control is evidenced when the Parent Company: a) holds directly or through subsidiaries, more than 50% of an entity's common stock; or b) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Company obtains control and continue to be consolidated until the date that such control ceases.

The consolidated financial statements of the Company are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. It is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related OCI recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statements of comprehensive income.

The Company has P221 and P246 non-controlling interest as at December 31, 2017 and 2016, respectively (see Note 25C).

All intragroup transactions, balances and income and expenses are eliminated in consolidation. Each subsidiary is a legally responsible separate entity and maintains custody of its own financial resources.

C) USE OF JUDGMENTS, ESTIMATES AND CRITICAL ASSUMPTIONS

The preparation of consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each of the consolidated entities in the Company considers the following:

a) The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b) The currency in which funds from financing activities are generated; and
c) The currency in which receipts from operating activities are usually retained.

In case of a subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

Determining whether the Company has Control over its Investee Companies

The Parent Company uses judgment in determining control over its investee companies. The Parent Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee; and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Parent Company assessed that it has control over its investee companies disclosed in Note 29 and treats these investee companies as its subsidiaries.

Determining whether an Arrangement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes an assessment of whether it is dependent on the use of a specific asset or assets and conveys a right to use the asset.

Leases

The Company has entered into various lease arrangements as lessee. The Company has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

Determination of whether the Company is Acting as a Principal or an Agent

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity has the primary responsibility for providing the goods or rendering services;
- the entity has inventory risk;
- the entity has discretion in establishing prices; and
- the entity bears the customer's credit risk.

An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or rendering of services. The Company assessed that it is acting as principal on all of its revenue transactions.

Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

Distinction between Held for Sale and Owner-Occupied Property

The Company determines whether a property qualifies as held for sale. In making its judgment, the Company considers whether the property is not occupied substantially for use by, or in operations by the Company, but is expected to be recovered through sale. Owner-occupied properties generate cash flows that are attributable not only to the property, but also to the other assets used in the production or supply process.

The Company assessed that its machinery and equipment (which were previously being used for concrete operations), its marine vessels, and other machinery and equipment qualify as held for sale (see Note 17).

Assessing Whether the Insurance Contract with the Third Party Insurer and Reinsurance Contract of Falcon are Linked Transactions

The Company, through Solid and APO, insures certain risks with a third party insurer in which Falcon takes some of the risk back into the Company. It was assessed that the insurance transactions between the third party insurer and Solid and APO are interdependent with the reinsurance transaction to Falcon. Since Falcon does not have the regulatory approval required to issue direct insurance contract to Philippine entities, the third party insurer acts as a conduit for Falcon, the captive insurer. This makes the transactions, in substance, form a single arrangement that achieves an overall commercial effect of self-insurance. In addition, the reinsurance contract by Falcon were entered in contemplation of the insurance contracts entered by Solid and APO with the third party insurer. Thus, the insurance expense of Solid and APO and revenue from insurance contracts of Falcon were offset during consolidation.

Assessing Whether the Business Combination Transaction has Commercial Substance

PFRS 3, *Business Combinations*, does not include in its scope transactions among entities under common control. The Company assesses whether a business combination transaction of the Parent Company has commercial substance pursuant to the Company's accounting policy discussed in Note 3K. Since the Parent Company's acquisition of the entities comprising the Philippine operations was undertaken as an integral part of its IPO, the Company assessed such transaction as having commercial substance. Hence, the Company accounted for such business combination transaction using acquisition method of accounting.

Purchase Price Allocation to Account for the Business Combination

Judgment is applied by the Company in allocating the purchase consideration and assigning fair values to the assets, liabilities acquired and eventually to goodwill. The Company has not identified any intangible asset to be recognized separately from goodwill.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Impairment of Goodwill

The Company performed its annual impairment test on its goodwill as at the reporting date. The recoverable amount of goodwill was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The assumptions that were applied to the cash flow projections are disclosed in Note 19 to the consolidated financial statements. The following bases were used to develop the assumptions used in computing value-in-use:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is the most sensitive to changes in discount rate and growth rate.

Estimating Realizability of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets include an amount which relates to the carried forward tax losses of the Parent Company (see Note 24). The Parent Company has incurred the tax losses over the last three years starting from its incorporation. They relate mainly to the expenses incurred by the Company during the IPO and realized foreign exchange loss during its loan refinancing. These carried forward tax losses has an expiration of three years from the taxable year when the tax loss was incurred. The foreign subsidiaries are expected to generate profit in the following years that will be available for declaration as dividend to the Parent Company that will eventually form part of its taxable income from where the said carried forward tax losses may be applied. However, the Company has concluded that they will only benefit from a portion of the said tax losses before they eventually expire. The assessment was based on the level of estimated profit that the foreign subsidiaries will generate in the subsequent years which is based on their past results and future expectations of revenues and expenses. As at December 31, 2017 and 2016, net deferred income tax assets amounted to P925,230 and P444,601, respectively (see Note 24B). The Company has unrecognized deferred income tax assets in respect of NOLCO and deductible temporary differences amounting to P2,646,805 and P894,857 as at December 31, 2017 and 2016, respectively, which mostly pertain to net operating loss carryover (NOLCO). The outcomes within the next financial year with respect to the results of operations of the foreign subsidiaries that are different from the assumption could require a material adjustment to the carrying amount of the Company's deferred income tax assets.

D) FOREIGN CURRENCY

Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of each of the consolidated entities in the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the transaction of the following items are recognized in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss); and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign currency gains and losses are reported on a net basis. During the period, there was no hyperinflationary economy, which is generally considered to exist when the cumulative inflation rate over the last three years is approaching, or exceeds 100%. In a hyperinflationary economy, the accounts of the entity's income statements should be restated to constant amounts as at the reporting date.

Foreign Operation

The assets and liabilities of foreign operation with functional currency other than the Philippine peso are translated into Philippine peso at the exchange rates at the reporting date. The income, expenses and cash flows of foreign operations are translated into Philippine peso at the monthly weighted average exchange rates for the period. Capital transactions of the foreign operations are translated to Philippine Peso at the exchange rates at the dates of the relevant transactions. Foreign currency differences are recognized in OCI and accumulated in "Other equity reserves" account in equity, except to the extent that the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the "Other equity reserves" account in the consolidated statements of comprehensive income related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

E) FINANCIAL INSTRUMENTS

Financial instruments within the scope of PAS 39 are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Financial instruments are recognized initially at fair value. Except for financial instruments classified or designated at FVPL, the initial measurement of financial assets includes directly attributable transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, HTM investments, AFS financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2017 and 2016, the Company has no financial assets and financial liabilities at FVPL and HTM investments.

Cash and Cash Equivalents

Cash and cash equivalents are included in the category "loans and receivables". Cash equivalents are mainly represented by short-term investments of high liquidity, which are easily convertible into cash, and which are not subject to significant risks of changes in their values, including overnight investments, which yield fixed returns and have maturities of less than three months from the investment date. Cash and cash equivalents exclude those which are restricted from Company's use in operations. Cash and cash equivalents are stated at face value which includes accrued interest. Interest income accruing from cash and cash equivalents are recognized as part of "Other financial expenses - net" in the consolidated statements of comprehensive income.

Trade Receivables and Other Current Accounts Receivable

Pursuant to PAS 39, items under this caption are included in the category "loans and receivables". Due to their short-term nature, the Company initially recognizes these receivables at the original invoiced amount and are subsequently measured at amortized cost less an estimate of impairment losses. Impairment losses are recognized under selling expenses. The Company assesses at the end of each reporting date whether there is any objective evidence that a financial asset is impaired.

Objective evidence that financial assets are impaired includes, among others, default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy and adverse changes in the payment status of the borrowers or issuers.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Company.

Other Assets and Noncurrent Accounts Receivable

As part of the category "loans and receivables" under PAS 39, noncurrent accounts receivable are initially recognized at fair value including directly attributable transaction costs and are subsequently measured at their amortized cost. Subsequent changes in net present value are recognized in the consolidated statements of comprehensive income as part of "Other financial expenses - net".

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured and accounted for in the consolidated statements of financial position at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statements of comprehensive income. To qualify for hedge accounting, the hedging relationship must comply with the strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges.

Cash flow Hedges
Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect profit or loss. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in OCI and accumulated in the hedging reserve under "Other equity reserves" in the consolidated statements of financial position, whereas any hedge ineffectiveness is immediately recognized in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense or cost of sales is recognized). However, if an entity expects that all or a portion of a loss recognized in OCI will not be recovered in one or more future periods, it shall reclassify from equity to profit or loss as a reclassification adjustment the amount that is not expected to be recovered.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When the hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported to OCI is retained in OCI until the hedged transaction impacts profit or loss. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in OCI is recognized immediately in profit or loss.

Debt and Other Financial Liabilities

Trade payables, due to related parties, other accounts payable and accrued expenses (excluding advances from customers and liabilities covered by other PFRSs, such as statutory liabilities), long-term payable to related parties, and bank loans are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the consolidated statements of financial position within "Unearned revenue, other accounts payable and accrued expenses", "Long-term payable to related parties" or "Bank loans" against financial expenses. As at December 31, 2017 and 2016, the Company did not have financial liabilities classified as at FVPL, or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss.

'Day 1' Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Derecognition of Financial Instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. The difference between the carrying amount of financial liability (or part of a financial liability) extinguished and the consideration paid is recognized in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

F) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company discloses balances and transactions with related parties. These balances and transactions resulted primarily from: i) the sale and purchase of goods and equipment between related parties; ii) the invoicing of administrative services, rentals, royalties and other services rendered between related parties; and iii) loans and advances between related parties.

The recognition and measurement policies on balances with related parties, which are treated as loans and receivables and other financial liabilities, are in accordance with PAS 39.

G) INVENTORIES

Inventories are valued using the lower of their acquisition cost and net realizable value (NRV). The cost of inventories is based on the moving average method and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. NRV of inventories, other than spare parts, is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The NRV of spare parts is the replacement cost. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired.

When an impairment situation arises, the inventory balance is adjusted to its NRV, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results for the period. Advances to suppliers of inventory are presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position.

When the inventories are sold, the carrying amounts of those inventories are recognized under "Costs of sales and services" account in profit or loss in the period when the related revenue is recognized.

H) PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments

Prepayments are carried at cost. Prepaid insurance and prepaid rent are subsequently amortized over the terms of the contract to which the payment applies. Advances to suppliers for raw materials and spare parts are subsequently recognized as inventories or expense when the goods are received or services are rendered. Prepaid taxes represent creditable withholding taxes which are deducted from income tax payable.

Assets Held for Sale

Noncurrent assets that are expected to be recovered primarily through sale rather through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies on the particular account from which the asset was previously classified. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amounts and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains for any subsequent increase in fair value less costs to sell of the asset are not recognized in excess of any cumulative impairment loss that has been recognized. Any gain or loss from the derecognition of assets held for sale is recognized in profit or loss.

I) INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an Associate

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interest in an associate is accounted for using the equity method. It is initially recorded at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share in the profit or loss and OCI of the associate, until the date on which the significant influence ceases.

Other Investments

Included in other investments are the AFS financial assets. AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS financial assets which are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

If there is objective evidence that an impairment loss has been incurred on an equity instrument that does not have a quoted price in an active market and that is not carried at fair value because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

As at December 31, 2017 and 2016, other investments include mainly investments in shares of stock of Greencrete, Inc. and other entities (see Note 14).

J) PROPERTY, MACHINERY AND EQUIPMENT

An item of property, machinery and equipment is initially recognized at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition of its intended use. Property, machinery and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The acquisition or construction cost includes all expenditures directly attributable to bringing the assets to a working condition for their intended use. Major components of an item of property, machinery and equipment with different useful lives are accounted for as separate items.

Depreciation of property, machinery and equipment is recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income and is calculated using the straight-line method over the estimated useful lives of the assets.

As at December 31, 2017, the Company's maximum estimated useful lives by category of property, machinery and equipment were as follows:

	Years
Buildings and improvements	50
Machinery and equipment	
Plant Machinery and equipment	10 - 35
Ready-mix trucks and motor vehicles	5
Office equipment and other assets	3

The assets' residual values, useful lives and method of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property, machinery and equipment. Any change in the expected residual values, useful lives and method of depreciation are adjusted prospectively from the time the change was determined necessary.

The Company capitalizes, as part of the historical cost of property, machinery and equipment, interest expense arising from existing debt during the construction or installation period of significant property, machinery and equipment, considering the Company's corporate average interest rate and the average balance of investments in process for the period.

Construction in-progress represents property, machinery and equipment under construction and is recognized at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for operational use but tested for impairment.

Costs incurred in respect of operating property, machinery and equipment that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. The capitalized costs are depreciated over the remaining useful lives of such property, machinery and equipment. Other costs, including periodic maintenance on property, machinery and equipment, are expensed as incurred. Advances to suppliers of property, machinery and equipment are presented as part of "Other assets and noncurrent accounts receivable" in the consolidated statements of financial position.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, machinery and equipment are accounted for as property, machinery and equipment. Depreciation on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

An item of property, machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statements of comprehensive income, in the period the item is derecognized.

K) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted using the acquisition method of accounting when control is transferred to the Parent Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets, liabilities and contingent liabilities (that satisfy certain recognition criteria) acquired. The consideration is allocated to all identifiable assets acquired and liabilities assumed, based on their estimated fair values at acquisition date. Intangible assets acquired are identified and recognized at fair value. Any unallocated portion of the consideration transferred represents goodwill, which is not amortized and is subject to periodic impairment tests (see Note 3L). Goodwill can be adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed within the twelve-month period after purchase. Costs associated with the acquisition are expensed in profit or loss as incurred.

For business combination transactions among entities under common control, the Company applies the provisions of the Philippine Interpretations Committee Questions and Answers No. 2011-02, *Common Control Business Combinations*, in assessing whether a transaction has commercial substance and qualifies for acquisition method of accounting under PFRS 3.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Company's cash-generating units (CGUs), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the assets or liabilities of the Company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on the Company's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Note 3L).

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

L) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, Machinery and Equipment and Investment in an Associate

Property, machinery and equipment and investment in an associate are tested for impairment upon the occurrence of factors, such as a significant adverse event, changes in the Company's operating environment, changes in projected use or in technology, as well as expectations of lower operating results for each CGU, in order to determine whether their carrying amounts may not be recovered, in which case an impairment loss is recognized in profit or loss for the period when such determination is made within "Other expenses - net" account in the consolidated statements of comprehensive income.

The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs of disposal, and its value-in-use, the latter represented by the net present value of estimated cash flows related to the use or disposal of the asset.

Significant judgment by management is required to appropriately assess the fair values and value-in-use of these assets. The main assumptions utilized to develop these estimates are a discount rate that reflects the risk of the cash flows associated with the assets evaluated and the estimations of generation of future income. Those assumptions are evaluated for reasonableness by comparing such discount rates to market information available and by comparing to third-party expectations of industry growth, such as governmental agencies or industry chambers of commerce.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statements of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested for impairment when needed due to significant adverse changes or at least once a year by determining the recoverable amount of the group of CGUs to which goodwill was allocated, which consists of the higher between the CGU's fair value, and their value-in-use, represented by the discounted amount of estimated future cash flows to be generated by such CGUs to which those net assets relate. The Company determines discounted cash flows over a 5-year period. If the value-in-use of any CGU is lower than their respective carrying amount, the Company determines the fair value of its CGUs using a methodology widely accepted in the market to determine the value of entities, such as multiples of Operating Earnings Before Income Tax, Depreciation and Amortization (EBITDA) and by reference to other market transactions, among others. An impairment loss is recognized in profit or loss within "Other expenses - net" account in the consolidated statements of comprehensive income, if the recoverable amount is lower than the carrying amount of the group of CGUs to which goodwill was allocated. Impairment charges recognized on goodwill are not reversed in subsequent periods.

The Company operates through its major operating subsidiaries, Solid and APO, which represents the Company's groups of CGUs to which goodwill has been allocated for purposes of testing goodwill for impairment and represents the lowest level at which goodwill is monitored for internal management purposes.

Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of the Company's products, the development of operating expenses, economic trends in the relevant construction industry, the long-term growth expectations in the market, as well as to the discount rate and the growth rate in perpetuity applied. For purposes of estimating future prices, the Company uses, to the extent available, historical data plus the expected increase or decrease according to information issued by trusted external sources and/or governmental economic expectations. Operating expenses are normally measured as a constant proportion of revenues, following past experience. However, such operating expenses are also reviewed considering external information sources in respect to inputs that behave according to international prices, such as gas and oil.

The Company uses pre-tax discount rates which are applied to discount pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. Likewise, the amounts of discounted estimated future cash flows are significantly sensitive to the weighted average cost of capital (discount rate) applied. The higher the growth rate in perpetuity applied, the higher the amount obtained of undiscounted future cash flows by CGU. Conversely, the higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by CGU.

M) PROVISIONS AND CONTINGENCIES

The Company recognizes provisions when it has a legal or constructive obligation resulting from past events, whose resolution would imply probable and reliably measurable cash outflows or delivery of other resources owned by the Company. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a borrowing cost.

Restructuring

The Company recognizes provisions for restructuring costs only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to the third parties involved and/or affected by the restructuring prior to the reporting date. These provisions may include costs not associated with the Company's ongoing activities.

Asset Retirement Obligations

Unavoidable obligations, legal or constructive, to restore operating sites upon retirement of long-lived assets at the end of their useful lives are measured at the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' carrying amount. The increase in the assets' carrying amount is depreciated during its remaining useful life. The increase in the liability related to the passage of time is charged to profit or loss. Adjustments to the liability for changes in estimations are recognized against the related property, machinery and equipment and depreciation is modified prospectively. Once the related asset is fully depreciated over its useful life, all subsequent changes in the liability shall be recognized in profit or loss as they occur. These liabilities relate mainly to the future costs of demolition, cleaning and rehabilitation and vacating from, under certain conditions, production or operating sites, including maritime terminals.

Costs Related to Remediation of the Environment

Provisions associated with environmental damage represent the estimated future cost of remediation, which are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. Reimbursements from insurance companies are recognized as assets only when their recovery is virtually certain. In that case, such reimbursement assets are not offset against the provision for remediation costs.

Commitments and Contingencies

Obligations or losses related to contingencies are recognized as liabilities in the consolidated statements of financial position when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the consolidated financial statements on an incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the consolidated financial statements. The Company does not recognize contingent revenues, income or assets.

N) FAIR VALUE MEASUREMENTS

The Company applies the guidance of PFRS 13, *Fair Value Measurement*, for its fair value measurements of financial assets and financial liabilities recognized or disclosed at fair value. Under PFRS 13, fair value represents an "Exit Price," which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, considering the counterparty's credit risk in the valuation. The concept of exit value is premised on the existence of a market and market participants for the specific asset or liability. When there is no market and/or market participants willing to make a market, PFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement), secondly, to inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly (Level 2 measurement), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement). The Company recognizes transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

O) EMPLOYEE BENEFITS

Defined Benefit Pension Plans

Pursuant to PAS 19, *Employee Benefits*, the Company recognizes the costs associated with employees' defined benefit pension plans as services are rendered, based on actuarial estimations of the benefits' present value with the advice of external actuaries. The actuarial assumptions consider the use of nominal rates.

The service cost, corresponding to the increase in the obligation for additional benefits earned by employees during the period, is recognized as part of "Costs of sales and services" and "Operating Expenses". The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss within "Other financial expenses - net" account in the consolidated statements of comprehensive income.

The effects from modifications to the pension plans that affect the cost of past services are recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income during the period in which such modifications occur or when any related restructuring or termination benefits are recognized, if earlier. Likewise, the effects from curtailments and/or settlements of obligations occurred during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income.

Remeasurements such as the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, and actuarial gains and losses, related to differences between the previous actuarial assumptions and actual occurrences, and changes in actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of OCI for the period within equity. Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in profit or loss for the period in which they are incurred.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Transportation Allowance

The Company grants transportation allowance to "entitled executives" for the purpose of purchasing a motor vehicle and to cover other transportation-related expenses such as, but not limited to, maintenance cost, gasoline, registration expenses and insurance premiums on motor vehicle for a period of five (5) years from the date of grant. The amount paid to executives in respect of the Company's transportation allowances is recorded as an asset carried at cost (the current portion is part of "Prepayments and other current assets" account, while the noncurrent portion is part of "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) and subsequently amortized as an expense over the term of the contract.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

P) BORROWING COSTS

Interest and other finance costs incurred on borrowings used to finance property development are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets are completed. These costs are amortized using the straight-line method over the estimated useful life of the related property, machinery and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Q) TAXES

Income Taxes

Based on PAS 12, the effects reflected in profit or loss for income taxes include the amounts payable or recoverable in respect of taxable profit or loss during the period and the amounts of deferred income taxes pertaining to amounts payable or recoverable in future periods, determined according to the income tax law applicable to each entity. Consolidated deferred income taxes represent the addition of the amounts determined in each legal entity by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable amounts of assets and liabilities, considering tax loss carryforwards as well as other recoverable taxes and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income taxes for the period represent the difference between balances of deferred income taxes at the beginning and the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. Pursuant to PFRSs, all items charged or credited directly in equity or as part of OCI for the period are recognized net of their current and deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the period in which the change is officially enacted.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused NOLCO, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is not considered probable that the related tax benefit will be realized. In conducting such assessment, the Company analyzes the aggregate amount of self-determined tax loss carryforwards included in its income tax returns in each country where the Company believes, based on available evidence, that the tax authorities would not reject; and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through an analysis of estimated future taxable income. If the Company believes that it would not be able to use a tax loss carryforward before its expiration or any other deferred income tax asset, the Company will not recognize such deferred income tax assets.

Both situations would result in additional income tax expense for the period in which such determination is made. In order to determine whether it is probable that deferred income tax assets will ultimately be realized, the Company takes into consideration all available positive and negative evidence, including factors such as market conditions, industry analysis, expansion plans, projected taxable income, carryforward periods, current tax structure, potential changes or adjustments in tax structure, tax planning strategies, future reversals of existing temporary differences, etc. Likewise, every reporting period, the Company analyzes its actual results versus the Company's estimates, and adjusts its estimations as necessary. If actual results vary from the Company's estimates, the deferred income tax asset may be affected and necessary adjustments will be made based on relevant information. Any adjustments recorded will affect the Company's profit or loss in such period.

Excess income tax payments are recognized as "Prepaid taxes" under "Prepayments and other current assets" account in the consolidated statements of financial position and are carried at cost.

The income tax effects from an uncertain tax position are recognized when it is highly probable that the position will be sustained based on its technical merits and assuming that the tax authorities will examine each position and have full knowledge of all relevant information, and they are measured using a cumulative probability model. The amount to be provided for uncertain tax positions is the best estimate of the tax amount expected to be paid. Each position has been considered on its own, regardless of its relation to any other broader tax settlement. The high probability threshold represents a positive assertion by management that the Company is entitled to the economic benefits of a tax position. If a tax position is considered to have low probability to be sustained, no benefits of the position are recognized.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as a part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of "Prepayments and other current assets" or "Unearned revenue, other accounts payable and accrued expenses" accounts, respectively, in the consolidated statements of financial position.

R) STOCKHOLDERS' EQUITY

Common Stock and Additional Paid-in Capital

Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the consolidated statements of financial position.

Other Equity Reserves

Represent the horizontal sum of each consolidated entity's cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to equity, and includes the elements presented in the OCI for the period, which includes certain changes in stockholders' equity during a period not resulting from investments by owners and distributions to owners. As at December 31, 2017 and 2016, the "Other equity reserves" account in the consolidated statements of financial position represents the share-based compensation, remeasurements on retirement benefit liability, changes in fair value of the derivative instrument in an effective cash flow hedge and cumulative currency translation of foreign subsidiaries.

Retained Earnings

Represent the horizontal sum of each consolidated entity's cumulative results of prior accounting periods, net of dividends declared to stockholders.

S) EXECUTIVE STOCK-BASED COMPENSATION

Certain executives of the Company receive compensation under CEMEX's Long-Term Incentive Program using CPOs. Pursuant to the guidance of PFRS 2, stock awards based on the ultimate parent company's shares granted to the Company's executives are treated as equity instruments, considering that services received from employees are settled by delivering such CEMEX's shares. The cost of equity instruments represents the estimated fair value at the date of grant and is recognized in profit or loss during the period in which the exercise rights of the employees become vested against other equity reserves.

T) REVENUE RECOGNITION

The Company's consolidated revenue represents the value of products sold by consolidated entities, net of VAT on sales, as a result of their ordinary activities, after the elimination of transactions between consolidated entities, and is quantified at the fair value of the consideration received or receivable granted to customers. Revenue from the sale of goods is recognized when goods are delivered to customers, there is no condition or uncertainty implying a reversal thereof, and they have assumed the risk of loss.

Revenue associated with construction contracts is recognized in the period in which the work is performed by using the percentage-of-completion method of accounting and is measured principally on the basis of the estimated completion of the contract work, considering that the following have been defined: a) each party's enforceable rights regarding the asset to be constructed; b) the consideration to be exchanged; c) the manner and terms of settlement; d) actual costs incurred and contract costs required to complete the asset which are effectively controlled; and e) the probability that the economic benefits associated with the contract will flow to the Company. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Customer Loyalty Programme

The Company has a customer loyalty programme whereby customers are awarded credits known as "Points" entitling customers to redeem Company's products at a certain accumulated number of Points varying on the date of redemption. The Company grants Points to a customer as part of the sales transaction and subject to condition set-out in the programme. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of the sale. The amount allocated to the Points, granted through the customer loyalty programme, is measured by reference to the fair value of the Company's products for which they could be redeemed. The fair value of the right to acquire Company's products for free for which the loyalty credits can be redeemed takes into account the selling price of the Company's products to the customers that have not earned the loyalty credits and the expected forfeiture rate. Such amount is deferred, and is recognized as revenue when the Points are redeemed and the Company has fulfilled its obligations to supply Company's products. The amount of revenue recognized in those circumstances is based on the number of Points that have been redeemed in exchange for Company's products, relative to the total number of Points that is expected to be redeemed. Unearned revenue is also reversed and recognized as revenue when it is no longer considered probable that the Points will be redeemed.

U) INSURANCE CONTRACTS

An insurance contract is an agreement whereby one party, called the insurer, undertakes for a consideration paid by the other party, called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Premiums from insurance contracts are recognized as revenue over the period of the contracts. The portion of the premiums written that relate to the unexpired periods of the policies at each reporting date is accounted for as "Unearned revenue" and is presented under current liabilities section of the consolidated statements of financial position. The net changes in this account between reporting dates are credited to or charged against profit or loss. Insurance revenue is presented as an offset to insurance expense in the consolidated statements of comprehensive income.

Benefits and Claims

Benefits and claims consist of all costs incurred during the year, which are recognized when the Company receives notification from policyholders. Estimates have to be made as at the reporting date both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported (IBNR). The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to project future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss against insurance liability. Claims provisions are not discounted for the time value of money.

V) COSTS OF SALES AND SERVICES, ADMINISTRATIVE AND SELLING EXPENSES AND DISTRIBUTION EXPENSES

Cost of sales represents the production cost of goods sold. Such cost of sales includes power and fuel, raw materials and supplies, personnel expenses, depreciation of property, machinery and equipment involved in production, as well as freight expenses of raw material in plants and delivery expenses of the Company's ready-mix concrete business. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities and storage of product at points of sales and costs related to warehousing of products at the selling points, which are included as part of administrative and selling expenses, as well as freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers' facilities, which are included as part of the distribution expenses line item in the consolidated statements of comprehensive income. Cost of construction contracts are recognized when incurred.

W) LEASES

The determination of whether an arrangement is, or contains a lease is, based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) There is a change in determination of whether fulfillment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Lease which do not transfer to the Company substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

X) BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Pursuant to PAS 33, *Earnings Per Share*, basic earnings (loss) per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period. Shares that would be issued depending only on the passage of time should be included in the determination of the basic weighted average number of shares outstanding. Diluted earnings (loss) per share should reflect in both, the numerator and denominator, the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions, to the extent that such assumption would lead to a reduction in basic earnings per share or an increase in basic loss per share, otherwise, the effects of potential shares are not considered because they generate anti-dilution.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Y) EVENTS AFTER THE REPORTING DATE

Post year-end events, up to the approval of the consolidated financial statements by the BOD, that provide additional information about the Company's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed on the notes to the consolidated financial statements when material.

NOTE 4 - 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 year ended December 31, 2017 and 2016, the cement sector represented approximately 84.50% and 85.88%, respectively, of total net revenues before eliminations resulting from consolidation, and 134.26% and 109.60%, respectively, of Operating EBITDA.

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.

NOTE 5 - DEPRECIATION

Depreciation charges for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2017	2016	2015
Depreciation expense related to assets used in the production process	P	1,145,032	1,128,248	–
Depreciation expense related to assets used in administrative and selling activities		124,201	93,024	–
	P	1,269,233	1,221,272	–

NOTE 6 - COSTS AND EXPENSES

Costs of sales and services, administrative and selling expenses for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		Costs of Sales and Services		
		2017	2016	2015
Power, fuels, raw materials and production supplies	P	8,298,147	7,744,997	–
Depreciation and depletion		1,145,032	1,128,248	–
Cement and concrete purchases		710,481	786,859	–
Repairs and maintenance		549,769	671,819	–
Outside services		545,245	503,230	–
Salaries and wages [1]		466,936	454,948	–
Rental		349,512	358,963	–
Others [2]		335,779	236,819	–
	P	12,400,901	11,885,883	–

[1] Includes retirement benefit expense amounting to P39,192, P41,390 and nil in 2017, 2016 and 2015, respectively (see Note 22).
[2] Others pertain to insurance expense, taxes and licenses, transportation and communication expenses and other costs that are individually immaterial.

(Amounts In Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

		Administrative Expenses		
		2017	2016[2]	2015
Administrative fees	P	625,833	671,490	4,373
Salaries and wages [1]		434,081	212,977	–
Insurance		143,506	695,506	–
Travel expenses		40,397	50,443	–
Depreciation		33,019	61,679	–
Rental		31,626	28,810	–
Utilities and supplies		30,208	37,814	–
Taxes and licenses		8,542	12,425	3
Others		4,227	41,921	39
	P	1,351,439	1,813,065	4,415

[1] Includes retirement benefit expense amounting to P44,832, P33,433 and nil in 2017, 2016 and 2015, respectively (see Note 22).
[2] As restated (see Note 30).

		Selling Expenses		
		2017	2016	2015
License fees	P	827,829	942,985	–
Administrative fees		252,756	180,588	–
Salaries and wages		156,814	150,204	–
Advertising and travel		137,865	157,461	–
Depreciation		91,182	31,345	–
Rental		79,797	51,791	–
Utilities and supplies		71,454	62,562	–
Taxes and licenses		38,582	39,553	–
Impairment losses on receivables (Note 12)		26,403	10,615	–
Insurance		10,608	2,790	–
Others		34,620	50,635	–
	P	1,727,910	1,680,529	–

NOTE 7 - DISTRIBUTION EXPENSES

Distribution expenses for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2017	2016	2015
Trucks, barge and charter hire	P	3,311,631	3,065,909	–
Fuel for vessel		498,273	366,850	–
Handling expenses		418,259	428,530	–
Harbor services		74,880	95,465	–
Others		14,590	4,882	–
	P	4,317,633	3,961,636	–

NOTE 8 - REVENUE

Revenue for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2017	2016	2015
Sale of goods				
Cement	P	21,571,211	23,893,481	–
Ready-mix concrete		175,711	333,041	–
Admixtures		16,824	13,516	–
		21,763,746	24,240,038	–
Construction services		20,704	46,715	–
	P	21,784,450	24,286,753	–

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 9 - OTHER EXPENSES - Net

Net other expenses for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2017	2016	2015
Impairment loss on property, machinery and equipment[1]	P	175,230	–	–
Reorganization expenses[2]		139,409	–	–
Loss from early extinguishment of debt[3]		64,603	–	–
Loss on disposal of property, machinery and equipment		4,602	24,263	–
Freight on disposal of property, machinery and equipment		1,086	–	–
Back office and other support service[4]		(136,647)	–	–
Gain on sale of scraps		(20,625)	(11,399)	–
Costs related to listing of shares[5]		–	287,930	–
Others		(1,479)	18,989	–
	P	226,179	319,783	–

[1] Refer to Note 18 to the consolidated financial statements.
[2] Reorganization costs consist of severance and other post-termination benefit costs resulting from the cost reduction efforts of the Company.
[3] Unamortized portion of documentary stamp tax arising from the Parent Company's loan with New Sunward Holding B.V., an entity under common control of CEMEX, written-off due to early settlement (see Note 13).
[4] Income generated by Solid for the back office and other support service provided to related parties (see Note 13).
[5] Costs related to the listing of shares include legal fees, stock exchange listing fees, roadshow presentation, among others.

NOTE 10 - OTHER FINANCIAL EXPENSES - Net

Net other financial expenses for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2017	2016	2015
Interest expense on retirement benefit plan (Note 22)	P	40,132	29,964	–
Bank charges		3,606	36,485	–
Interest income		(6,892)	(33,715)	–
	P	36,846	32,734	–

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31 consisted of:

		2017	2016
Cash on hand and in banks	P	629,089	579,622
Short-term investments		429,178	757,533
	P	1,058,267	1,337,155

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 0.6% to 1.3% and 0.6% to 1.0% in 2017 and 2016, respectively. In 2017, 2016 and 2015, interest income amounted to P3,034, P28,778 and nil, respectively.

As mentioned in Note 3E, as at December 31, 2017 and 2016, the following cash equivalents, which include deposits to a related party, are considered highly liquid investments readily convertible to cash:

		2017	2016
New Sunward Holding B.V.[1] (Note 13)	P	380,178	52,543
Local banks		49,000	704,990
	P	429,178	757,533

1 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 and zero interest.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

The Company's exposures to credit risk, foreign currency risk, and interest rate risk related to cash and cash equivalents are disclosed in Note 21 to the consolidated financial statements.

NOTE 12 - TRADE RECEIVABLES - Net

Trade receivables as at December 31 consisted of:

		2017	2016
Trade receivables - gross	P	869,357	920,282
Allowance for impairment losses		(36,098)	(10,615)
	P	833,259	909,667

Allowances for impairment losses are established according to the credit history and risk profile of each customer. Changes in the allowance for impairment losses for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Allowances for impairment losses at beginning of period	P	10,615	–
Charged to selling expenses (Note 6)		26,403	10,615
Write-off of trade receivables		(920)	–
Allowances for impairment losses at end of period	P	36,098	10,615

The Company's exposure to credit risk related to trade receivables is disclosed in Note 21 to the consolidated financial statements.

NOTE 13 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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).

As at December 31, 2017 and 2016, balances of related party receivables and payables which are generally expected to be settled in cash, are detailed as follows:

Short-term investments		2017	2016
Other related party[20]			
New Sunward Holding B.V. (Note 11)	P	380,178	52,543

(Amounts In Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Receivables - current		2017	2016
Ultimate Parent			
CEMEX [1]	P	–	10,326
Other related parties[20]			
CEMEX Paving Solutions Ltd. [2]		13,682	–
CEMEX Central, S.A. de C.V. [3]		6,404	–
Island Quarry and Aggregates Corporation [4]		4,720	197,904
APO Land & Quarry Corporation [5]		1,450	3,513
CRG [6]		–	2,306
CEMEX Concrete (Malaysia) Sdn Bhd [7]		–	1,084
Others [8]		130	82
	P	26,386	215,215

Payables - current		2017	2016
Ultimate Parent			
CEMEX [1]	P	6,864	–
Other related parties[20]			
Transenergy, Inc. [9]		1,066,157	533,517
CEMEX Construction Materials South LLC[10]		567,135	573,836
CEMEX Asia B.V. [18]		215,224	426
CRG [6]		210,045	6,940
CEMEX Central, S.A. de C.V. [3]		114,666	–
Island Quarry and Aggregates Corporation [12]		36,633	221,396
APO Land & Quarry Corporation [11]		28,909	28,723
Beijing CXP Import & Export Co. [13]		10,050	662
CEMEX Mexico, S.A. de C.V. [14]		9,413	–
CEMEX Asia Pte., Ltd. - Philippine Headquarters (CAPL-PHQ) [15]		8,308	105,381
CEMEX Strategic Philippines, Inc. [16]		–	10,950
CEMEX Admixtures GmbH [17]		–	265
	P	2,273,404	1,482,096

Payables - non-current		2017	2016
Other related parties[20]			
CEMEX Asia B.V. [18]	P	1,073,635	1,361,862
New Sunward Holding B.V. [19]		–	14,557,460
	P	1,073,635	15,919,322

[1] The receivable balance as at December 31, 2016, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to receivables on diesel hedge.
The payable balance as at December 31, 2017 is 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.

[2] The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to the sale of paving equipment of the Company.

[3] The receivable balance, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to reimbursement of fringe benefit tax on share-based compensation.
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 CEMEX Asia Pte., Ltd., 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, S.A. de C.V. and accordingly, CAPL-PHQ collected from each of Solid and APO as reimbursement, the fees billed by CEMEX Central, S.A. de C.V. for services rendered. In 2017, the arrangement between CAPL-PHQ and CEMEX Central, S.A. de C.V. was changed resulting in Solid and APO entering into separate service agreements directly with CEMEX Central, S.A. de C.V. 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.

[4] The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes: a) advances related to purchase of raw materials amounting to P180,723 as at December 31, 2016; b) receivables arising from the sale of goods with a 30-day term and without interest amounting to P2,272 and P9,821 as at December 31, 2017 and 2016, respectively; c) receivables from service agreements amounting to P2,299 and P4,174 as at December 31, 2017 and 2016, respectively; d) project income amounting to P1,989 as at December 31, 2016; and e) others amounting to P149 and P1,197 as at December 31, 2017 and 2016, 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.

[5] 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. The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes a) receivables from service agreement amounting to P1,446 and P3,492 as at December 31, 2017 and 2016, respectively; and b) others amounting to P4 and P21 as at December 31, 2017 and 2016, respectively.

[6] The balance pertains to the royalties/license fees of the Company, which is unimpaired, unsecured, noninterest-bearing and due on demand.

[7] The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to receivables arising from billed expenses.

[8] The balance pertains to reimbursable expenses, which is unimpaired, unsecured, noninterest-bearing and due on demand.

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[9] The balance pertains to purchase of coal with a term of 30 days, noninterest-bearing and unsecured.
[10] The balance, which is unsecured, noninterest-bearing and due on demand, pertains to the purchase of equipment for the expansion of Solid plant.
[11] The balance includes a) purchase of raw materials with a 30-day term amounting to P28,774 and P27,716 as at December 31, 2017 and 2016, respectively; and b) advances amounting P135 and P1,007 as at December 31, 2017 and 2016, respectively. 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.
[12] The balance includes a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P29,063 and P221,373 as at December 31, 2017 and 2016, respectively; b) unsecured payable arising from land rental with a 30-day term and noninterest-bearing amounting to P4 as at December 31, 2016; c) rental of equipment amounting to P7,570 as at December 31, 2017, which is unsecured, noninterest-bearing and due on demand; and d) other non-trade payables amounting to P19 as at December 31, 2016, which are 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.
[13] The balance pertains to purchase of materials and spare parts amounting to P10,050 and P662 as at December 31, 2017 and 2016, respectively, which are unsecured, noninterest-bearing and due on demand.
[14] The balance, which is unsecured, noninterest-bearing and due on demand, pertains to purchase of equipment from CEMEX Mexico, S.A. de C.V.
[15] The balance, which is unsecured, noninterest-bearing, and has a term of 30 days, includes corporate and administrative services received by the Company.
[16] The balance, which is unsecured, noninterest-bearing, and has a term of 30 days, includes corporate and administrative services received by the Company.
[17] The balance, which is unsecured, noninterest-bearing and due on demand, pertains to purchases of materials and spare parts.
[18] The balance includes a) interest on short-term loan amounting to P525 and P426 as at December 31, 2017 and 2016, respectively; b) short term portion of loan amounting to P214,699 as at December 31, 2017; and c) long-term loan that bears interest at an annual rate equal to 6-month LIBOR plus 369 basis points and 450 basis points in 2017 and 2016, respectively, for Solid and fixed interest rate at 7.68% 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.
[19] The balance pertains to interest-bearing long-term loan payable. The loan bears interest of 7.535% per annum and payable in four annual installments starting March 2020 until March 2023. However, the Company fully paid the loan during the 1st quarter of 2017.
[20] Other related parties pertain to entities under common control of CEMEX, except for Island Quarry and Aggregates Corporation and APO Land & Quarry Corporation.

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

		Amount
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 (Note 9)		64,603
Effect of exchange rate changes		44,713
Payments of:		
Principal		(15,458,475)
Interest		(384,031)
Balance as at December 31, 2017	P	1,288,859

The main transactions entered by the Company with related parties for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are shown below:

Transaction with ultimate parent

		2017	2016	2015
Hedging transaction				
CEMEX [2]	P	–	12,016	–

Transactions with other related parties[10]

		2017	2016	2015
Purchases of raw materials				
Transenergy, Inc.[1]	P	2,709,300	1,853,913	–
Island Quarry and Aggregates Corporation [1]		306,812	303,383	–
APO Land & Quarry Corporation [1]		253,483	312,103	–
Beijing CXP Import & Export Co. [1]		29,848	2,517	–
CEMEX Admixtures GmbH [1]		–	265	–
	P	3,299,443	2,472,181	–

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		2017	2016	2015
Interest expense				
New Sunward Holding B.V.				
Long-term [1]	P	149,945	861,318	–
Short-term [8]		–	271,044	–
CEMEX Asia B.V. [1]		102,882	32,976	–
	P	252,827	1,165,338	–

		2017	2016	2015
Royalties and trademarks				
CRG [1]	P	797,320	908,074	–
CEMEX [1]		30,509	34,911	–
	P	827,829	942,985	–
Purchase of equipment				
CEMEX Construction Materials South LLC [1]	P	27,420	573,836	–
CEMEX Mexico, S.A. de C.V. [1]		9,413	–	–
	P	36,833	573,836	–
Corporate services and administrative services				
CEMEX Central, S.A. de C.V. [1]	P	258,861	–	–
CAPL-PHQ [1]		145,124	469,121	–
CEMEX Strategic Philippines, Inc. [1]		57,346	85,906	–
Island Quarry and Aggregates Corporation [1]		5,708	3,179	–
APO Land & Quarry Corporation [1]		5,639	3,032	–
	P	472,678	561,238	–
Sales of goods				
Island Quarry and Aggregates Corporation [1]	P	64,832	108,197	–
APO Land & Quarry Corporation [4]		115	184	–
CEMEX Cement Bangladesh Ltd. [4]		–	4,411	–
	P	64,947	112,792	–
Sale of equipment				
CEMEX Paving Solutions Ltd. [1]	P	13,682	–	–
Land rental				
APO Land & Quarry Corporation [3]	P	58,210	58,210	–
Island Quarry and Aggregates Corporation [3]		24,651	32,929	–
	P	82,861	91,139	–
Reimbursements				
CEMEX Concrete (Malaysia) Sdn Bhd. [9]	P	136,647	1,084	–
Interest income				
New Sunward Holding B.V. [7]	P	2,913	–	–
APO Land & Quarry Corporation [5]		–	435	–
Others [6]		–	68	–
	P	2,913	503	–
Loan drawdowns				
CEMEX Asia B.V. [1]	P	849,900	617,784	–
New Sunward Holding B.V. [1]		–	40,142,910	–
	P	849,900	40,760,694	–

(Amounts In Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

		2017	2016	2015
Transactions with Key Management Personnel				
Short-term employee benefits	P	138,788	215,818	–
Post-employment and other long-term employee benefits		33,775	47,892	–
Share-based compensation (Note 25D)		25,171	11,655	–
	P	197,734	275,365	–

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.
[2] The Company entered into a commodity swap transaction to hedge its risk exposure on fuel price volatility. The hedge qualifies for hedge accounting. The commodity swap is a contractual agreement to buy fuel at a fixed price and sell fuel at market rate with notional quantity of 10,371 liters. As at December 31, 2017 and 2016, the fair value of the Company's derivative asset is nil and P6,805, respectively.
[3] These land rentals have a 30-day term, and are both noninterest-bearing and unsecured. The principal manufacturing installations of APO and Solid are located on land owned by Island Quarry and Aggregates Corporation or APO Land & Quarry Corporation, under long-term lease agreements.
[4] These sale transactions have a 30-day term, and are both noninterest-bearing and unsecured.
[5] This amount pertains to the interest from loan drawdowns that bear interest at 4.625% annually. The total outstanding balance, from which this interest income relates to, including interest accrued, were paid in 2016.
[6] This amount pertains to the interest from loan drawdowns that bear interest at fixed rates annually. The total outstanding balances, from which this interest income relates to, including interest accrued, were paid in 2016.
[7] The amount pertains to the interest income on short-term investments (see Note 11).
[8] The amount pertains to the interest on short-term loan from New Sunward Holding B.V. which has been fully paid in 2016.
[9] The amount pertains to reimbursements for back office and other support service (see Note 9) and other billed expenses.
[10] Other related parties pertain to entities under common control of CEMEX, except for Island Quarry and Aggregates Corporation and APO Land & Quarry Corporation.

Transactions with the Retirement Fund

The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees (BOT). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group (BPI AMTG), the Company's duly appointed trust fund manager.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has no contributions to the retirement fund in 2017, 2016 and 2015 (see Note 22). There are also no other transactions entered into by the Company with the plan for the year. As at December 31, 2017 and 2016, the fund's unfunded status amounted to P761,008 and P769,340, respectively. The retirement plan consists of unit investment trust fund, mutual funds, debt instruments and others (cash, exchange traded funds, government securities and others), which accounted for 56%, 34%, 8% and 2% and 63%, 21%, 12% and 4% of plan assets, respectively, in 2017 and 2016 (see Note 22).

(Amounts In Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Balances and transactions between consolidated entities eliminated during consolidation

The following are the transactions and balances among related parties which are eliminated in the consolidated financial statements:

Amounts owed by	Amounts owed to		2017	2016
CEMEX Holdings Philippines, Inc. [10]	CAR	P	2,590,674	1,669,265
APO [5]	CAR		365,166	16,980
SOLID [5]	CAR		202,789	–
CEMEX Holdings Philippines, Inc. [10]	Falcon		2,184,613	1,467,596
Sandstone Strategic Holdings, Inc. [6]	Bedrock Holdings, Inc.		109,817	109,617
Solid [1]	APO		41,005	189,445
APO[11]	CEMEX Holdings Philippines, Inc.		35,765	–
Solid[11]	CEMEX Holdings Philippines, Inc.		19,335	–
APO [2]	Solid		80,281	19,942
Ecocrete, Inc. [3]	Solid		43,512	50,244
Ecocast Builders, Inc. [4]	Solid		43,178	49,143
CEMEX Holdings Philippines, Inc. [12]	Solid		89	–
CAR [5]	Solid		–	25,555
Sandstone Strategic Holdings, Inc. [6]	Solid		–	1,068
Ecocast Builders, Inc. [7]	Ecopavements, Inc.		45,206	40,287
Solid [6]	Ecopavements, Inc.		7	–
Solid [8]	Ecocast Builders, Inc.		14,865	14,583
APO [8]	Ecocast Builders, Inc.		–	6,802
Ecopavements, Inc. [6]	Ecocast Builders, Inc.		–	288
Solid [9]	Ecocrete, Inc.		11	7,114
		P	5,776,313	3,667,929

[1] Amount includes a) P40,994 and P75,007 as at December 31, 2017 and 2016, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) P110,171 loan and interest as at December 31, 2016, which is due on demand, with interest at 2.4% per annum and unsecured; c) P4,037 as at December 31, 2016 from sale of production supplies, which is due on demand, noninterest-bearing and unsecured; and d) reimbursable expenses amounting to P11 and P230 as at December 31, 2017 and 2016, respectively, which are due on demand, noninterest-bearing and unsecured.

[2] Amount includes a) P39,590 and P5,513 as at December 31, 2017 and 2016, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; and b) reimbursable expenses amounting to P40,691 and P14,429 as at December 31, 2017 and 2016, respectively, which are due on demand, noninterest-bearing and unsecured.

[3] Amount includes a) P622 and P1,628 as at December 31, 2017 and 2016, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) P81 as at December 31, 2017 from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured; and c) P42,809 and P48,616 as at December 31, 2017 and 2016, respectively, loan and interest, which is due in one year, with interest at 3.63% per annum and unsecured.

[4] Amount includes a) P43,178 and P42,569 as at December 31, 2017 and 2016, respectively, arising from sale of equipment, which has a 30-day term, noninterest-bearing and unsecured; b) P5,859 from sale of goods and P507 from construction service in 2016, which has a 30-day term, noninterest-bearing and unsecured; and c) P208 from reimbursable expenses in 2016, which is due on demand, noninterest-bearing and unsecured.

[5] Amounts were related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

[6] Amounts are from cash advances or reimbursable expenses, which are due on demand, noninterest-bearing and unsecured.

[7] Amount includes a) P45,000 and P40,000 loan as at December 31, 2017 and 2016, respectively, which is due in one year, with interest at 2.6% per annum and unsecured; and b) P206 and P287 as at December 31, 2017 and 2016, respectively, from cash advances, which is due on demand, noninterest-bearing and unsecured.

[8] Amounts pertain to construction services which have 30-day term, noninterest-bearing and unsecured.

[9] Amount includes a) reimbursements amounting to P11 as at December 31, 2017; and b) P6,616 from sale of raw materials and P498 from service fees as at December 31,2016, where both have 30-day term, noninterest-bearing and unsecured.

[10] Amounts pertain to long-term unsecured loans which are due to be paid in 2021, with interest at 2.5% per annum for CAR and at WAILRF minus 10 basis points annually for Falcon.

[11] Amounts pertain to advisory services in connection with various areas, including general administration and management, which have a 60-day term, noninterest bearing, and unsecured.

[12] Amounts pertain to a) service agreement of Solid with the Parent Company amounting to P87; and b) reimbursements of P2, which is noninterest bearing, and unsecured.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Sales	Purchases		2017	2016
APO	Solid	P	359,165	853,036
Solid	APO		319,545	110,914
Solid	Ecocast Builders, Inc.		3,451	26,344
Ecocast Builders, Inc.	Solid		951	13,182
Ecocrete, Inc.	Solid		–	36,173
Ecocast Builders, Inc.	APO		–	6,128
Solid	Ecopavements, Inc.		–	4,998
		P	683,112	1,050,775

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Royalties and technical assistance	Selling and administrative expenses		2017	2016
CAR	APO	P	1,769,562	2,002,129
CAR	Solid		955,371	1,052,348
		P	2,724,933	3,054,477

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Service Income	Selling and administrative expenses		2017	2016
CHP	APO	P	36,495	–
CHP	Solid		19,703	–
		P	56,198	–

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Dividend declared by	Dividend received by		2016
APO	Triple Dime Holdings, Inc.	P	2,451,632
Triple Dime Holdings, Inc.	CEMEX Holdings Philippines, Inc.		2,421,949
APO	CEMEX Holdings Philippines, Inc.		1,634,421
Solid	Sandstone Strategic Holdings, Inc.		1,297,390
Sandstone Strategic Holdings, Inc.	CEMEX Holdings Philippines, Inc.		1,219,546
Solid	CEMEX Holdings Philippines, Inc.		864,926
Edgewater Ventures Corporation	CEMEX Holdings Philippines, Inc.		263,364
Sandstone Strategic Holdings, Inc.	Bedrock Holdings, Inc.		77,843
Bedrock Holdings, Inc.	CEMEX Holdings Philippines, Inc.		73,008
Triple Dime Holdings, Inc.	Edgewater Ventures Corporation		6,840
		P	10,310,919

There were no dividends declared in 2017.

Interest income	Interest expense	2017	2016
CAR	CEMEX Holdings Philippines, Inc.	P59,130	P10,745
Falcon	CEMEX Holdings Philippines, Inc.	20,636	1,888
Solid	Ecocrete, Inc.	1,224	800
Ecopavements	Ecocast	1,223	-
APO	Solid	110	175
		P82,323	P13,608

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 14 - INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an associate and other investments as at December 31 are detailed as follows:

	Activity	Country	%		2017	2016
Calabar Aggregates Corporation	Aggregates	Philippines	40.0	P	11,816	11,816
Greencrete, Inc.	–	Philippines	5.0		3,437	3,437
Others	–	–	–		154	20
				P	15,407	15,273

The investments above are mainly investments of Solid and APO which were acquired by the Parent Company upon business combination.

NOTE 15 - OTHER ACCOUNTS RECEIVABLE

15A) OTHER CURRENT ACCOUNTS RECEIVABLE

Other current accounts receivable as at December 31 consisted of:

		2017	2016
Loan receivable [1]	P	37,192	36,246
Short-term deposits		16,026	14,873
Receivable from employees		11,690	15,968
Receivable from contractors		8,806	9,092
Insurance claims		–	51,022
Others		902	145
	P	74,616	127,346

[1] Loan receivable pertains to the amount provided by the Company to CEMEX Philippines Foundation, Inc., with fixed interest at 2.96% per annum and is due on demand.

15B) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE

Other assets and noncurrent accounts receivable as at December 31 consisted of:

		2017	2016
Long-term time deposits [1]	P	485,476	92,254
Rental guaranty deposits		122,386	112,209
Long-term prepayments [2]		47,769	47,558
Right of way		26,190	30,952
Others[3]		34,879	37,516
	P	716,700	320,489

[1] Long-term time deposits are restricted cash pertaining to: a) debt service reserve account amounting to P390,424 and nil as at December 31 2017 and 2016, respectively, arising from the Company's supplemental agreement with BDO Unibank, Inc. (BDO) in relation to refinancing of the U.S. dollar 280 million loan with New Sunward Holding B.V. (see Note 23); and b) cash bonds deposited by customers as collateral and cash restricted for related party tax cases amounting to P95,052 and P92,254 as at December 31, 2017 and 2016, respectively.

[2] Long-term prepayments primarily pertain to a) prepaid mining and quarry royalty fees related to the purchase of raw materials amounting to P27,937 and P24,127 as at December 31, 2017 and 2016, respectively; b) option fee to purchase a vessel amounting to P7,203 and P8,820 as at December 31, 2017 and 2016, respectively, c) charter hire amounting to P3,960 and P5,739 as at December 31, 2017 and 2016, respectively, and d) unamortized portion of the SEC filing fee amounting to P8,669 and P8,872 as at December 31, 2017 and 2016, respectively.

[3] Others primarily pertain to prepaid transportation allowance amounting to P34,214 and P36,906 as at December 31, 2017 and 2016, respectively.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 16 - INVENTORIES

Inventories as at December 31 consisted of:

		2017	2016
At NRV:			
Materials and spare parts	P	1,591,842	1,263,740
Work-in-process inventory		992,288	726,857
Finished goods		359,002	–
Raw materials		314,288	220,441
At Cost:			
Inventory in transit		832	3,045
Finished goods		–	363,494
	P	3,258,252	2,577,577

In 2017 and 2016, the Company recognized in the consolidated statements of comprehensive income the cost of inventories sold amounting to P12,400,901 and P11,885,883 (see Note 6). As at December 31, 2017 and 2016, inventory write-down to NRV amounted to P56,203 and P17,604, respectively. Write-down of inventories to NRV included under "Costs of Sales and Services" account in the consolidated statements of comprehensive income amounted to P48,199 and P17,604 in 2017 and 2016, respectively.

NOTE 17 - PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31 consisted of:

		2017	2016
Prepayments:			
Prepaid insurance [1]	P	542,709	900,531
Prepaid taxes [2]		548,850	310,714
Advances to suppliers		116,802	96,417
Prepaid freight cost		79,059	89,559
Advances to employees		9,797	13,989
Prepaid rent		9,162	3,660
Noncurrent assets held for sale [3]		90,629	-
Others		4,125	5,186
	P	1,401,133	1,420,056

[1] Prepaid insurance pertains to unamortized portion of payments on property, non-damage business interruption and political risks insurance.

[2] Prepaid taxes include input VAT, property taxes, creditable withholding taxes, and licenses.

[3] (a) In December 2017, the Company has ceased its ready-mix concrete operations located in Manila Harbour Center. Accordingly, the Company decided to sell the machinery and equipment which were previously being used by the concrete operations. It was assessed by the management that these assets are not impaired before these were reclassified from property, machinery and equipment. As at December 31, 2017, the fair value less costs to sell of these assets is not lower than their carrying amount of P40,160; (b) In 2017, management decided to sell two of its marine vessels. The marine vessels were written-down to their recoverable amount before they were reclassified to noncurrent asset held for sale (see Note 18). As at December 31, 2017, the fair value less costs to sell is not lower than the vessels' carrying amount of P47,932 (see Note 18); and (c) The Company also identified other machinery and equipment as held for sale. It was assessed by the management that these assets are not impaired before these were reclassified from property, machinery and equipment. The fair value less costs to sell is not lower than their carrying amount of P2,537. Efforts to sell the aforementioned assets have started and a sale is expected to happen in 2018.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 18 - PROPERTY, MACHINERY AND EQUIPMENT - Net

The movements for each class of property, machinery and equipment are as follows:

		Buildings and Improvements	Machinery and Equipment	Constructions In-Progress	Total
Gross Carrying Amount					
December 31, 2015	P	–	–	–	–
Acquisition through business combination		3,848,465	11,600,051	347,958	15,796,474
Additions		85,417	316,081	928,711	1,330,209
Disposals		(8,244)	(170,975)	(24,621)	(203,840)
Reclassifications		56,927	169,914	(226,841)	–
December 31, 2016		3,982,565	11,915,071	1,025,207	16,922,843
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
Accumulated Depreciation and Impairment					
December 31, 2015		–	–	–	–
Depreciation for the period		(161,688)	(1,090,656)	–	(1,252,344)
Disposals		8,195	136,117	–	144,312
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)
Carrying Amounts					
December 31, 2016	P	3,829,072	10,960,532	1,025,207	15,814,811
December 31, 2017	P	3,735,130	10,266,812	1,580,790	15,582,732

In 2017, 2016 and 2015, there were no interest expense arising from borrowings that have been capitalized as part of property, machinery and equipment.

The Company recognized impairment loss on property, machinery and equipment amounting to P175,230. In 2017, management has decided to sell two of its marine vessels. Before reclassifying the asset as held for sale, the Company tested the said asset for impairment and recognized an impairment loss of P146,660. The Company's management also identified machinery and equipment that are already obsolete and are no longer used in the Company's operations. Accordingly, impairment loss was recognized on these machinery and equipment amounting to P28,570.

The recoverable amount of the vessels reclassified to assets held for sale amounting to P47,932 pertains to its fair value less costs to sell. The Company used market comparison technique for measuring the fair value of these vessels. Under this method, the valuation is based on the recent sale of a comparable vessel adjusted for age, cargo carrying capacity and vessel specifications. The fair value measurement has been categorized as Level 2 in the fair value hierarchy based on the inputs to the valuation technique used. The recoverable amount of the obsolete machinery and equipment was assessed to be nil which pertains to its fair value less costs to sell.

Impairment losses are recognized under "Other expenses - net" account in the consolidated statements of comprehensive income.

NOTE 19 - ACQUISITION OF SUBSIDIARIES AND GOODWILL

As part of CEMEX's overall current priorities, CEMEX has been focusing in strengthening its capital structure. One way of doing so is through the optimization of CEMEX's global corporate structure which should lead to less administration costs and facilitate the implementation of CEMEX's business strategy. Considering these premises and in line with the Parent Company's IPO, the Parent Company was created and on January 1, 2016, the Parent Company acquired interest in the economic benefit of the entities listed in Note 29 (except for CAR, which was incorporated by the Parent Company in 2015 and Falcon, which was incorporated by the Parent Company in 2016). The acquisition price of P47,825,147 was initially financed through accounts payable to a related party, which was eventually paid from proceeds from short-term and long-term loans from a local bank and a related party.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

The Company incurred acquisition-related costs in 2016 amounting to P9,569 on documentary stamp taxes and other costs, which were recognized as part of "Administrative and selling expenses" account in the consolidated statements of comprehensive income.

The amounts of revenue and profit of the acquiree in 2016 included in the consolidated statements of comprehensive income follow:

		Amount
Revenue	P	24,286,753
Profit		1,413,466

The following table summarizes the recognized amounts and assets acquired and liabilities assumed at the date of the acquisition:

Assets (liabilities)		Amounts
Cash and cash equivalents	P	3,687,632
Trade receivables		813,392
Due from related parties		999,896
Other current accounts receivable		1,459,014
Inventories		2,250,415
Prepayments and other current assets		1,205,663
Investments in associates and other investments		15,273
Other assets and noncurrent accounts receivable		344,134
Property, machinery and equipment - net		15,796,474
Trade payables		(2,258,403)
Due to related parties		(619,705)
Income tax payable		(249,284)
Other accounts payable and accrued expenses		(1,608,339)
Long-term payable to related parties		(987,027)
Retirement benefit liability		(716,903)
Deferred income taxes		(138,473)
Other noncurrent liabilities		(28,306)
Total identifiable net assets acquired	P	19,965,453

The valuation techniques used for measuring the fair value of assets acquired were as follows:

Assets acquired	Valuation technique
Property, machinery and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The trade receivables comprise gross contractual amounts due of P883,990, of which P70,598 was expected to be uncollectible at the date of the acquisition. The carrying amount of the acquired property, machinery and equipment acquired in the books of the acquirees at the date of acquisition amounted to P14,026,454.

Goodwill arising from the acquisition has been recognized as follows:

		Amount
Amount of the consideration	P	47,825,147
Fair value of the identifiable net assets		19,965,453
Goodwill	P	27,859,694

The goodwill is attributable mainly to the assembled work force and dealer network. None of the goodwill recognized is expected to be deductible for tax purposes.

(Amounts In Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

As mentioned in Note 3L, the consolidated entities test their goodwill balances for impairment at the level of the CGUs to which goodwill has been allocated, which are commonly composed of the operating subsidiaries of the Company in the country. The Company's cash flow projections for five years to determine the value-in-use of its CGU consider the use of long-term economic assumptions. The Company believes that its discounted cash flow projections and the discount rates used reasonably reflect current economic conditions at the time of the calculations, considering, among other factors that: a) the cost of capital reflects current risks and volatility in the markets; and b) the cost of debt represents the actual interest rates recognized by the CGUs in their outstanding interest-bearing debt. The Company performed its annual goodwill impairment test, and based on the analysis, the Company does not need to recognize impairment loss on goodwill. For purposes of impairment testing, goodwill has been allocated to the Company's CGUs (significant operating divisions) as follows:

		Amount
APO	P	17,648,162
Solid		10,211,532
	P	27,859,694

In 2017 and 2016, the Company's pre-tax discount rates and expected growth rates in perpetuity used in the Company's impairment tests, to determine the discounted cash flows in both the CGUs with the main goodwill balances, were as follows:

	APO		Solid	
	2017	2016	2017	2016
Discount rate	9.4%	9.5%	9.7%	9.5%
Growth rate	6.8%	7.0%	6.8%	7.0%

In connection with the Company's assumptions as at December 31, 2017 and 2016, included in the table above, the Company made sensitivity analyses to changes in assumptions, affecting the value-in-use of all CGUs. The following table shows the amount (in percentage) by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	APO		Solid	
	2017	2016	2017	2016
Discount rate	0.4	3.2	3.3	4.3
Growth rate	(0.4)	(2.8)	(2.9)	(3.6)

As at December 31, 2017, the estimated recoverable amount of the Company's CGUs exceeds carrying amount by P37,302,135.

NOTE 20 - UNEARNED REVENUE, OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Unearned revenue, other accounts payable and accrued expenses as at December 31 consisted of:

		2017	2016
Unearned revenue from reinsurance premiums [1]	P	453,555	793,320
Unearned revenue from customer loyalty program		74,168	40,482
Total Unearned revenue		527,723	833,802
Accrued expenses [2]		864,463	519,400
Taxes payable		298,278	241,687
Advances from customers		352,831	301,014
Others		65,472	63,070
Total Other accounts payable and accrued expenses		1,581,044	1,125,171
	P	2,108,767	1,958,973

1 Unearned revenue from reinsurance premiums pertain to the portion of reinsurance premiums written by Falcon that relate to unexpired period of the policies.

2 Accrued expenses includes a) interest on loans amounting to P98,079 in 2017 and nil in 2016; b) utilities and supplies amounting to P335,965 in 2017 and P271,329 in 2016; c) salaries and employee benefits amounting to P252,764 in 2017 and P88,232 in 2016; d) freight cost amounting to P147,940 in 2017 and P127,627 in 2016; e) outside services amounting to P23,336 in 2017 and P25,833 in 2016; and f) royalty fees amounting to P6,379 in 2017 and P6,379 in 2016.

(Amounts In Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

For the years ended December 31, 2017 and 2016, the roll-forward analyses of unearned revenue from reinsurance premiums are as follows:

		2017	2016
Balance at beginning of period	P	793,320	–
Policies written during the period		711,945	1,286,843
Premiums earned during the period		(1,064,605)	(519,346)
Effect of translation to Philippine peso		12,895	25,823
Balance at end of period	P	453,555	793,320

For the years ended December 31, 2017 and 2016, the roll-forward analyses of provisions (under "Taxes payable" account) are as follows:

		2017	2016
Balance at beginning of period	P	29,312	–
Assumed in a business combination		–	284,453
Net reversals made during the period		(19,595)	(255,141)
Balance at end of period	P	9,717	29,312

NOTE 21 - FINANCIAL RISK AND INSURANCE RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Risk Management Framework

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

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 counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade receivables. As at December 31, 2017 and 2016, 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 guarantee deposits from its customers and financial counterparties with regard to financial assets.

The Company's management has established a policy which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, and 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.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

		2017	2016
Cash and cash equivalents (excluding cash on hand)	P	1,058,147	1,337,023
Trade receivables		833,259	909,667
Due from related parties		26,386	215,215
Other current accounts receivable		74,616	127,346
Long-term and guaranty deposits (under other assets and noncurrent accounts receivable)		607,862	204,463
	P	2,600,270	2,793,714

As at December 31, 2017 and 2016, the aging analysis per class of financial assets are as follows:

As at December 31, 2017	Neither past due nor Impaired	Past due but not impaired: 1 to 30 days	31 to 60 days	More than 60 days	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	P 1,058,147	–	–	–	–	1,058,147
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 receivable	74,616	–	–	–	–	74,616
Long-term and guaranty deposits	607,862	–	–	–	–	607,862
	2,405,827	61,689	17,215	115,539	36,098	2,636,368
Less allowance for impairment losses	–	–	–	–	36,098	36,098
	P 2,405,827	61,689	17,215	115,539	–	2,600,270

As at December 31, 2016	Neither past due nor impaired	Past due but not impaired: 1 to 30 days	31 to 60 days	More than 60 days	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	P 1,337,023	–	–	–	–	1,337,023
Trade receivables	774,265	66,386	13,994	55,022	10,615	920,282
Due from related parties	215,215	–	–	–	–	215,215
Other current accounts receivable	127,346	–	–	–	–	127,346
Long-term and guaranty deposits	204,463	–	–	–	–	204,463
	2,658,312	66,386	13,994	55,022	10,615	2,804,329
Less allowance for impairment losses	–	–	–	–	10,615	10,615
	P 2,658,312	66,386	13,994	55,022	–	2,793,714

Considering the Company's best estimates of potential losses based on an analysis of aging and considering management's recovery efforts, the allowance for impairment losses amounted to P36,098 and P10,615 as at December 31, 2017 and 2016, respectively.

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, 76% and 88% are neither past due nor impaired, and are considered of high grade quality as at December 31, 2017 and 2016, 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, cash equivalents and long-term and guaranty deposits are based on the credit standing or rating of the counterparty.
- Trade receivables, 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.

The Company sells its products primarily to retailers in the construction industry, with no specific geographic concentration of credit within the country in which the Company operates. As at December 31, 2017 and 2016, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

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 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 revenue and costs are generated and settled mainly in Philippine Peso. For the years ended December 31, 2017 and 2016, approximately less than 5% of the Company's net sales, before eliminations, were generated in U.S. dollars.

The Company had an exposure arising from the dollar-denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As at December 31, 2017 and 2016, the Company has not implemented any derivative financing hedging strategy 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 consolidated statements of comprehensive income.

As at December 31, 2017 and 2016, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the top management on the basis of its risk management policy as follows:

	2017		2016	
Amounts in thousands of dollars	in U.S. dollar	in Euro	in U.S. dollar	in Euro
Cash and cash equivalents	$9,919	€–	$2,307	€–
Due from related parties	402	–	254	–
Trade payables	(3,855)	(301)	(19,022)	(8,477)
Due to related parties	(43,842)	–	(342,591)	–
Net liabilities denominated in foreign currency	($37,376)	(€301)	($359,052)	(€8,477)

The most significant closing exchange rates and the approximate average exchange rates of Philippine Peso per U.S. dollar and Euro used in the consolidated financial statements were as follows:

	2017		2016	
Currency	Closing	Average	Closing	Average
U.S. dollar	49.93	50.38	49.72	47.67
Euro	59.93	57.27	52.30	52.60

Sensitivity analysis on Foreign Currency Risk

The following table demonstrates the sensitivity to a reasonably possible change in various foreign currencies, with all other variables held constant, of the Company's earnings before income tax and equity as at December 31, 2017 and 2016:

USD	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2017	+0.4%	7,882	5,517
	-0.4%	(7,882)	(5,517)
2016	+5.0%	892,603	624,822
	-5.0%	(892,603)	(624,822)

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

EUR	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2017	+14.6%	2,632	1,842
	-14.6%	(2,632)	(1,842)
2016	+5.0%	22,167	15,517
	-5.0%	(22,167)	(15,517)

Interest Rate Risk

As at December 31, 2017, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P8 billion of the long-term bank loan with BDO (see Note 23) while as at December 31, 2016, the exposure is mainly from its short-term investments in New Sunward Holding B.V. and long-term loan payable to CEMEX Asia B.V. The short-term investments in New Sunward Holding B.V. bear interest at a rate equivalent to the higher of WAILRF rate minus 10 basis points and zero interest (see Note 11). The long-term loan from CEMEX Asia B.V. bears interest at an annual rate equal to 6-month LIBOR plus 369 basis points and 450 basis points in 2017 and 2016, respectively (see Note 13).

Sensitivity analysis on Interest Rate Risk

As at December 31, 2017 and 2016, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the years ended December, 31, 2017 and 2016 would have decreased by approximately P57,165 and P9,165, 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. 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 operating activities, as presented in its consolidated statements of cash flows, was P2,117,807 and P3,747,812 as at December 31, 2017 and 2016, 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. There is no significant concentration of a specific supplier relating to the purchase of raw materials. The maturities of the Company's long-term contractual obligations are included in Note 27 to the consolidated financial statements.

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 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.

(Amounts In Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Fair Values of Financial Assets and Financial Liabilities

The recurring fair value measurement of the derivative asset is categorized as level 2 of the fair value hierarchy. The fair value is determined using quoted commodity price at the reporting date, adjusted by the fixed price under the commodity swap agreement. 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 December 31, 2017 and 2016 as the said financial instruments bear interest at LIBOR rates, which is approximately similar to the market interest rate. The fair values of long-term time deposits and long-term payable to New Sunward Holding B.V., which are also 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), approximate their carrying amounts as at December 31, 2017 and 2016 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:

Bank loan	2017	2016
Carrying amount	P 13,740,598	–
Fair value	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.

NOTE 22 - RETIREMENT BENEFIT LIABILITY

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date was made on December 31, 2017. Valuations are obtained on an annual basis.

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement and Late Retirement Benefit" and "Voluntary Separation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

Normal Retirement, Early Retirement and Late Retirement

In 2017, the Company had an agreement to revise the retirement package for union members. The total benefit that will be received by a retired non-union member employee and a union member (**) employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

*covering Normal, Early and Late Retirement
**for YOS rendered before January 1, 2011

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

The following retirement benefit formula table applies to a union member employee for services rendered on or after January 1, 2011:

YOS	Retirement Benefit*
20 & Below	110% of the plan salary for every year of credited service
Above 20 to 25	130% of the plan salary for every year of credited service
Above 25	150% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service unless approved by the Company. The late retirement may be availed only beyond age sixty (60) but not beyond sixty-five (65), on a case-to-case and yearly extension basis and subject to the consent of the Company.

Voluntary Separation

The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit
10 to 15	79% of the plan salary for every year of credited service
16 to 20	99% of the plan salary for every year of credited service
21 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

Total and Permanent Disability and Death Benefit

In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least five (5) years and three (3) years of credited service for Solid and APO, respectively.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

a) Movement in Retirement Benefit Liability

The following table shows reconciliation from the opening balances to the closing balances for retirement benefit liability and its components:

	Present Value of Defined Benefit Obligation		Fair Value of Plan Assets		Retirement Benefit Liability	
	2017	2016	2017	2016	2017	2016
Balance at January 1	P849,055	P–	(P79,715)	P–	P769,340	P–
Net retirement benefit liability assumed during business combination	–	796,064	–	(79,160)	–	716,904
Included in profit or loss						
Service costs:						
Current service cost	57,918	57,652	–	–	57,918	57,652
Past service cost [1]	26,882	17,171	–	–	26,882	17,171
Interest cost, net	47,467	37,841	(7,335)	(7,877)	40,132	29,964
Settlement gain	(776)	–	–	–	(776)	–
	131,491	112,664	(7,335)	(7,877)	124,156	104,787
Included in OCI						
Actuarial loss (gain) from:						
Change in financial assumptions	(37,717)	(77,471)	–	–	(37,717)	(77,471)
Change in demographic assumptions	(320)	(5,658)	–	–	(320)	(5,658)
Experience adjustments	(66,659)	59,761	–	–	(66,659)	59,761
Return on plan assets excluding interest income	–	–	(1,778)	7,322	(1,778)	7,322
	(104,696)	(23,368)	(1,778)	7,322	(106,474)	(16,046)
Others						
Benefits paid	(26,014)	(36,305)	–	–	(26,014)	(36,305)
Balance at December 31	P849,836	P849,055	(P88,828)	(P79,715)	P761,008	P769,340

[1] The past service cost is the result of the following: a) amendment on the retirement benefit plan for union members in 2017; and b) amendment on the retirement benefit plan of APO to align with the retirement benefit plan of Solid in 2016.

b) Plan Assets

Plan assets consisted of the following:

		2017	2016
Unit investment trust fund (UITF)			
Equities - local currency	P	35,833	24,777
Fixed income - local currency		9,238	21,806
Money market		4,977	3,497
Mutual funds		30,255	16,342
Debt instruments		7,125	9,368
Government securities		1,133	539
Cash in bank		117	44
Foreign currency		82	152
Exchange traded funds		–	2,915
Others		68	275
	P	88,828	79,715

Equity UITF investments are placed in a concentrated portfolio of stocks listed in the PSE which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Fixed income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities such as special deposit accounts from the BSP and treasury notes with weighted average term to maturity of up to five (5) years.

Mutual funds are invested in listed equity instruments which are actively traded in globally developed markets. Other mutual funds are invested in debt instruments with terms generally ranging from five (5) to more than ten (10) years which were issued by low and middle income developing countries and are rated mostly at "BBB," "BB" and "B" by Standard and Poor's Financial Services. Investments in bonds have quoted prices in active market and are rated "Aaa," based on ratings made by Philippine Rating Services Corporation.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The objective of BPI AMTG is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTG, and to be able to provide and fund benefits as they fall due.

c) Defined Benefit Obligation

(i) Assumptions

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	Solid		APO		Ecocrete, Inc.		Ecocast Builders, Inc.	
	2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	5.75%	5.34%	5.76%	5.30%	5.80%	5.67%	5.80%	5.58%
Future salary growth	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

The following are the turnover rate assumption in 2017 and 2016:

Age	Turnover Rates (%)
18 – 30	5 to <7
31 – 34	4 to <5
35 – 37	3 to <4
38 – 42	2 to <3
42 – 50	1 to <2
51 – 59	0 to <1

Mortality rates in 2017 and 2016 are based on the "2017 Philippine Intercompany Mortality Study" from the Actuarial Society of the Philippines and the "1994 Group Annuity Mortality Table" from the Society of Actuaries, respectively. Disability rate is based on "1952 Disability Study," Period 2, Benefit 5.

ii) Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31, 2017 and 2016 by the amounts shown below:

	2017		2016	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(P40,853)	P44,088	(P43,400)	P46,902
Future Salary Increase rate (0.5% movement)	46,225	(43,182)	48,827	(45,564)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

d) Maturity Analysis

Maturity analysis of the benefit follow:

	Carrying Amount	Contractual Cash Flows	Within >1 Year	Within 1 - 5 Years	More than 5 Years
2017	P849,836	P4,021,872	P42,641	P164,730	P3,814,501
2016	P849,055	P4,029,901	P31,130	P170,328	P3,828,443

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

As at December 31, 2017 and 2016, the weighted average duration in years of the defined benefit obligation are as follows:

	2017	2016
Solid	19.09	18.97
APO	17.14	17.39
Ecocrete, Inc.	28.08	26.38
Ecocast Builders, Inc.	23.39	24.80

The Company does not expect to contribute to its pension plan in 2018.

e) Retirement Benefit Expense

Retirement benefit expense is recognized in the following line items in the consolidated statements of comprehensive income:

		2017	2016	2015
Costs of sales and services	P	39,192	41,390	–
Administrative expenses		44,832	33,433	–
Other financial expenses - net.		40,132	29,964	–
	P	124,156	104,787	–

NOTE 23 - 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 loans amounted to P140,123 as of December 31, 2017.

The debt issuance cost of this bank loan, corresponding to P166,591 on unamortized basis, was deducted from the total loan liability as at December 31, 2017. Interest expense incurred in 2017, excluding amortized direct cost, amounted to P571,808 million which is recognized under "Financial expenses" account in the consolidated statements of comprehensive income.

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually.

On December 8, 2017, the Parent Company also entered into a Supplemental Agreement with BDO wherein both parties agreed to fix the commencement date for compliance with financial covenants under the Facility Agreement in June 2020 and include debt service reserve accounts and additional debt incurrence restrictions. The Company's actual financial ratio as at December 31, 2017 is well within the limit of the aforementioned additional debt incurrence restriction. The debt service reserve account is recognized as "Long-term time deposits" under "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position (see Note 15B).

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	P	13,740,598	98,079	13,838,677

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Accrued interest from this bank loan amounting to P98,079 as at December 31, 2017 is recognized under "Unearned revenue, other accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 20).

NOTE 24 - INCOME TAXES

24A) INCOME TAXES FOR THE PERIOD

The amounts of income taxes recognized in profit or loss for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016	2015
Current tax expense	P 652,115	1,151,631	–
Deferred tax benefit arising from origination and reversal of temporary differences	(642,186)	(587,887)	–
Write-down of previously recognized deferred tax asset	129,615	–	–
	P 139,544	563,744	–

The Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until	Amount	Addition During the Period	Expired/Utilized During the Period	Ending Balance
2017	2020	P–	P2,363,198	P–	P2,363,198
2016	2019	1,780,808	809,850	(60)	2,590,598
2015	2018	28,040	–	(607)	27,433
2014	2017	12,871	–	(12,871)	–
		P1,821,719	P3,173,048	(P13,538)	P4,981,229

The Company has MCIT that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until	Amount	Addition During the Period	Expired/Utilized During the Period	Ending Balance
2017	2020	P–	P199,428	P–	P199,428
2016	2019	90	–	(21)	69
		P90	P199,428	(P21)	P199,497

24B) DEFERRED INCOME TAXES

For the years ended December 31, 2017 and 2016, the income tax effects of the temporary differences, NOLCO and MCIT that resulted in deferred income tax assets and liabilities are presented below:

2017	Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets (liabilities):				
NOLCO	P278,061	P424,069	P–	P702,130
Accrued retirement benefit liability and past service cost	229,379	32,214	(31,942)	229,651
MCIT	90	199,252	–	199,342
Write-down of:				
Property, machinery and equipment to recoverable amount	9,232	60,173	–	69,405
Inventories to NRV	23,451	11,395	–	34,846
Allowance for impairment losses on receivables	24,365	3,982	–	28,347
Unearned revenue	12,145	10,106	–	22,251
Unrealized foreign exchange loss (gain)	303,694	(289,847)	–	13,847
Provisions	5,340	1,263	–	6,603
Accrued employee severance pay	3	–	–	3
Fair value adjustment on property, machinery and equipment	(447,060)	80,557	–	(366,503)
Accrued documentary stamp tax	–	(18,658)	–	(18,658)
Other items	5,901	(1,935)	–	3,966
	P444,601	P512,571	(P31,942)	P925,230

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

2016	Balance at January 1	Additions from business combination	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets (liabilities):					
Unrealized foreign exchange loss (gain)	P–	(P36,825)	P340,519	P–	P303,694
NOLCO	–	14,140	263,921	–	278,061
Accrued retirement benefit liability and past service cost	–	215,813	18,380	(4,814)	229,379
Allowance for impairment losses on receivables	–	21,181	3,184	–	24,365
Write-down of:					
Inventories to NRV	–	57,627	(34,176)	–	23,451
Property, machinery and equipment to recoverable amount	–	9,232	–	–	9,232
Unearned revenue	–	11,998	147	–	12,145
Provisions	–	85,258	(79,918)	–	5,340
Accrued employee severance pay	–	1,321	(1,318)	–	3
Fair value adjustment on property, machinery and equipment	–	(531,006)	83,946	–	(447,060)
Other items	–	12,789	(6,798)	–	5,991
	P–	(P138,472)	P587,887	(P4,814)	P444,601

Deferred income tax assets have not been recognized in respect of the following items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom:

	2017		2016	
	Gross amount	Tax effect	Gross amount	Tax effect
NOLCO	P2,640,797	P792,239	P894,850	P268,455
Allowance for impairment losses on accounts receivable	4,790	1,437	–	–
Allowance for write-down of inventories	626	188	–	–
Accrued retirement benefit liability	347	104	–	–
Excess MCIT over RCIT	155	155	–	–
Unrealized foreign exchange losses	3	1	–	–
Others	87	26	7	2
	P2,646,805	P794,150	P894,857	P268,457

As at December 31, 2017 and 2016, based on the forecasts of future cash flows and operating results, the Company believes that sufficient taxable income will be generated so that it is probable that it will realize the tax benefits associated with the recognized deferred income tax assets related to tax loss carryforwards prior to their expiration. In addition, the Company concluded that the deferred income tax liabilities that were considered in the analysis of recoverability of its deferred income tax assets will reverse in the same period and tax jurisdiction of the related recognized deferred income tax assets. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, currently recognized deferred income tax assets would be evaluated and derecognized if necessary against the results of the period.

(Amounts In Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

24C) EFFECTIVE TAX RATE

Differences between the financial basis and the corresponding tax basis of assets and liabilities and the different income tax rates and laws applicable to the Company, among other factors, give rise to permanent differences between the average statutory tax rate of the entities included in the consolidated financial statements, and the effective tax rate presented in the consolidated statements of comprehensive income, which were as follows:

	2017	2016
Statutory income tax rate	30.00%	30.00%
Movement in NOLCO	35.46	13.63
Non-deductible expense	6.62	0.61
CAR and FALCON tax rate difference	(53.19)	(14.01)
Non-taxable income	(1.69)	(0.10)
Others	0.28	(1.62)
Consolidated effective income tax rate	17.48%	28.51%

24D) SIGNIFICANT TAX PROCEEDINGS

As at December 31, 2017, APO and Solid are the subject of the following tax investigations conducted by the Philippine tax authorities:

Taxable Year	Covered Taxes
2013	All internal revenue taxes
2016	VAT

As at March 8, 2018, no preliminary tax audit findings or issues have been raised arising from these investigations.

24E) IMPACT OF NEW TAX LAW

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018.

The TRAIN Law, which took effect on January 1, 2018, represents Package 1 of the comprehensive tax reform program of the current administration that aims to correct gaps in the present tax system, allowing it to be more effective and equitable. Below are the salient points of the TRAIN Law:

- Reduction in personal income taxes
- Changes in capital income taxes
  - Final withholding tax on interest from foreign-currency deposits increased to 15% (from 7.5%)
  - Capital gains tax on unlisted/untraded shares increased to 15% (from 5%/10%)
  - Stock transaction tax on listed/traded shares increased to 6/10 of 1% (from ½ of 1%)
- Amendments to other taxes
  - VAT
    - Certain VAT zero-rated transactions to become subject to 12% VAT upon implementation of VAT refund system
    - VAT exemption threshold for sale of goods and services increased to P3.0 million (from P1.9 million)
    - Included in VAT-exempt transactions, among others: transfers of properties pursuant to a tax-free merger; association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations
  - Increased documentary stamp taxes (DST) rates by 50% to 100% on certain transactions
  - Excise taxes
    - Revised excise tax rates on cigars and cigarettes, manufactured oils and other fuels, petroleum products, automobiles, and minerals
    - Expanded scope of excise tax to include non-essential services and sweetened beverages

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 25 - STOCKHOLDERS' EQUITY

25A) COMMON STOCK

As at December 31, 2017, 2016 and 2015, information on the Parent Company's common stock is summarized as follows:

	Authorized			Issued and Outstanding		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
Balance at September 17, 2015/ December 31, 2015	1,504,000	P100	P150,400	94,000	P100	P9,400
Full payment of previously subscribed common stock	-	-	-	282,000	100	28,200
Effect of decrease in par value on previously authorized and subscribed shares	148,896,000	-	-	37,224,000	-	-
Effect of increase in authorized capital stock	5,044,995,454	1	5,044,995	2,819,867,500	1	2,819,867
Shares issued during IPO	-	-	-	2,337,927,954	1	2,337,928
Balance at December 31, 2016	5,195,395,454	P1	P5,195,395	5,195,395,454	P1	P5,195,395
Balance at December 31, 2017	5,195,395,454	P1	P5,195,395	5,195,395,454	P1	P5,195,395

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Parent Company at P100 par value per share. 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 BOD 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 P2,819,867 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).

25B) OTHER EQUITY RESERVES

Other equity reserves as at December 31 consisted of:

		2017	2016
Remeasurements on retirement benefit liability	P	85,764	11,232
Cumulative translation of foreign subsidiaries		77,339	90,864
Share-based compensation reserve		36,826	11,655
Hedge reserve		-	6,805
	P	199,929	120,556

25C) NON-CONTROLLING INTERESTS

Non-controlling interest represents the 30% share of non-controlling stockholders in the results and equity of Newcrete Management, Inc. As at December 31, 2017 and 2016, non-controlling interest in equity amounted to approximately P221 and P246, respectively.

25D) SHARE BASED PAYMENTS

As part of CEMEX's share-based payments programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX's CPOs, pursuant to which new CPOs are issued by the ultimate parent company under each annual program over a four (4) year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a one (1) year restriction on sale.

(Amounts In Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Under these programs, CEMEX issued new shares to certain executives of the Company for approximately 429,761 and 765,586 CPOs in 2017 and 2016, respectively, that were subscribed and pending for payment in the ultimate parent company's treasury. As at December 31, 2017 and 2016, there are approximately 634,636 and 1,200,262 CPOs, respectively, associated with these annual programs that are expected to be issued in the future as the Company's executives render services.

The compensation expense related to these programs for the year ended December 31, 2017 and 2016, for approximately P25,171 and P11,655 corresponding to the fair value of the number of CEMEX's CPOs at the date of grant, was recognized in the Company's profit or loss against other equity reserves. The weighted average fair value, which pertains to the market price of CPOs granted, is 14.28 and 13.79 Mexican Pesos in 2017 and 2016, respectively. As at December 31, 2017 and 2016, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's own stock (intrinsic value).

25E) RETAINED EARNINGS

As at December 31, 2017 and 2016, the Company's retained earnings include unappropriated retained earnings of its significant operating subsidiaries, Solid and APO, amounting to P831,756 and P1,534,978, respectively, which pertains to the result of the operations of both Solid and APO from the date the Parent Company obtained control over these subsidiaries. Such amount was offset by the net results of the Parent Company and its remaining subsidiaries. The retained earnings of both Solid and APO are not available for distribution as dividends by the Parent Company until declared by the respective investees.

25F) 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 for the Company with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD 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 "Stockholders' Equity" as shown in the consolidated 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:

		2017	2016
Total liabilities	P	22,329,280	22,357,672
Less cash and cash equivalents		(1,058,267)	(1,337,155)
Net debt (excess cash)	P	21,271,013	21,020,517
Total equity	P	29,422,396	28,684,212
Net debt to equity ratio	P	0.72:1	0.73:1

NOTE 26 - BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share (EPS) calculation reflects the effect of the stock split resulting from the decrease in par value of the common stock from P100 to P1 per share, which was approved by the SEC on May 20, 2016 (see Note 25A). The change resulted in an increase in the weighted average number of shares outstanding used in the 2015 computation from 109,195 shares to 10,919,452 shares. The amounts considered for the calculation of EPS for 2017, 2016 and 2015 are as follows:

		2017	2016	2015
Profit (loss) (a)	P	658,811	1,413,466	(4,446)
Add: non-controlling interest net loss		25	24	-
Controlling interest in net income		658,836	1,413,490	(4,446)
Weighted average number of shares outstanding - Basic/Diluted (b)		5,195,395,454	2,845,589,135	37,600,000
Basic/Diluted earnings (loss) per share (a/b)	P	0.13	0.50	(0.12)

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

As at December 31, 2017, 2016 and 2015, the Company has no dilutive equity instruments.

NOTE 27 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2017 and 2016, the Company had the following contractual obligations. The interest payments on floating rate bank loans reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for this financial liability, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

		2017			
Obligations		Less than 1 year	1-5 Years	More than 5 Years	Total
Bank loan	P	786,759	14,847,076	1,682,734	17,316,569
Long-term payable to related parties [1]		326,601	1,147,467	–	1,474,068
Operating leases [2]					
Land lease		87,002	435,010	1,566,038	2,088,050
Warehouse lease		77,073	879,642	150,376	1,107,091
Vessel lease		141,523	107,137	–	248,660
Office lease		16,491	92,551	43,823	152,865
Retirement plans and other benefits [3]		42,641	164,730	3,814,501	4,021,872
Total contractual obligations	P	1,478,090	17,673,613	7,257,472	26,409,175

		2016			
Obligations		Less than 1 year	1-5 Years	More than 5 Years	Total
Long-term payable to related parties [1]	P	1,219,843	17,995,563	4,744,420	23,959,826
Operating leases [2]					
Vessel lease		141,952	125,541	–	267,493
Land lease		91,139	455,695	1,640,502	2,187,336
Warehouse lease		27,594	173,024	–	200,618
Office lease		16,711	88,683	64,182	169,576
Retirement plans and other benefits [3]		31,130	170,328	3,828,443	4,029,901
Total contractual obligations	P	1,528,369	19,008,834	10,277,547	30,814,750

1 The payables pertain to the Company's loan from CEMEX Asia B.V. The loan bears interest at an annual rate equal to 6-month LIBOR plus 369 basis points and 450 basis points in 2017 and 2016, respectively, for Solid and fixed interest rate at 7.86% for APO. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively (see Note 13).

2 The Company leases vessels, land, warehouses and office premises under operating leases with periods ranging from 1 - 25 years. Total rental expenses pertaining solely to minimum lease payments recognized in profit or loss by the Company from these operating leases amounted to P460,935 and P439,584 for the years ended December 31, 2017 and 2016, respectively. The amounts of payments under operating leases have been determined on the basis of nominal cash flows. Some of these operating leases with a term of more than one (1) year have escalation clauses, whereby rental fees increase over the lease term. In addition, these lease agreements provided renewal options subject to the mutual agreement of both the lessor and the Company.

3 Represents the estimated payments for retirement benefits over the expected maturity of the retirement and other benefit liabilities (see Note 22). Future payments include an estimation of new pensioned personnel over those years.

NOTE 28 - CONTINGENCIES FROM LEGAL PROCEEDINGS

As at December 31, 2017, 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.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 29 - MAIN SUBSIDIARIES

The Parent Company's direct and indirect subsidiaries as at December 31, 2017 and 2016 are as follows:

Entities	Country of Incorporation	Main activity	% of Interest
CAR	Switzerland	Services	100.0
Falcon	Barbados	Insurance	100.0
Edgewater Ventures Corporation	Philippines	Holdings	100.0
Triple Dime Holdings, Inc.	Philippines	Holdings	100.0
APO	Philippines	Cement	100.0
Bedrock Holdings, Inc.	Philippines	Holdings	100.0
Sandstone Strategic Holdings, Inc.	Philippines	Holdings	100.0
Solid	Philippines	Cement/Concrete	100.0
Ecocast Builders, Inc.	Philippines	Construction	100.0
Ecocrete, Inc.	Philippines	Services	100.0
Ecopavements, Inc.	Philippines	Construction	100.0
Enerhiya Central Inc.	Philippines	Energy	100.0
Newcrete Management, Inc.	Philippines	Services	70.0

NOTE 30 – RECLASSIFICATION

The insurance revenue previously reported as part of "Revenue" in the consolidated statements of comprehensive income in 2016 have been reclassified as an offset to "Insurance expense" under "Administrative and Selling Expenses" account in the consolidated statements of comprehensive income to conform to the current presentation.

Summary of Quantitative Impacts
The following table summarizes the impact of the above change on the Company's consolidated financial performance.

The effect of the reclassification in 2016 is as follows:

		As Previously Reported	Effect of Reclassification	As Restated
Revenue	P	24,806,099	(519,346)	24,286,753
Administrative and selling expenses		4,012,940	(519,346)	3,493,594

The reclassification did not have an impact on the Company's consolidated statements of cash flows.

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 885 7000
Fax	+63 (2) 894 1985
Internet	www.kpmg.com.ph
Email	ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of CEMEX Holdings Philippines, Inc. (the "Company") and Subsidiaries as at December 31, 2017 and 2016 and for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015, included in this Form 17-A, and have issued our report thereon dated March 22, 2018.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration;
- Map of Group of Companies within which the Group belongs;
- Schedule of Philippine Financial Reporting Standards and Interpretations; and
- Supplementary Schedules of Annex 68-E.

KPMG

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

Emerald Anne C. Bagnes

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-3, Group A, valid until April 30, 2018
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-12-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 6615124MD
Issued January 3, 2018 at Makati City

March 22, 2018
Makati City, Metro Manila

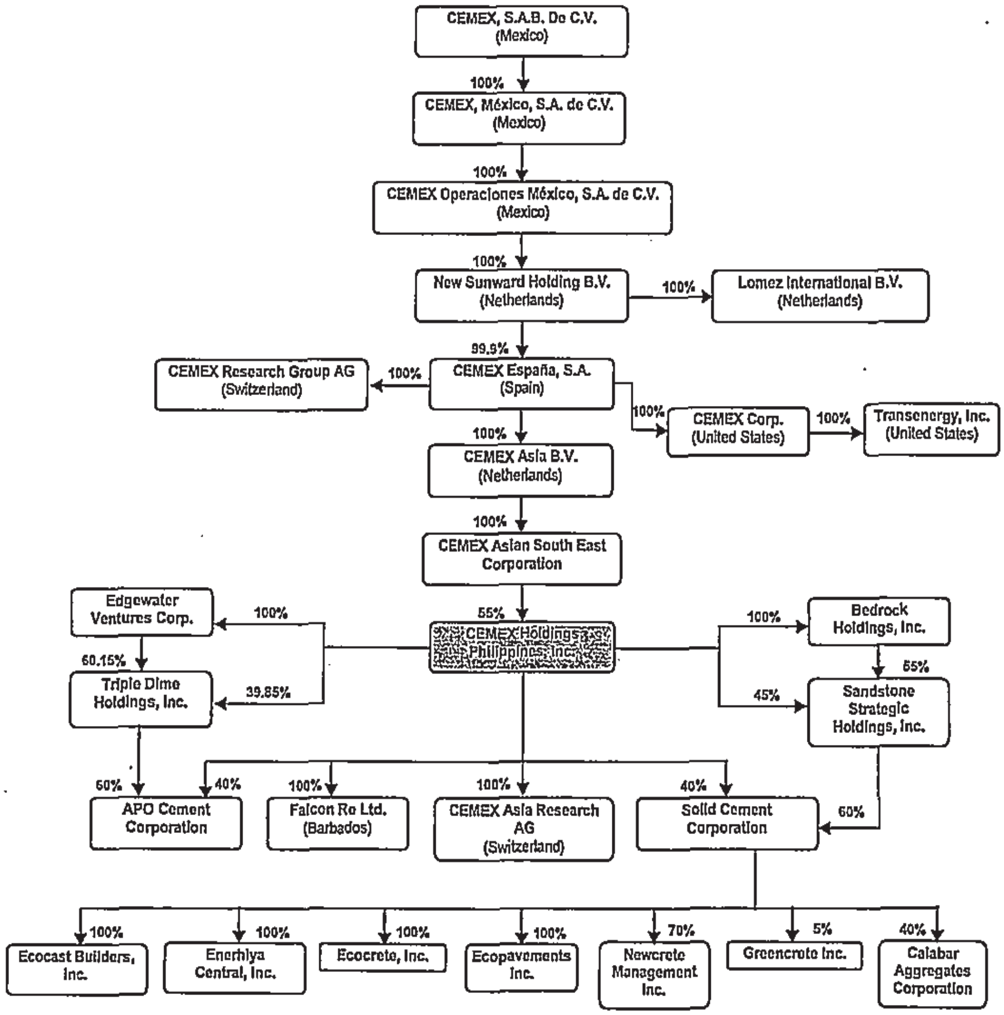
CEMEX HOLDINGS PHILIPPINES, INC.
34th Floor, Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue, Makati City
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, January 1, 2017		**P4,415,323,111**
Adjustments:		
Adjustments in previous years' reconciliation		(549,827,278)
Unappropriated Retained Earnings, as adjusted, January 1, 2017		**3,865,495,833**
Add: Net income actually earned/realized during the year		
Net loss during the period closed to Retained Earnings	(P962,049,160)	
Less: Non-actual/unrealized income net of tax		
Equity in net income (loss) of associate/ joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	27,154,279	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting in gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Deferred income tax expense for the year	10,842,178	
Net income actually earned/realized during the year		**(978,361,261)**
Add (Less):		
Dividends declaration during the period		-
Appropriation of retained earnings during the period		-
Reversal of appropriations		-
Effect of prior period adjustments		-
Treasury shares		-
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2017		**P2,887,134,572**

CEMEX Holdings Philippines, Inc. and Subsidiaries

Map of the Group of Companies Within which the Company Belongs

As at December 31, 2017



Note: The diagram provides the organizational and ownership structure as at December 31, 2017 and has been simplified to show only the relevant intermediate holding companies of CEMEX, S.A.B. de C.V.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements	✓		
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments (2014)		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
	Amendments to PAS 40: Transfers of Investment Property		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue – Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	✓		
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	✓		
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts		✓	
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017	✓		
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	✓		
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures	✓		
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	✓		
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	✓		
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	✓		
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property	✓		
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy	✓		
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test	✓		
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost	✓		
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease	✓		
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items	✓		
PIC Q&A 2018-10	Scope of disclosure of inventory write-down	✓		

Legend:

Adopted - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

Not Adopted - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

Not Applicable - means the standard or interpretation is not relevant at all to the operations of the entity.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIALS ASSETS
December 31, 2017
(Amounts In Thousands)

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
December 31, 2017
(Amounts in Thousands)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
VIDAL, APRIL	P7,020	P -	(P920)	P -	P6,100	P -	P6,100
RAMOS, ARTURO	-	3,826	-	-	3,826	-	3,826
CARPIO, EDMUND	827	-	(32)	-	795	-	795
BLANCO, HERMINIA	470	4	(67)	-	407	-	407
SORONGON, JOAN	140	-	-	-	140	-	140
FESTEJO, ALEXANDER	-	131	-	-	131	-	131
	P8,457	P3,961	(P1,019)	P -	P11,399	P -	P11,399

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS

December 31, 2017

(Amounts In Thousands)

Related party name	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
CEMEX Holdings Philippines, Inc.	P -	P296,975	P241,875	P -	P55,100	P -	P55,100
Solid Cement Corporation	145,952	897,638	876,530	-	167,060	-	167,060
APO Cement Corporation	189,445	1,876,732	2,025,172	-	41,005	-	41,005
Bedrock Holdings, Inc.	109,617	200	-	-	200	109,617	109,817
Ecocast Builders, Inc.	21,673	63,681	70,489	-	14,865	-	14,865
Ecopavements, Inc.	40,287	107,529	102,603	-	213	45,000	45,213
Ecocrete, Inc.	7,114	27,749	34,852	-	11	-	11
Cemex Asia Research AG	1,686,245	4,631,426	3,159,042	-	3,158,629	-	3,158,629
Falcon Re Ltd.	1,467,596	737,711	20,694	-	2,184,613	-	2,184,613
	P3,667,929	P8,639,641	P6,531,257	P -	P5,621,696	P154,617	P5,776,313

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2017
(Amounts In Thousands)

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
Goodwill	P27,859,694	P -	P -	P -	P -	P27,859,694

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE E. LONG TERM DEBT*
December 31, 2017
(Amounts in Thousands)

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Expense	Number of Periodic Installments (Quarterly)	Final Maturity Date
Senior Unsecured Peso Term Loan Facility Agreement	BDO Unibank, Inc.	P13,740,598	P140,123	P13,600,475	P571,808 (Fixed rate tranche - as agreed by the parties; Floating rate tranche – based on prevailing market rate plus spread)	28	February 2, 2024

** Please see Schedule F for the long-term debt with related parties.*

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)
December 31, 2017
(Amounts In Thousands)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
New Sunward Holding B.V.	P14,557,460	P -
CEMEX Asia B.V.	1,361,862	1,288,334
	P15,919,322	P1,288,334

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2017
(Amounts in Thousands)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOTHING TO REPORT

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE H. CAPITAL STOCK
December 31, 2017

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common shares	5,195,395,454	5,195,395,454	Not applicable	2,857,467,498	400,202	2,337,527,754

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
Current ratio (Current assets over current liabilities)	**1.0:1**	1.2:1
Solvency ratio (Profit plus depreciation and amortization over total liabilities)	**0.1:1**	0.1:1
Bank debt-to-equity ratio (Bank debt over total equity)	**0.5:1**	N/A
Asset-to-equity ratio (Total assets over total equity)	**1.8:1**	1.8:1
Interest rate coverage ratio (Operating income before other expenses over interest expense)	**2.3:1**	4.0:1
Operating profit margin (Operating profit over net sales)	**8%**	19%
Net profit margin (Profit over net sales)	**3%**	6%

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 5 1 8 8 1 5

COMPANY NAME

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

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

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
14		December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Vincent Paul O. Piedad	paul.piedad@cemex.com	(02) 849 3725	

CONTACT PERSON's ADDRESS

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

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

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

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KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 885 7000
Fax	+63 (2) 894 1985
Internet	www.kpmg.com.ph
Email	ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

Opinion

We have audited the consolidated financial statements of CEMEX Holdings Philippines, Inc. and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, in accordance with Philippine Financial Reporting Standards (PFRSs).

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Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Accounting for Business Combination
  During the year, the Group completed its business acquisitions for a total consideration of P47.83 billion as discussed in Note 19 to the consolidated financial statements. The Group accounted for the business acquisition under the acquisition method in accordance with its policy as discussed in Note 3K. Management determined that the fair value of the net identifiable assets acquired is P19.97 billion, with P27.86 billion relating to goodwill that arose from the business combination.

  The Risk
  The accounting for acquisitions in accordance with PFRSs involves a high level of judgment and inherent uncertainty in the estimation used in allocating the overall purchase price to the different assets and liabilities that make up the acquisition. Due to the inherent judgements involved in allocating the purchase consideration and assigning fair values to the assets acquired and liabilities assumed, this is one of our key areas of audit focus.

  Our Response
  Our procedures included inspection and review of deeds of assignment of shares to understand the key terms and conditions, and confirm our understanding of the transaction with management. We evaluated the Group's basis in identifying an intangible asset against the applicable recognition criteria provided by PFRSs, as well as comparing its transaction to any similar transactions previously undertaken by the Group and comparing to transactions completed by other entities having similar type of business. In relation to the allocation of the purchase price to goodwill, we evaluated the objectivity and competence of the Group's valuation specialist by reference to their qualifications and experience. We involved our Firm's valuation specialists in testing their work by evaluating the applicability of the valuation model used and its integrity by verifying that the formulae operated as intended. Key assumptions, such as discount rate and growth rate, used by the Group were also challenged by understanding the rationale behind such assumptions and comparing them to publicly available information and transactions for similar companies. We also evaluated the adequacy of the Group's disclosures in the consolidated financial statements describing the rationale for the allocation of purchase price.

- Goodwill Impairment Assessment
  Refer to Note 3L to the consolidated financial statements for the Group's policy on impairment of Goodwill.

  The Group has goodwill amounting to P27.86 billion as at December 31, 2016 which arose from the Group's business acquisition transactions during the year. Such goodwill has been allocated to the Group's cash-generating units (CGUs), comprising APO Cement Corporation and Solid Cement Corporation. Management has undertaken an annual impairment review in respect of this goodwill in accordance with the requirements of PFRSs, and concluded that no impairment arises as at December 31, 2016.

The Risk
In assessing impairment of goodwill, complex and subjective judgments in determining a number of key assumptions, such as growth rate, discount rate and other economic assumption (i.e. inflation rate), are made to determine its value-in-use. We focused on this area due to both the significance of the carrying amount of the goodwill and because management's assessment of the value-in-use of the Group's CGUs involves significant judgments about the future results of the business and the discount rates applied to future cash flow forecasts.

Our Response
Our procedures included assessment of the appropriateness of the CGUs identified. We evaluated management's future cash flow forecast and the process by which they were determined and approved, including checking that the forecasts were consistent with the latest approved budgets and confirming the mathematical accuracy of the underlying calculations. We assessed the methodology used to generate the discounted cash flow model for each CGU. We involved our own valuation specialists to assist us in evaluating the assumptions applied and comparing the assumptions used to historical results and external economic forecasts. We performed sensitivity analysis on the key assumptions used to ascertain the extent of change that individually would be required for the goodwill to be impaired. We also evaluated the adequacy of the disclosures in respect of the impairment assessment in the consolidated financial statements.

- <u>Recognition of Revenue</u>
  Refer to Note 3T to the consolidated financial statements for the Group's policy on revenue recognition.

The Risk
PSAs presume that there is a risk of misstatement on the revenue account when there are pressures to achieve planned results. The listing of shares of CEMEX Holdings Philippines, Inc. in the Philippine Stock Exchange during the year might give rise to such pressures. While the Group's transactions and policy on recognition and measurement of revenue from sale of goods are not complex, the risk identified relate primarily to the recording of sale transactions at or near the year-end in the correct accounting period.

Our Response
Our procedures included testing of controls which specifically addresses the risk of material misstatement due to fraud on revenue recognition. We performed background checks on samples of new customers through examination of records that are publicly available to ensure existence of such customers and validity of recorded sales. We performed analytical testing procedures over revenue in the year, comparing amounts recognized with our expectations developed from past experiences and, where possible, external market data and corroborated any explanations provided in response to variances noted. We tested samples of delivery receipts to verify that revenue recorded as at year-end were actually delivered. Customer credit memoranda which were recorded after period end were likewise tested to identify any significant reversal of sales recorded during the year. We also utilized computer assisted auditing techniques in order to test a selection of manual journal entries which impact revenue and identify any unexpected increase in sales on a geographical basis through data analyses.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

KPMG

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Emerald Anne C. Bagnes.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-3, Group A, valid until April 30, 2018
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-12-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 5904915MD
Issued January 3, 2017 at Makati City

March 8, 2017
Makati City, Metro Manila

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CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **CEMEX Holdings Philippines, Inc. And Subsidiaries** for the period ending **December 31, 2016.**

In discharging this responsibility, I hereby declare that:

________ I am the ______________ of ______________

✓ I am the Assistant Manager of Cemex Asia PTE Ltd. – Philippine Headquarters and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of **R.G. Manabat & Co.** who is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME: Melanie C Legaspi
PROFESSIONAL IDENTIFICATION CARD NO.: 0074287
VALID UNTIL: January 17, 2020

ACCREDITATION NUMBER: 2016 - 3034
VALID UNTIL: November 25, 2019

SUBSCRIBED AND SWORN TO BEFORE ME THIS MAR 0 8 2017 AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER ____ NO. ____ ISSUED ____ AT ____

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706782, LIFETIME MEMBER JAN 29,2007
PTR No. 590-90-82 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

Doc. No. 359
Page No. 73
Book No. 483
Series of 2017

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of CEMEX Holdings Philippines, Inc. and Subsidiaries (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the year ended December 31, 2016 and as at December 31, 2015 and for period from September 17 to December 31, 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ______________________
JOAQUIN MIGUEL ESTRADA SUAREZ
Chairman of the Board

Signature ______________________
PEDRO JOSE PALOMINO
President and Chief Executive Officer

Signature ______________________
VINCENT PAUL PIEDAD
Treasurer/Chief Financial Officer

SUBSCRIBED AND SWORN TO BEFORE ME THIS MAR 08 2017
MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER
NO. ______ ISSUED ______ AT ______

Signed this 8th day of March, 2017

Doc. No. 218
Page No. 65
Book No. 488
Series No. 2017

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
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PTR No. 590-90-82 JAN.3, 2017
EXECUTIVE BLDG. CENTER
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CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	As at December 31, 2016	As at December 31, 2015
ASSETS			
Current Assets			
Cash and cash equivalents	11	P1,337,155	P4,922
Trade receivables - net	12	909,667	–
Due from related parties	13	215,215	–
Other current accounts receivable	15	127,346	–
Inventories	16	2,577,577	–
Prepayments and other current assets	17	1,420,056	–
Total Current Assets		6,587,016	4,922
Noncurrent Assets			
Investment in an associate and other investments	14	15,273	–
Other assets and noncurrent accounts receivable	15	320,489	–
Property, machinery and equipment - net	18	15,814,811	–
Deferred income tax assets - net	23	444,601	–
Goodwill	19	27,859,694	–
Total Noncurrent Assets		44,454,868	–
		P51,041,884	P4,922
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		P2,170,646	P–
Due to related parties	13	1,482,096	190
Unearned revenue, other accounts payable and accrued expenses	20	1,958,973	–
Income tax payable		42,490	–
Total Current Liabilities		5,654,205	190
Noncurrent Liabilities			
Long-term payable to related parties	13	15,919,322	–
Retirement benefit liability	22	769,340	–
Other noncurrent liabilities		14,805	–
Total Noncurrent Liabilities		16,703,467	–
Total Liabilities		22,357,672	P190
Stockholders' Equity			
Controlling interest:			
Common stock	24A	P5,195,395	P9,400
Additional paid-in capital		21,959,159	–
Other equity reserves	24B	120,556	(34)
Retained earnings (deficit)	24E	1,408,856	(4,634)
Total controlling interest		28,683,966	4,732
Non-controlling interest	24C	246	–
Total Equity		28,684,212	4,732
		P51,041,884	P4,922

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Data)

	Note	For the Year Ended December 31, 2016	For the Period from September 17 to December 31, 2015
Revenue	8	P24,806,099	P–
Costs of sales and services	6	(11,885,883)	–
GROSS PROFIT		12,920,216	–
Administrative and selling expenses	6	(4,012,940)	(4,415)
Distribution expenses	7	(3,961,636)	–
TOTAL OPERATING EXPENSES		(7,974,576)	(4,415)
OPERATING INCOME (LOSS) BEFORE OTHER EXPENSES - Net		4,945,640	(4,415)
Other expenses - net	9	(319,783)	–
OPERATING INCOME (LOSS) AFTER OTHER EXPENSES - Net		4,625,857	(4,415)
Financial expenses	13	(1,236,021)	–
Foreign exchange loss - net		(1,379,892)	(31)
Other financial expenses - net	10	(32,734)	–
EARNINGS (LOSS) BEFORE INCOME TAX		1,977,210	(4,446)
Income tax expense	23	(563,744)	–
PROFIT (LOSS)		1,413,466	(4,446)
OTHER COMPREHENSIVE INCOME (LOSS)			–
Item that will not be reclassified subsequently to profit or loss			–
Gain on remeasurements on retirement benefit liability	22	16,046	–
Tax effect	23	(4,814)	–
		11,232	–
Items that will be reclassified subsequently to profit or loss			
Currency translation gain (loss) of foreign subsidiaries		90,898	(34)
Cash flow hedges - effective portion of changes in fair value		18,821	–
Cash flow hedges - reclassified to profit or loss		(12,016)	–
		97,703	(34)
		108,935	(34)
TOTAL COMPREHENSIVE INCOME (LOSS)		1,522,401	(4,480)
Non-controlling interest comprehensive loss		24	–
CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)		P1,522,425	(P4,480)
Basic/Diluted Earnings (Loss) Per Share	25	P0.50	(P0.12)

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Year Ended December 31, 2016 and For the Period from September 17 to December 31, 2015
(Amounts in Thousands)

	Notes	Common Stock	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings(Deficit)	Total Controlling Interest	Non-controlling Interest	Total Stockholders' Equity
As at September 17, 2015		P–	P–	P–	P–	P–	P–	P–
Transactions with owners of the Company								
Issuance of capital stock	24A	9,400	–	–	–	9,400	–	9,400
Share issuance cost		–	–	–	(188)	(188)	–	(188)
Total comprehensive income								
Loss for the period		–	–	–	(4,446)	(4,446)	–	(4,446)
Other comprehensive loss for the period	24B	–	–	(34)	–	(34)	–	(34)
As at December 31, 2015		9,400	–	(34)	(4,634)	4,732	–	4,732
Transactions with owners of the Company								
Issuance of capital stock	24A	5,185,995	22,794,798	–	–	27,980,793	–	27,980,793
Share issuance cost		–	(835,639)	–	–	(835,639)	–	(835,639)
Changes in non-controlling interest due to business combination	24C	–	–	–	–	–	270	270
Share-based compensation	24D	–	–	11,655	–	11,655	–	11,655
Total comprehensive income								
Profit for the period		–	–	–	1,413,490	1,413,490	(24)	1,413,466
Other comprehensive income for the period		–	–	108,935	–	108,935	–	108,935
		5,185,995	21,959,159	120,590	1,413,490	28,679,234	246	28,679,480
As at December 31, 2016		**P5,195,395**	**P21,959,159**	**P120,556**	**P1,408,856**	**P28,683,966**	**P246**	**P28,684,212**

The accompanying notes are part of these consolidated financial statements.

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CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	For the Year Ended December 31, 2016	For the Period from September 17 to December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss)		**P1,413,466**	(P4,446)
Allocation for non-controlling interest		**270**	–
Adjustments for:			
Financial expenses, other financial expenses and unrealized foreign exchange result		**2,422,547**	–
Depreciation of property, machinery and equipment	5	**1,252,344**	–
Income tax expense	23	**563,744**	–
Loss on disposal of property, machinery and equipment	9	**24,263**	–
Stock-based compensation expense	24	**11,655**	–
Net reversal of provisions during the period	12, 16, 20, 22	**(165,732)**	–
Operating profit (loss) before working capital changes		**5,522,557**	(4,446)
Net changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade receivables		**(92,357)**	–
Due from related parties		**(144,842)**	190
Other current accounts receivable		**(139,803)**	–
Inventories		**(328,424)**	–
Prepayments and other current assets		**502,805**	–
Increase (decrease) in:			
Trade payables		**(75,313)**	–
Due to related parties		**314,857**	–
Other accounts payable and accrued expenses		**(232,738)**	–
Cash generated from (absorbed by) operations		**5,326,742**	(4,256)
Interest received		**8,570**	–
Income taxes paid		**(1,239,764)**	–
Interest paid		**(311,430)**	–
Benefits paid to employees		**(36,306)**	–
Net cash provided by (used in) operating activities		**3,747,812**	(4,256)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investments in shares of stock		**1,476,056**	–
Investment property		**508,165**	–
Property, machinery and equipment		**1,102**	–
Decrease in other noncurrent assets		**23,654**	–
Acquisition of subsidiaries, net of cash acquired	19	**(44,137,515)**	–
Additions to property, plant and equipment	2F, 18	**(722,210)**	–
Net cash used in investing activities		**(42,850,748)**	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loan from related parties	13	**40,760,694**	–
Issuance of common stock (net of issuance cost)	24A	**27,145,155**	9,212
Payment of loan to related parties	13	**(27,439,418)**	–
Net cash provided by financing activities		**40,466,431**	9,212
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,363,495**	4,956
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(31,262)**	(34)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**4,922**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11	**P1,337,155**	P4,922

The accompanying notes are part of these consolidated financial statements

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NOTE 1 - DESCRIPTION OF BUSINESS

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 a 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 consolidated 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. (see Note 28).

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. CRG, an entity under common control of CEMEX, was organized under the laws of Switzerland. CRG develops and manages CEMEX's research and development initiatives.

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 damage and 100% of the risks associated with political violence and non-damage business interruption programs of 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.

Based on the list of stockholders registered with the stock transfer agent of the Parent Company, the Parent Company has 14 stockholders as at December 31, 2016, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

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

NOTE 2 - BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards ("PFRSs"). PFRSs are based on International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). PFRSs, which are issued by the Philippine Financial Reporting Standards Council ("FRSC"), consist of PFRSs, Philippine Accounting Standards ("PASs"), and Philippine Interpretations.

B) BASIS OF MEASUREMENT

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

C) DEFINITION OF TERMS

When reference is made to "P", it means Philippine Peso. Unless otherwise indicated, the Philippine Peso amounts in the consolidated financial statements and the accompanying notes are stated in thousands. When reference is made to "$" or dollar and "€" or euro, it means thousands of dollars of the United States of America (the "United States" or "U.S.") and euro of European Union, respectively.

D) FUNCTIONAL AND PRESENTATION CURRENCY

The Consolidated financial statements of the Company are presented in Philippine Peso, the functional currency of the Parent Company and each of its subsidiaries, except for Falcon and CAR whose functional currency is both in U.S. dollar. All values are rounded to the nearest thousand except when otherwise stated.

E) STATEMENTS OF PROFIT OR LOSS

The line item "Other expenses - net" in the consolidated statements of comprehensive income consists primarily of income and expenses not directly related to the Company's main activity, or which are non-recurring in nature, such as results on disposal of assets, among others.

F) STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows present cash inflows and outflows, excluding unrealized foreign exchange effects and the following that did not represent sources or uses of cash:

a) The increases in other equity reserves associated with Ordinary Participation Certificates ("CPOs") granted by CEMEX, S.A.B. de C.V. in 2016 as part of the executive's long-term share-based compensation programs for P11,655 as described in Note 24D.
b) In line with its production expansion plan, the Company acquired equipment from CEMEX Construction Materials South, LLC by incurring a liability amounting to P573,837 (see Note 13).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors ("BOD") on March 8, 2017.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

A) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted have been applied consistently to all years presented in these consolidated financial statements, except for the following relevant amendments to standards, which have been adopted as at January 1, 2016 and have been applied in preparing this consolidated financial statements. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's consolidated financial statements.

1. Adoption of Amendments to Standards

1.1 Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)
The amendments to PAS 38, *Intangible Assets*, introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16, *Property, Plant and Equipment*, explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

1.2 Annual Improvements to PFRSs 2012 – 2014 Cycle
This cycle of improvements contains amendments to four standards, of which one is applicable to the Company. The amendment to PAS 19, *Employee Benefits*, pertaining to the discount rate in a regional market sharing the same currency, has no significant effect on the consolidated financial statements of the Company.

Discount rate in a regional market sharing the same currency – e.g. the Eurozone (Amendment to PAS 19). The amendment to PAS 19 clarifies that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.

1.3 Disclosure Initiative (Amendments to PAS 1) addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1, *Presentation of Financial Statements*. The amendments clarify that:

- Information should not be obscured by aggregating or by providing immaterial information;
- Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure;
- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income ("OCI") can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements; and
- An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

2. Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Company has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's consolidated financial statements. The Company will adopt the following new and amendments to standards in their respective effective dates.

2.1 Effective January 1, 2017

a) Disclosure initiative (Amendments to PAS 7, Statement of Cash Flows). The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

b) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes). The amendments clarify that:

- the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

- the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

- the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

- an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies the relief, it shall disclose that fact.

2.2 Effective January 1, 2018

a) 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 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.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

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

- *Measurement of cash-settled awards*. The amendments clarifies 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.

The amendments are effective for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted.

c) 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.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 15.

d) *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.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

2.3 Effective January 1, 2019

a) 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 is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

b) Deferral of the local implementation of Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). 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.

c) Deferral of the local implementation of Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

Philippine Interpretation IFRIC 15 applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and the timing of revenue recognition.

The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 until the final Revenue standard is issued by the IASB and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements includes those of the Parent Company and those of the subsidiaries in which the Parent Company exercises control (see Note 28), by means of which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Among other factors, control is evidenced when the Parent Company: a) holds directly or through subsidiaries, more than 50% of an entity's common stock; or b) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Company obtains control and continue to be consolidated until the date that such control ceases.

The consolidated financial statements of the Company are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. It is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related OCI recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statements of comprehensive income.

The Company has P246 and nil non-controlling interest as at December 31, 2016 and 2015, respectively (see Note 24C).

All intragroup transactions, balances and income and expenses are eliminated in consolidation. Each subsidiary is a legally responsible separate entity and maintains custody of its own financial resources.

C) USE OF JUDGMENTS, ESTIMATES AND CRITICAL ASSUMPTIONS

The preparation of consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each of the consolidated entities in the Company considers the following:

a) The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b) The currency in which funds from financing activities are generated; and
c) The currency in which receipts from operating activities are usually retained.

In case of a subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

Determining whether the Company has Control over its Investee Companies

The Parent Company uses judgment in determining control over its investee companies. The Parent Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee; and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Parent Company assessed that it has control over its investee companies disclosed in Note 28 and treats these investee companies as its subsidiaries.

Determining whether an Arrangement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes an assessment of whether it is dependent on the use of a specific asset or assets and conveys a right to use the asset.

Leases

The Company has entered into various lease arrangements as lessee. The Company has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

Determination of whether the Company is Acting as a Principal or an Agent

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity has the primary responsibility for providing the goods or rendering services;
- the entity has inventory risk;
- the entity has discretion in establishing prices; and
- the entity bears the customer's credit risk.

An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or rendering of services. The Company assessed that it is acting as principal on all of its revenue transactions.

Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets are classified as financial assets at fair value through profit or loss ("FVPL"), held-to-maturity ("HTM") investments, loans and receivables and available-for-sale ("AFS") financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

Assessing Whether the Third Party Insurer is Acting as an Agent or Principal

Determining whether the third party insurer authorized to do business in the Philippines that reinsures its risk ultimately to Falcon is acting as a conduit or a principal to its insurance agreements with Solid and APO depends on certain facts and circumstances and requires judgment by management. The third party insurer is assessed as acting as a conduit if it is not exposed to credit risk, such that the third party insurer is not required to pay Solid and APO unless and until it has received payment from Falcon. The Company determined that the third party insurer is acting as principal to its insurance contracts with Solid and APO. Hence, it was assessed that the insurance transaction between the third party insurer and Solid and APO is not interdependent with the reinsurance transaction to Falcon and thus, no offsetting of profit or loss is made.

Assessing Whether the Business Combination Transaction has Commercial Substance

PFRS 3, *Business Combinations*, does not include in its scope transactions among entities under common control. The Company assesses whether a business combination transaction of the Parent Company has commercial substance pursuant to the Company's accounting policy discussed in Note 3K. Since the Parent Company's acquisition of the entities comprising the Philippine operations was undertaken as an integral part of its IPO, the Company assessed such transaction as having commercial substance. Hence, the Company accounted for such business combination transaction using acquisition method of accounting.

Purchase Price Allocation to Account for the Business Combination

Judgment is applied by the Company in allocating the purchase consideration and assigning fair values to the assets, liabilities acquired and eventually to goodwill. The Company has not identified any intangible asset to be recognized separately from goodwill.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Impairment of Goodwill

The Company performed its annual impartment test on its goodwill as at the reporting date. The recoverable amount of goodwill was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections was 9.5%. The following assumptions were also used in computing value-in-use:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates – discount rates were estimated based on the industry weighted average of cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is the most sensitive to changes in discount rate and growth rate.

Estimating Allowance for Impairment Losses on Receivables

The Company maintains an allowance for impairment losses at a level considered adequate to provide for uncollectible receivables. The Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

Impairment losses on receivables recognized amounted to P10,615 and nil in 2016 and 2015, respectively (see Note 6). As at December 31, 2016 and 2015, allowance for impairment losses on receivables amounted to P10,615 and nil, respectively (see Note 12). Trade receivables, net of allowance for impairment losses, amounted to P909,667 and nil as at December 31, 2016 and 2015, respectively (see Note 12). No allowance for impairment losses was recognized on receivables from related parties and other current receivables as at December 31, 2016 and 2015 since these receivables are deemed collectible. Receivables from related parties amounted to P215,215 and nil as at December 31, 2016 and 2015, respectively (see Note 13). Other current accounts receivable amounted to P127,346 and nil as at December 31, 2016 and 2015, respectively (see Note 15A).

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Estimating Realizability of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. As at December 31, 2016 and 2015, net deferred income tax assets amounted to P444,601 and nil, respectively (see Note 23B). The Company has unrecognized deferred income tax assets in respect of net operating loss carryover ("NOLCO") and unrealized foreign exchange losses amounting to P894,850 and P4,633 as at December 31, 2016 and 2015, respectively (see Note 23A).

D) FOREIGN CURRENCY

Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of each of the consolidated entities in the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities are denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the transaction of the following items are recognized in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss); and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign currency gains and losses are reported on a net basis. During the reported period, there was no hyperinflationary economy, generally considered to exist when the cumulative inflation rate over the last three years is approaching, or exceeds 100%. In a hyperinflationary economy, the accounts of the entity's income statements should be restated to constant amounts as at the reporting date.

The most significant closing exchange rates and the approximate average exchange rates of Philippine Peso per U.S. dollar and Euro used in the consolidated financial statements were as follows:

Currency	2016		2015	
	Closing	Average	Closing	Average
U.S. dollar	49.720	47.668	47.060	46.844
Euro	52.298	52.599	51.124	51.711

Foreign Operation

The assets and liabilities of foreign operation with functional currency other than the Philippine Peso are translated into Philippine peso at the exchange rates at the reporting date. The income, expenses and cash flows of foreign operations are translated into Philippine peso at the monthly weighted average exchange rates for the period. Capital transactions of the foreign operations are translated to Philippine Peso at the exchange rates at the dates of the relevant transactions. Foreign currency differences are recognized in OCI and accumulated in "Other equity reserves" account in equity, except to the extent that the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the "Other equity reserves" related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

E) FINANCIAL INSTRUMENTS

Financial instruments within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Financial instruments are recognized initially at fair value. Except for financial instruments classified or designated at FVPL, the initial measurement of financial assets includes directly attributable transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, HTM investments, AFS financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2016 and 2015, the Company has no financial assets and financial liabilities at FVPL and HTM investments.

Cash and cash equivalents

Cash and cash equivalents are included in the category "loans and receivables". Cash equivalents are mainly represented by short-term investments of high liquidity, which are easily convertible into cash, and which are not subject to significant risks of changes in their values, including overnight investments, which yield fixed returns and have maturities of less than three months from the investment date. Cash and cash equivalents exclude those which are restricted from Company's use in operations. Cash and cash equivalents are stated at face value which includes accrued interest. Interest income accruing from cash and cash equivalents are recognized as part of "Other financial expenses - net" in the consolidated statements of comprehensive income.

The consolidated entities operate under centralized cash management arrangements whereby excess cash generated by the different companies is swept into a centralized cash pool with a related party financing entity, and the Company's cash requirements are met through withdrawals or borrowings from that pool. Deposits in such related party are considered highly liquid investments readily convertible to cash and classified as cash equivalents.

Trade receivables and other current accounts receivable

Pursuant to PAS 39, items under this caption are included in the category "loans and receivables". Due to their short-term nature, the Company initially recognizes these receivables at the original invoiced amount and are subsequently measured at amortized cost less an estimate of impairment losses. Impairment losses are recognized under selling expenses. The Company assesses at the end of each reporting date whether there is any objective evidence that a financial asset is impaired.

Objective evidence that financial assets are impaired includes, among others, default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy and adverse changes in the payment status of the borrowers or issuers.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectivity to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss.

The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Company.

Other assets and noncurrent accounts receivable

As part of the category of "loans and receivables" under PAS 39, noncurrent accounts receivable are initially recognized at fair value including directly attributable transaction costs and are subsequently measured at their amortized cost. Subsequent changes in net present value are recognized in the consolidated statements of comprehensive income as part of "Other financial expenses - net".

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured and accounted for in the consolidated statements of financial position at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statements of comprehensive income. To qualify for hedge accounting, the hedging relationship must comply with the strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges.

Cash flow Hedges
Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect profit or loss. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in OCI and accumulated in the hedging reserve under "Other equity reserves" in the consolidated statements of financial position, whereas any hedge ineffectiveness is immediately recognized in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense or cost of sales is recognized). However, if an entity expects that all or a portion of a loss recognized in OCI will not be recovered in one or more future periods, it shall reclassify from equity to profit or loss as a reclassification adjustment the amount that is not expected to be recovered.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When the hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported to OCI is retained in OCI until the hedged transaction impacts profit or loss. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in OCI is recognized immediately in profit or loss.

Debt and Other Financial Liabilities

Trade payables, due to related parties and other accounts payable and accrued expenses (excluding advances from customers and liabilities covered by other PFRSs, such as statutory liabilities) is recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the consolidated statements of financial position within "Other accounts payable and accrued expenses" or "Long-term payable to related parties" against financial expenses. As at December 31, 2016 and 2015, the Company did not have financial liabilities classified as at FVPL, or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss.

'Day 1' Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Derecognition of Financial Instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

F) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company discloses balances and transactions with related parties. These balances and transactions resulted primarily from: i) the sale goods and purchase of goods and equipment between related parties; ii) the invoicing of administrative services, rentals, royalties and other services rendered between related parties; and iii) loans and advances between related parties.

The recognition and measurement policies on balances with related parties, which are treated as loans and receivables and other financial liabilities, are in accordance with PAS 39.

G) INVENTORIES

Inventories are valued using the lower of their acquisition cost and net realizable value ("NRV"). The cost of inventories is based on the moving average method and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. NRV of inventories, other than spare parts, is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The NRV of spare parts is the replacement cost. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired.

When an impairment situation arises, the inventory balance is adjusted to its NRV, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results for the period. Advances to suppliers of inventory are presented as part of "Prepayments and other current assets" in the consolidated statements of financial position.

When the inventories are sold, the carrying amounts of those inventories are recognized under "Costs of sales and services" account in profit or loss in the period when the related revenue is recognized.

H) PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments are carried at cost. Prepaid insurance and prepaid rent are subsequently amortized over the terms of the contract to which the payment applies. Advances to suppliers for raw materials and spare parts are subsequently recognized as inventories or expense when the goods are received or services are rendered. Prepaid taxes represent creditable withholding taxes which are deducted from income tax payable.

I) INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an Associate

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interest in an associate is accounted for using the equity method. It is initially recorded at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share in the profit or loss and OCI of the associate, until the date on which the significant influence ceases.

Other Investments

Included in other investments are the AFS financial assets. AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS financial assets which are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

If there is objective evidence that an impairment loss has been incurred on an equity instrument that does not have a quoted price in an active market and that is not carried at fair value because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

As at December 31, 2016 and 2015, other investments include mainly investments in shares of stock of Greencrete, Inc. and other entities (see Note 14).

J) PROPERTY, MACHINERY AND EQUIPMENT

An item of property, machinery and equipment is initially recognized at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition of its intended use. Property, machinery and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The acquisition or construction cost includes all expenditures directly attributable to bringing the assets to a working condition for their intended use. Major components of an item of property, machinery and equipment with different useful lives are accounted for as separate items.

Depreciation of property, machinery and equipment is recognized as part of "Costs of sales and services" and "Operating Expenses", and is calculated using the straight-line method over the estimated useful lives of the assets.

As at December 31, 2016, the Company's maximum estimated useful lives by category of fixed assets were as follows:

	Years
Buildings and improvements	50
Machinery and equipment	
Plant Machinery and equipment	10 - 35
Ready-mix trucks and motor vehicles	5
Office equipment and other assets	3

The assets' residual values, useful lives and method of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property, machinery and equipment. Any change in the expected residual values, useful lives and method of depreciation are adjusted prospectively from the time the change was determined necessary.

The Company capitalizes, as part of the historical cost of property, machinery and equipment, interest expense arising from existing debt during the construction or installation period of significant property, machinery and equipment, considering the Company's corporate average interest rate and the average balance of investments in process for the period.

Construction in-progress represents property, machinery and equipment under construction and is recognized at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for operational use but tested for impairment.

Costs incurred in respect of operating property, machinery and equipment that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. The capitalized costs are depreciated over the remaining useful lives of such property, machinery and equipment. Other costs, including periodic maintenance on property, machinery and equipment, are expensed as incurred. Advances to suppliers of property, machinery and equipment are presented as part of "Other assets and noncurrent accounts receivable" in the consolidated statements of financial position.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, machinery and equipment are accounted for as property, machinery and equipment. Depreciation on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

An item of property, machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statements of comprehensive income, in the period the item is derecognized.

K) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted using the acquisition method of accounting when control is transferred to the Parent Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets, liabilities and contingent liabilities (that satisfy certain recognition criteria) acquired. The consideration is allocated to all identifiable assets acquired and liabilities assumed, based on their estimated fair values at acquisition date. Intangible assets acquired are identified and recognized at fair value. Any unallocated portion of the consideration transferred represents goodwill, which is not amortized and is subject to periodic impairment tests (see Note 3L). Goodwill can be adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed within the twelve-month period after purchase. Costs associated with the acquisition are expensed in profit or loss as incurred.

For business combination transactions among entities under common control, the Company applies the provisions of the Philippine Interpretations Committee Questions and Answers No. 2011-02, *Common Control Business Combinations,* in assessing whether a transaction has commercial substance and qualifies for acquisition method of accounting under PFRS 3.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Company's cash- generating units ("CGUs"), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the assets or liabilities of the Company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Company's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Note 3L).

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

L) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, machinery and equipment, goodwill and other investments

Property, machinery and equipment and other investments are tested for impairment upon the occurrence of factors, such as a significant adverse event, changes in the Company's operating environment, changes in projected use or in technology, as well as expectations of lower operating results for each CGU, in order to determine whether their carrying amounts may not be recovered, in which case an impairment loss is recognized in profit or loss for the period when such determination is made within "Other expenses - net".

The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs of disposal, and its value-in-use, the latter represented by the net present value of estimated cash flows related to the use or disposal of the asset.

Significant judgment by management is required to appropriately assess the fair values and value-in-use of these assets. The main assumptions utilized to develop these estimates are a discount rate that reflects the risk of the cash flows associated with the assets evaluated and the estimations of generation of future income. Those assumptions are evaluated for reasonableness by comparing such discount rates to market information available and by comparing to third-party expectations of industry growth, such as governmental agencies or industry chambers of commerce.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statements of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested for impairment when needed due to significant adverse changes or at least once a year by determining the recoverable amount of the group of CGUs to which goodwill was allocated, which consists of the higher between the CGU's fair value, and their value-in-use, represented by the discounted amount of estimated future cash flows to be generated by such CGUs to which those net assets relate. The Company determines discounted cash flows over a 5-year period. If the value-in-use of any CGU is lower than their respective carrying amount, the Company determines the fair value of its CGUs using a methodology widely accepted in the market to determine the value of entities, such as multiples of Operating Earnings Before Income Tax, Depreciation and Amortization ("EBITDA") and by reference to other market transactions, among others. An impairment loss is recognized in profit or loss within "Other expenses - net", if the recoverable amount is lower than the carrying amount of the group of CGUs to which goodwill was allocated. Impairment charges recognized on goodwill are not reversed in subsequent periods.

The Company operates through its major operating subsidiaries, Solid and APO, which represents the Company's groups of CGUs to which goodwill has been allocated for purposes of testing goodwill for impairment and represents the lowest level at which goodwill is monitored for internal management purposes.

Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of the Company's products, the development of operating expenses, economic trends in the relevant construction industry, the long-term growth expectations in the market, as well as to the discount rate and the growth rate in perpetuity applied. For purposes of estimating future prices, the Company uses, to the extent available, historical data plus the expected increase or decrease according to information issued by trusted external sources and/or governmental economic expectations. Operating expenses are normally measured as a constant proportion of revenues, following past experience. However, such operating expenses are also reviewed considering external information sources in respect to inputs that behave according to international prices, such as gas and oil.

The Company uses pre-tax discount rates which are applied to discount pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. Likewise, the amounts of discounted estimated future cash flows are significantly sensitive to the weighted average cost of capital (discount rate) applied. The higher the growth rate in perpetuity applied, the higher the amount obtained of undiscounted future cash flows by CGU. Conversely, the higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by CGU.

M) PROVISIONS AND CONTINGENCIES

The Company recognizes provisions when it has a legal or constructive obligation resulting from past events, whose resolution would imply probable and reliably measurable cash outflows or delivery of other resources owned by the Company. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a borrowing cost.

Restructuring

The Company recognizes provisions for restructuring costs only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to the third parties involved and/or affected by the restructuring prior to the reporting date. These provisions may include costs not associated with the Company's ongoing activities.

Asset retirement obligations

Unavoidable obligations, legal or constructive, to restore operating sites upon retirement of long-lived assets at the end of their useful lives are measured at the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' carrying amount. The increase in the assets' carrying amount is depreciated during its remaining useful life. The increase in the liability related to the passage of time is charged to profit or loss. Adjustments to the liability for changes in estimations are recognized against property, machinery and equipment and depreciation is modified prospectively. These liabilities relate mainly to the future costs of demolition, cleaning and rehabilitation and vacating from, under certain conditions, production or operating sites, including maritime terminals.

Costs related to remediation of the environment

Provisions associated with environmental damage represent the estimated future cost of remediation, which are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. Reimbursements from insurance companies are recognized as assets only when their recovery is virtually certain. In that case, such reimbursement assets are not offset against the provision for remediation costs.

Commitments and contingencies

Obligations or losses related to contingencies are recognized as liabilities in the consolidated statements of financial position when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the consolidated financial statements on an incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the consolidated financial statements. The Company does not recognize contingent revenues, income or assets.

N) FAIR VALUE MEASUREMENTS

The Company applies the guidance of PFRS 13, *Fair value measurement* ("PFRS 13"), for its fair value measurements of financial assets and financial liabilities recognized or disclosed at fair value. Under PFRS 13, fair value represents an "Exit Price," which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, considering the counterparty's credit risk in the valuation. The concept of exit value is premised on the existence of a market and market participants for the specific asset or liability. When there is no market and/or market participants willing to make a market, PFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement), secondly, to inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly (Level 2 measurement), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement). The Company recognizes transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

O) EMPLOYEE BENEFITS

Defined benefit pension plans

Pursuant to PAS 19, the Company recognizes the costs associated with employees' defined benefit pension plans as services are rendered, based on actuarial estimations of the benefits' present value with the advice of external actuaries. The actuarial assumptions consider the use of nominal rates.

The service cost, corresponding to the increase in the obligation for additional benefits earned by employees during the period, is recognized within operating costs and expenses. The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss within "Other financial expenses - net."

The effects from modifications to the pension plans that affect the cost of past services are recognized within the operating costs and expenses during the period in which such modifications occur or when any related restructuring or termination benefits are recognized, if earlier. Likewise, the effects from curtailments and/or settlements of obligations occurred during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized within the operating costs and expenses.

Remeasurements such as the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, and actuarial gains and losses, related to differences between the previous actuarial assumptions and actual occurrences, and changes in actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of OCI for the period within equity. Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in profit or loss for the period in which they are incurred.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Transportation Allowance

The Company grants transportation allowance to "entitled executives" for the purpose of purchasing a motor vehicle and to cover other transportation-related expenses such as, but not limited to, maintenance cost, gasoline, registration expenses and insurance premiums on motor vehicle for a period of five (5) years from the date of grant. The amount paid to executives in respect of the Company's transportation allowances is recorded as an asset carried at cost (the current portion is part of "Prepayments and other current assets" account, while the noncurrent portion is part of "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) and subsequently amortized as an expense over the term of the contract.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

P) BORROWING COSTS

Interest and other finance costs incurred on borrowings used to finance property development are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets are completed. These costs are amortized using the straight-line method over the estimated useful life of the related property, machinery and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Q) TAXES

Income Taxes

Based on PAS 12, the effects reflected in profit or loss for income taxes include the amounts payable or recoverable in respect of taxable profit or loss during the period and the amounts of deferred income taxes pertaining to amounts payable or recoverable in future periods, determined according to the income tax law applicable to each entity. Consolidated deferred income taxes represent the addition of the amounts determined in each legal entity by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable amounts of assets and liabilities, considering tax loss carryforwards as well as other recoverable taxes and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income taxes for the period represent the difference between balances of deferred income taxes at the beginning and the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. According to PFRSs, all items charged or credited directly in equity or as part of OCI for the period are recognized net of their current and deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the period in which the change is officially enacted.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax ("MCIT") over the regular corporate income tax ("RCIT") and unused NOLCO, to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is not considered probable that the related tax benefit will be realized. In conducting such assessment, the Company analyzes the aggregate amount of self-determined tax loss carryforwards included in its income tax returns in each country where the Company believes, based on available evidence, that the tax authorities would not reject; and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through an analysis of estimated future taxable income. If the Company believes that it would not be able to use a tax loss carryforward before its expiration or any other deferred income tax asset, the Company will not recognize such deferred income tax assets.

Both situations would result in additional income tax expense for the period in which such determination is made. In order to determine whether it is probable that deferred income tax assets will ultimately be realized, the Company takes into consideration all available positive and negative evidence, including factors such as market conditions, industry analysis, expansion plans, projected taxable income, carryforward periods, current tax structure, potential changes or adjustments in tax structure, tax planning strategies, future reversals of existing temporary differences, etc. Likewise, every reporting period, the Company analyzes its actual results versus the Company's estimates, and adjusts its estimations as necessary. If actual results vary from the Company's estimates, the deferred income tax asset may be affected and necessary adjustments will be made based on relevant information. Any adjustments recorded will affect the Company's profit or loss in such period.

Excess income tax payments are recognized as "Prepaid taxes" under "Prepayments and other current assets" account in the consolidated statements of financial position and are carried at cost.

The income tax effects from an uncertain tax position are recognized when it is highly probable that the position will be sustained based on its technical merits and assuming that the tax authorities will examine each position and have full knowledge of all relevant information, and they are measured using a cumulative probability model. The amount to be provided for uncertain tax positions is the best estimate of the tax amount expected to be paid. Each position has been considered on its own, regardless of its relation to any other broader tax settlement. The high probability threshold represents a positive assertion by management that the Company is entitled to the economic benefits of a tax position. If a tax position is considered to have low probability to be sustained, no benefits of the position are recognized.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as a part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of "Prepayments and other current assets" or "Unearned revenue, other accounts payable and accrued expenses" accounts, respectively, in the consolidated statements of financial position.

R) STOCKHOLDERS' EQUITY

Common stock and Additional Paid-in Capital

Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the consolidated statements of financial position.

Other equity reserves

Represent the horizontal sum of each consolidated entity's cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to equity, and includes the elements presented in the OCI for the period, which includes certain changes in stockholders' equity during a period not resulting from investments by owners and distributions to owners. As at December 31, 2016 and 2015, the "Other equity reserves" account in the consolidated statements of financial position represents the share-based compensation, remeasurements on retirement benefit liability, changes in fair value of the derivative instrument on an effective cash flow hedge and cumulative currency translation of foreign subsidiaries.

Retained earnings

Represent the horizontal sum of each consolidated entity's cumulative net results or prior accounting periods, net of dividends declared to stockholders.

S) EXECUTIVE STOCK-BASED COMPENSATION

Certain executives of the Company receive compensation under CEMEX's Long-Term Incentive Program using CEMEX's Ordinary Participation Certificates ("CPOs"). Pursuant to the guidance of PFRS 2, stock awards based on the ultimate parent company's shares granted to the Company's executives are treated as equity instruments, considering that services received from employees are settled by delivering such CEMEX's shares. The cost of equity instruments represents the estimated fair value at the date of grant and is recognized in profit or loss during the period in which the exercise rights of the employees become vested against other equity reserves.

T) REVENUE RECOGNITION

The Company's consolidated revenue represents the value of products sold by consolidated entities, net of VAT on sales, as a result of their ordinary activities, after the elimination of transactions between consolidated entities, and is quantified at the fair value of the consideration received or receivable granted to customers. Revenue from the sale of goods is recognized when goods are delivered to customers, there is no condition or uncertainty implying a reversal thereof, and they have assumed the risk of loss.

Revenue associated with construction contracts is recognized in the period in which the work is performed by using the percentage-of-completion method of accounting and is measured principally on the basis of the estimated completion of a physical proportion of the contract work, considering that the following have been defined: a) each party's enforceable rights regarding the asset to be constructed; b) the consideration to be exchanged; c) the manner and terms of settlement; d) actual costs incurred and contract costs required to complete the asset are effectively controlled; and e) it is probable that the economic benefits associated with the contract will flow to the Company. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Customer Loyalty Programme

The Company has a customer loyalty programme whereby customers are awarded credits known as "Points" entitling customers to redeem Company's products at a certain accumulated number of Points varying on the date of redemption. The Company grants Points to a customer as part of the sales transaction and subject to condition set-out in the programme. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of the sale. The amount allocated to the Points, granted through the customer loyalty programme, is measured by reference to the fair value of the Company's products for which they could be redeemed, since the fair value of the Points themselves is not directly observable. The fair value of the right to acquire Company's products for free for which the loyalty credits can be redeemed takes into account the selling price of the Company's products to the customers that have not earned the loyalty credits and the expected forfeiture rate. Such amount is deferred, and is recognized as revenue when the Points are redeemed and the Company has fulfilled its obligations to supply Company's products. The amount of revenue recognized in those circumstances is based on the number of Points that have been redeemed in exchange for Company's products, relative to the total number of Points that is expected to be redeemed. Unearned revenue is also reversed and recognized as revenue when it is no longer considered probable that the Points will be redeemed.

U) INSURANCE CONTRACTS

Insurance contract is an agreement whereby one party, called the insurer, undertakes for a consideration paid by the other party, called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Premiums from insurance contracts are recognized as revenue over the period of the contracts. The portion of the premiums written that relate to the unexpired periods of the policies at each reporting date is accounted for as "Unearned revenue" and is presented under current liabilities section of the consolidated statements of financial position. The net changes in this account between reporting dates are credited to or charged against profit or loss.

Benefits and Claims

Benefits and claims consist of all costs incurred during the year, which are recognized when the Company receives notification from policyholders. Estimates have to be made as at the reporting date both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported ("IBNR"). The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to project future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss against insurance liability. Claims provisions are not discounted for the time value of money.

V) COSTS OF SALES AND SERVICES, ADMINISTRATIVE AND SELLING EXPENSES AND DISTRIBUTION EXPENSES

Cost of sales represents the production cost of goods sold. Such cost of sales includes power and fuel, raw materials and supplies, personnel expenses, depreciation of property, machinery and equipment involved in production, as well as freight expenses of raw material in plants and delivery expenses of the Company's ready-mix concrete business. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities and storage of product at points of sales and costs related to warehousing of products at the selling points, which are included as part of administrative and selling expenses, as well as freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers' facilities, which are included as part of the distribution expenses line item in the consolidated statements of comprehensive income. Cost of construction contracts are recognized as incurred.

W) LEASES

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) There is a change in determination of whether fulfillment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Lease which do not transfer to the Company substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

X) BASIC AND DILUTED EARNINGS PER SHARE

Pursuant to PAS 33, *Earnings per share* ("PAS 33"), basic earnings (loss) per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period. Shares that would be issued depending only on the passage of time should be included in the determination of the basic weighted average number of shares outstanding. Diluted earnings (loss) per share should reflect in both, the numerator and denominator, the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions, to the extent that such assumption would lead to a reduction in basic earnings per share or an increase in basic loss per share, otherwise, the effects of potential shares are not considered because they generate anti-dilution.

Y) EVENTS AFTER THE REPORTING DATE

Post year-end events, up to the approval of the consolidated financial statements by the BOD, that provide additional information about the Company's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed on the notes to the consolidated financial statements when material.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 4 - 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 year ended December 31, 2016, the cement sector represented approximately 85.88% of total net revenues before eliminations resulting from consolidation, and 109.60% of Operating EBITDA.

The Company's operations are managed by a country manager. The country manager, who is one level below the regional president for CEMEX's Asia, Middle East and Africa region in the organizational structure, reports the performance and operating results of its country to the regional president, including all the operating sectors. CEMEX's top management internally evaluates the results and performance of each country for decision-making purposes and allocation of resources on a country basis. Based on PFRS 8, the Company represents a single geographical operating segment.

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.

NOTE 5 - DEPRECIATION

Depreciation charges for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Depreciation expense related to assets used in the production process ...	P	1,159,320	–
Depreciation expense related to assets used in administrative and selling activities........		93,024	–
	P	1,252,344	–

NOTE 6 - COSTS AND EXPENSES

Costs of sales and services, administrative and selling expenses for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		Costs of Sales and Services	
		2016	2015
Power, fuels and production supplies	P	7,244,800	–
Cement and concrete purchases........		1,524,206	–
Depreciation and depletion........		1,050,966	–
Repairs and maintenance........		622,218	–
Outside services........		457,628	–
Salaries and wages [1]........		422,228	–
Rent........		327,658	–
Others [2]........		236,179	–
	P	11,885,883	–

[1] Includes retirement benefit expense amounting to P41,390 (see Note 22).
[2] Others pertain to insurance expense, taxes and licenses, transportation and communication expenses and other costs that are individually inmaterial.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

		Administrative Expenses	
		2016	2015
Insurance	P	1,214,852	–
Administrative fees		671,490	4,373
Salaries and wages [1]		212,977	–
Depreciation		61,679	–
Travel expenses		50,443	–
Utilities and supplies		37,814	–
Rental		28,810	–
Taxes and licenses		12,425	3
Others		41,921	39
	P	2,332,411	4,415

[1] Includes retirement benefit expense amounting to P33,433 (see Note 22).

		Selling Expenses	
		2016	2015
License fees	P	942,985	–
Administrative fees		180,588	–
Advertising and travel		157,461	–
Salaries and wages		150,204	–
Utilities and supplies		62,562	–
Rental		51,791	–
Taxes and licenses		39,553	–
Depreciation		31,345	–
Impairment losses on receivables		10,615	–
Insurance		2,790	–
Others		50,635	–
	P	1,680,529	–

NOTE 7 - DISTRIBUTION EXPENSES

Distribution expenses for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Trucks, barge and charter hire	P	3,065,909	–
Handling expenses		428,530	–
Fuel for vessel		366,850	–
Harbor services		95,465	–
Others		4,882	–
	P	3,961,636	–

NOTE 8 - REVENUE

Net sales for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Sale of goods			
Cement	P	23,893,481	–
Ready-mix concrete		333,041	–
Admixtures		13,516	–
		24,240,038	–
Reinsurance premium income		519,346	–
Construction services		46,715	–
	P	24,806,099	–

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 9 - OTHER EXPENSES - Net

Net other expenses for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Costs related to listing of shares[1]	P	287,930	–
Loss on disposal of property, machinery and equipment		24,770	–
Others		7,083	–
	P	319,783	–

[1] Costs related to the listing of shares include legal fees, stock exchange listing fees, roadshow presentation, among others.

NOTE 10 - OTHER FINANCIAL EXPENSES - Net

Net other financial expenses for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2016	2015
Bank charges	P	36,485	–
Interest expense on retirement benefit plan		29,964	–
Interest income		(33,715)	–
	P	32,734	–

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31 consisted of:

		2016	2015
Cash on hand and in banks	P	579,622	4,922
Short-term investments		757,533	–
	P	1,337,155	4,922

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 0.63% to 1% in 2016. In 2016 and 2015, interest income amounted to P28,778 and nil, respectively.

As mentioned in Note 3E, as at December 31, 2016, the following cash equivalents, which include deposits to a related party, are considered highly liquid investments readily convertible to cash:

		Amount
BDO Unibank, Inc	P	680,000
New Sunward Holding B.V. [1]		52,543
Citibank, N.A.		24,990
		757,533

1 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 and zero interest.

The Company's exposures to credit risk, foreign currency risk, and interest rate risk related to cash and cash equivalents are disclosed in Note 21 to the consolidated financial statements.

NOTE 12 - TRADE RECEIVABLES - Net

Trade accounts receivable as at December 31 consisted of:

		2016	2015
Trade accounts receivable - gross	P	920,282	–
Allowance for impairment losses		(10,615)	–
	P	909,667	–

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Allowances for impairment losses are established according to the credit history and risk profile of each customer. Changes in the allowance for doubtful accounts for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are as follows:

		2016	2015
Allowances for impairment losses at beginning of period	P	–	–
Charged to selling expenses (see Note 6)		10,615	–
Allowances for impairment losses at end of period	P	10,615	–

The company's exposure to credit risk related to trade receivables is disclosed in Note 21 to the consolidated financial statements.

NOTE 13 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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).

As at December 31, 2016 and 2015, balances of related party receivables and payables which are generally expected to be settled in cash, are detailed as follows:

Receivables - current		**2016**	2015
Ultimate Parent			
CEMEX [2]	P	10,326	–
Other related parties			
Island Quarry and Aggregates Corporation [1]		197,904	–
APO Land & Quarry Corporation [3]		3,513	–
CRG [12]		2,306	–
CEMEX Concrete (Malaysia) Sdn Bhd [4]		1,084	–
Others [5]		82	–
	P	215,215	–

Payables - current		**2016**	2015
Other related parties			
CEMEX Construction Materials South, LLC [6]	P	573,836	–
Transenergy, Inc. [7]		533,517	–
Island Quarry and Aggregates Corporation [8]		221,396	–
CEMEX Asia Pte. Ltd. [9]		105,381	–
APO Land & Quarry Corporation [10]		28,723	–
CEMEX Strategic Philippines, Inc. [11]		10,950	–
CRG [12]		6,940	–
Others [13]		1,353	–
	P	1,482,096	–

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Payables - non-current

Other related parties		2016	2015
New Sunward Holding B.V. [14]	P	14,557,460	–
CEMEX Asia B.V. [15]		1,361,862	–
	P	15,919,322	–

[1] The balance includes a) advances related to purchase of raw materials amounting to P180,723, which is unsecured, with no impairment, noninterest-bearing and due on demand; b) receivables arising from the sale of goods with a 30-day term and without interest amounting to P9,821; c) receivables from service agreements amounting to P4,174 and project income of P1,989, where both has 30-60 days' term, noninterest-bearing, unsecured and with no impairment; and d) others amounting to P1,197, which is due on demand, noninterest-bearing, unsecured and with no impairment. 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 mark-up;
[2] The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to diesel hedge;
[3] In 2016, Solid and APO entered into separate agreements with APO Land & Quarry Corporation, wherein Solid and APO shall provide back-office and other support services to the latter. The balance includes a) receivables from service agreement amounting to P3,492, which has 30-60 days' term, noninterest-bearing, unsecured and with no impairment; and b) others amounting to P21 which is unsecured, with no impairment, noninterest-bearing and due on demand;
[4] The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to receivables arising from billed expenses;
[5] The balance which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to receivables arising from non-trade transactions;
[6] The balance, which is unsecured, noninterest-bearing and due on demand, is generated for the purchase of equipment for the expansion of Solid plant;
[7] The balance pertains to purchase of coal with a term of 30 days, noninterest-bearing and unsecured;
[8] The balance includes a) fees related to purchases of raw materials amounting to P218,350, which is unsecured, noninterest-bearing and due on demand; b) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P3,023; c) unsecured payable arising from land rental with a 30-day term and noninterest-bearing amounting to P4; and d) other non-trade payables amounting to P19, which are unsecured, noninterest-bearing and due on demand;
[9] The balance includes fees for corporate services and administrative services received by the Company which has a term of 30 days, noninterest-bearing and is unsecured;
[10] The balance includes a) purchase of raw materials with a 30-day term amounting to P27,716; and b) advances amounting P1,007. These balances are unsecured and are noninterest-bearing;
[11] The balance pertains to corporate services and administrative services rendered to the Company which has a term of 30 days, noninterest-bearing and is unsecured;
[12] The balance pertains to royalties/license fees of the Company, which is unsecured, noninterest-bearing and due on demand;
[13] The balance includes a) current portion of long-term loan from CEMEX Asia B.V. amounting to P426 which bears interest at 5.9% - 6.38%, unsecured and due for payment in 2017; b) purchases of raw materials from Beijing CXP Import & Export Co. amounting to P662 and CEMEX Admixtures GmbH amounting to P265, which are both unsecured, noninterest-bearing and are due on demand;
[14] The balance pertains to interest-bearing long-term loan payable. The loan bears interest of 7.535% per annum and payable in four annual installments starting March 2020 until March 2023. The Company refinanced the loan in 2017 (see Note 29).
[15] The balance pertains to the Company's loan from CEMEX Asia B.V. The loan bears interest at an annual rate equal to 6-month LIBOR plus 450 basis points. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively.

The main transactions entered by the Company with related parties for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are shown below:

Transaction with ultimate parent

		2016	2015
Hedging transaction			
CEMEX [2]	P	12,016	–

Transactions with other related parties

		2016	2015
Purchases of raw materials			
Transenergy, Inc. [1]	P	1,853,913	–
Island Quarry and Aggregates Corporation [1]		303,383	–
APO Land & Quarry Corporation [1]		312,103	–
Beijing CXP Import and Export Co. [1]		2,517	–
CEMEX Admixtures GmbH [1]		265	–
	P	2,472,181	–
Interest expense			
New Sunward Holding B.V.			
Long-term [1]	P	861,318	–
Short-term [8]		271,044	–
CEMEX Asia B.V. [1]		32,976	–
	P	1,165,338	–
Royalties and trademarks			
CRG [1]	P	942,985	–

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

		2016	2015
Purchase of equipment			
CEMEX Construction Materials South, LLC [1]	P	573,836	–
Corporate services and administrative services			
CEMEX Asia Pte. Ltd. - Philippine Headquarters [1]	P	469,121	–
CEMEX Strategic Philippines, Inc. [1]		85,906	–
Island Quarry and Aggregates Corporation [1]		3,179	–
APO Land & Quarry Corporation [1]		3,032	–
	P	561,238	–
Sales of goods			
Island Quarry and Aggregates Corporation [1]	P	108,197	–
CEMEX Cement Bangladesh Ltd. [4]		4,411	–
APO Land & Quarry Corporation [4]		184	–
	P	112,792	–
Land Rental			
APO Land & Quarry Corporation [3]	P	58,210	–
Island Quarry and Aggregates Corporation [3]		32,929	–
	P	91,139	–
Reimbursements			
CEMEX Concrete (Malaysia) Sdn Bhd. [1]	P	1,084	–
Others [7]		–	190
	P	1,084	190
Interest income			
APO Land & Quarry Corporation [5]	P	435	–
Others [6]		68	–
	P	503	–

Transactions with Key Management Personnel

		2016	2015
Short-term employee benefits	P	215,818	–
Post-employment and other long-term employee benefits		47,892	–
	P	263,710	–

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.
[2] Please refer to Note 21 under Fair values of financial assets and financial liabilities for the details of this transaction.
[3] These land rentals have a 30-day term, and are both noninterest-bearing and unsecured.
[4] These sale transactions have a 30-day term, and are both noninterest-bearing and unsecured.
[5] This amount pertain to the interest from loan drawdowns that bear interest at 4.625% annually. The total outstanding balance, from which this interest income relates, including interest accrued was paid in 2016.
[6] This amount pertain to the interest from loans drawdowns that bear interest at fixed rates annually. The total outstanding balances, from which this interest income relates, including interest accrued, were paid in 2016.
[7] The transaction is noninterest-bearing and due on demand.
[8] The amount pertains to the interest on short-term loan from New Sunward Holding B.V. which has been fully paid in 2016.

Transactions with the Retirement Fund

The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees ("BOT"). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group ("BPI AMTG"), the Company's duly appointed trust fund manager.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has no contributions to the retirement fund in 2016 and 2015 (see Note 22). There are also no other transactions entered into by the Company with the plan for the year. As at December 31, 2016 and 2015, the fund's unfunded status amounted to P769,340 and nil, respectively. The retirement plan consists of unit investment trust fund, mutual funds, debt instruments and others (cash, money market instruments and government securities), which accounted for 58%, 21%, 12% and 9% of plan assets, respectively, in 2016 (see Note 22).

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Balances and transactions between consolidated entities eliminated during consolidation

The following are the transactions and balances among related parties which are eliminated in the consolidated financial statements:

Amounts owed by	Amounts owed to		2016
CEMEX Holdings Philippines, Inc. [10]	CAR	P	1,669,265
APO [5]	CAR		16,980
CEMEX Holdings Philippines, Inc. [10]	Falcon		1,467,596
Sandstone Strategic Holdings, Inc. [6]	Bedrock Holdings, Inc.		109,617
Solid [1]	APO		189,445
Ecocrete, Inc. [3]	Solid		50,244
Ecocast Builders, Inc. [4]	Solid		49,143
CAR [5]	Solid		25,555
APO [2]	Solid		19,942
Sandstone Strategic Holdings, Inc. [6]	Solid		1,068
Ecocast Builders, Inc. [7]	Ecopavements, Inc.		40,287
Solid [8]	Ecocast Builders, Inc.		14,583
APO [8]	Ecocast Builders, Inc.		6,802
Ecopavements, Inc. [6]	Ecocast Builders, Inc.		288
Solid [9]	Ecocrete, Inc.		7,114
		P	**3,667,929**

[1] Amount includes a) P75,007 from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) P110,171 loan and interest, which is due on demand, with interest at 2.4% per annum and unsecured; and c) P4,037 from sale of production supplies and P230 reimbursable expenses, which are both due on demand, noninterest-bearing and unsecured.

[2] Amount includes a) P5,513 from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; and b) P14,429 reimbursable expenses, which is due on demand, noninterest-bearing and unsecured.

[3] Amount includes a) P1,628 from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; and b) P48,616 loan and interest, which is due in one year, with interest at 3.63% per annum and unsecured.

[4] Amount includes a) P42,569 arising from sale of equipment, which has a 30-day term, noninterest-bearing and unsecured; b) P5,859 from sale of goods and P507 from construction service, which has a 30-day term, noninterest-bearing and unsecured; and c) P208 from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured.

[5] Amounts have 30-day term, noninterest-bearing and unsecured.

[6] Amounts are from cash advances or reimbursable expenses, which are due on demand, noninterest-bearing and unsecured.

[7] Amount includes a) P40,000 loan, which is due in one year, with interest at 2.6% per annum and unsecured; and b) P287 from cash advances, which is due on demand, noninterest-bearing and unsecured.

[8] Amounts pertain to construction services which have 30-day term, noninterest-bearing and unsecured.

[9] Amount includes P6,616 from sale of raw materials and P498 from service fees, where both have 30-day term, noninterest-bearing and unsecured

[10] Amounts pertain to long-term unsecured loans which are due to be paid in 2021, with interest at 2.5% per annum for CAR and at WAILRF minus 10 basis points annually for Falcon.

Sales	Purchases		2016
APO [1]	Solid	P	853,036
Solid [1]	APO		110,914
Ecocrete, Inc. [1]	Solid		36,173
Solid [1]	Ecocast Builders, Inc.		26,344
Ecocast Builders, Inc. [1]	Solid		13,182
Solid [1]	Ecopavements, Inc.		4,998
Ecocast Builders, Inc. [1]	APO		6,128
		P	**1,050,775**

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Royalties and technical assistance	Selling and Administrative Expense		2016
CAR [1]	APO	P	2,002,129
CAR [1]	Solid		1,052,348
		P	3,054,477

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Dividend declared by	Dividend received by		2016
APO	Triple Dime Holdings, Inc.	P	2,451,632
Triple Dime Holdings, Inc.	CEMEX Holdings Philippines, Inc.		2,421,949
APO	CEMEX Holdings Philippines, Inc.		1,634,421
Solid	Sandstone Strategic Holdings, Inc.		1,297,390
Sandstone Strategic Holdings, Inc.	CEMEX Holdings Philippines, Inc.		1,219,546
Solid	CEMEX Holdings Philippines, Inc.		864,926
Edgewater Ventures Corporation	CEMEX Holdings Philippines, Inc.		263,364
Sandstone Strategic Holdings, Inc.	Bedrock Holdings, Inc.		77,843
Bedrock Holdings, Inc.	CEMEX Holdings Philippines, Inc.		73,008
Triple Dime Holdings, Inc.	Edgewater Ventures Corporation		6,840
		P	10,310,919

Interest income	Interest expense		2016
CAR [1]	CEMEX Holdings Philippines, Inc.	P	10,745
Falcon [1]	CEMEX Holdings Philippines, Inc.		1,888
Solid [1]	Ecocrete, Inc.		800
APO [1]	Solid		175
		P	13,608

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

NOTE 14 - INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an associate and other investments as at December 31 are detailed as follows:

	Activity	Country	%		2016	2015
Calabar Aggregates Corporation	Aggregates	Philippines	40.0	P	11,816	–
Greencrete, Inc.	–	Philippines	5.0		3,437	–
Others	–	–	–		20	–
				P	15,273	–

The investments above are investments of Solid and APO which were acquired by the Company upon business combination.

NOTE 15 - OTHER ACCOUNTS RECEIVABLE

15A) OTHER CURRENT ACCOUNTS RECEIVABLE

Other current accounts receivable as at December 31 consisted of:

		2016	2015
Insurance claims	P	51,022	
Loan receivable [1]		32,548	–
Short-term deposits		14,873	–
Receivable from employees		14,409	–
Receivable from contractors		12,790	–
Others		1,704	–
	P	127,346	–

[1] Loan receivable pertains to the amount provided by the Company to CEMEX Philippines Foundation, Inc., with fixed interest at 2.96% per annum and is due on demand.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

15B) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE

Other assets and noncurrent accounts receivable as at December 31 consisted of:

		2016	2015
Rental guaranty deposits	P	112,209	–
Long-term time deposits [1]		92,254	–
Long-term prepayments [2]		47,558	–
Right of way		30,952	–
Others[3]		37,516	–
	P	320,489	–

[1] Long-term time deposits pertain to the Company's restricted time deposits.

[2] Long-term prepayments primarily pertain to prepaid mining and quarry royalty fees related to the purchase of raw materials amounting to P24,127.

[3] Others primarily pertain to transportation allowance amounting to P36,906.

NOTE 16 - INVENTORIES

Inventories as at December 31 consisted of:

		2016	2015
At NRV:			
Materials and spare parts	P	1,211,947	–
At Cost:			
Work-in-process inventory		728,945	–
Finished goods		363,494	–
Raw materials		269,520	–
Inventory in transit		3,671	–
	P	2,577,577	–

In 2016, the Company recognized in the consolidated statements of comprehensive income the cost of inventories sold amounting to P11,885,883 (see Note 6). As at December 31, 2016 and 2015, inventory write-down to NRV amounted to P17,604 and nil, respectively. Write-down of inventories to NRV included under "Costs of Sales and Services" account in the consolidated statements of comprehensive income amounted to P17,604 and nil in 2016 and 2015, respectively.

NOTE 17 - PREPAYMENTS AND OTHER CURRENT ASSETS

Other current assets as at December 31 consisted of:

		2016	2015
Prepaid insurance [1]	P	900,531	–
Prepaid taxes		310,714	–
Advances to suppliers		96,417	–
Prepaid freight cost		89,559	–
Advances to employees		13,989	–
Prepaid rent		3,660	–
Others		5,186	–
	P	1,420,056	–

[1] Prepaid insurance pertains to unamortized portion of payments on property, non-damage business interruption and political risks insurance.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 18 - PROPERTY, MACHINERY AND EQUIPMENT - Net

The movements for each class of property, machinery and equipment are as follows:

	Buildings and Improvements	Machinery and Equipment	Constructions in-Progress	Total
Gross Carrying Amount				
September 17, 2015/December 31, 2015	P–	P–	P–	P–
Acquisition through business combination	3,848,465	11,600,051	347,958	15,796,474
Additions	85,417	316,081	928,711	1,330,209
Disposals	(8,244)	(170,975)	(24,621)	(203,840)
Reclassifications	56,927	169,914	(226,841)	–
December 31, 2016	**3,982,565**	**11,915,071**	**1,025,207**	**16,922,843**
Accumulated Depreciation				
September 17, 2015/December 31, 2015	–	–	–	–
Depreciation for the period	(161,688)	(1,090,656)	–	(1,252,344)
Disposals	8,195	136,117	–	144,312
December 31, 2016	**(153,493)**	**(954,539)**	**–**	**(1,108,032)**
Carrying Amounts				
December 31, 2015	P–	P–	P–	P–
December 31, 2016	**P3,829,072**	**P10,960,532**	**P1,025,207**	**P15,814,811**

In 2016, there were no interest expense arising from borrowings that have been capitalized as part of property, machinery and equipment.

NOTE 19 - ACQUISITION OF SUBSIDIARIES AND GOODWILL - Net

As part of CEMEX's overall current priorities, CEMEX has been focusing in strengthening its capital structure. One way of doing so is through the optimization of CEMEX's global corporate structure which should lead to less administration costs and facilitate the implementation of CEMEX's business strategy. Considering this premises and in line with the Parent Company's IPO, the Parent Company was created and on January 1, 2016, the Parent Company acquired interest in the economic benefit of the entities listed in Note 28 (except for CAR, which was incorporated by the Parent Company in 2015 and Falcon, which was incorporated by the Parent Company in 2016). The acquisition price of P47,825,147 was initially financed through accounts payable to a related party, which was eventually paid from proceeds on short-term and long-term loans from a local bank and a related party.

The Company incurred acquisition-related costs amounting to P9,569 on documentary stamp taxes and other costs, which were recognized as part of "Administrative and selling expenses" account in the consolidated statements of comprehensive income.

The following table summarizes the recognized amounts and assets acquired and liabilities assumed at the date of the acquisition:

Assets (liabilities)		Amounts
Cash and cash equivalents	P	3,687,632
Trade receivables		813,392
Due from related parties		999,896
Other current accounts receivable		1,459,014
Inventories		2,250,415
Prepayments and other current assets		1,205,663
Investments in associates and other investments		15,273
Other assets and noncurrent accounts receivable		344,134
Property, machinery and equipment - net		15,796,474
Trade payables		(2,258,403)
Due to related parties		(619,705)
Income tax payable		(249,284)
Other accounts payable and accrued expenses		(1,608,339)
Long-term payable to related party		(987,027)
Retirement benefit liability		(716,903)
Deferred income taxes		(138,473)
Other noncurrent liabilities		(28,306)
Total identifiable net assets acquired	P	19,965,453

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

The valuation techniques used for measuring the fair value of assets acquired were as follows:

Assets acquired	Valuation technique
Property, machinery and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The trade receivables comprise gross contractual amounts due of P883,990, of which P70,598 was expected to be uncollectible at the date of the acquisition. The carrying amount of the acquired property, machinery and equipment acquired in the books of the acquirees at the date of acquisition amounted to P14,026,454.

Goodwill arising from the acquisition has been recognized as follows:

		Amount
Amount of the consideration	P	47,825,147
Fair value of the identifiable net assets		19,965,453
Goodwill	P	27,859,694

The goodwill is attributable mainly to the assembled work force and dealer network. None of the goodwill recognized is expected to be deductible for tax purposes.

As mentioned in Note 3L, the consolidated entities test their goodwill balances for impairment at the level of the CGUs to which goodwill has been allocated, which are commonly comprised by the vertically-integrated operations of the Company in the country. The Company's cash flow projections for five years to determine the value-in-use of its CGU consider the use of long-term economic assumptions. The Company believes that its discounted cash flow projections and the discount rates used reasonably reflect current economic conditions at the time of the calculations, considering, among other factors that: a) the cost of capital reflects current risks and volatility in the markets; and b) the cost of debt represents the actual interest rates recognized by the CGUs in their outstanding interest-bearing debt. The Company performed its annual goodwill impairment test, and based on the analysis, the Company does not need to recognize impairment loss on goodwill. For purposes of impairment testing, goodwill has been allocated to the Company's CGUs (significant operating divisions) as follows:

		Amount
APO Cement Corporation	P	17,648,162
Solid Cement Corporation		10,211,532
	P	27,859,694

In 2016, the Company's pre-tax discount rates and expected growth rates in perpetuity used in the Company's impairment tests, to determine the discounted cash flows in both the CGUs with the main goodwill balances, were as follows:

	Rates used
Discount rate	9.5%
Growth rate	7.0%

In connection with the Company's assumptions as at December 31, 2016 included in the table above, the Company made sensitivity analysis to changes in assumptions, affecting the value-in-use of all CGUs with an independent reasonable possible increase of 1% in the pre-tax discount rate and an independent decrease of 1% in the perpetual growth rate. In any of the sensitivity analyses, the carrying amount of the CGUs exceeded their recoverable amount.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 20 - UNEARNED REVENUE, OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Unearned revenue, other current accounts payable and accrued expenses as at December 31 consisted of:

		2016	2015
Unearned revenue from reinsurance premiums [1]	P	793,320	–
Unearned revenue from customer loyalty program		40,482	–
Total Unearned revenue		833,802	–
Accrued expenses [2]		519,400	–
Taxes payable		241,687	–
Advances from customers		301,014	–
Others		63,070	–
Total Other accounts payable and accrued expenses		1,125,171	–
	P	1,958,973	–

1 Unearned revenue from reinsurance premiums pertain to the portion of reinsurance premiums written by Falcon that relate to unexpired period of the policies.

2 As at December 31, 2016, accrued expenses includes a) utilities and supplies amounting to P271,329; b) salaries and employee benefits amounting to P88,232; c) freight cost amounting to P127,627; d) outside services amounting to P25,833; and e) royalty fees amounting to P6,379.

For the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, the roll-forward analyses of unearned revenue from reinsurance premiums are as follows:

		2016	2015
Balance at beginning of period	P	–	–
Policies written during the period		1,286,843	–
Premiums earned during the period		(519,346)	–
Effect of translation Philippine peso		25,823	–
Balance of end of period	P	793,320	–

For the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, the roll-forward analyses of provisions (under "Taxes payable" account) are as follows:

		2016	2015
Balance at beginning of period	P	–	–
Assumed in a business combination		284,453	–
Net reversals made during the period		(255,141)	–
Balance of end of period	P	29,312	–

NOTE 21 - FINANCIAL RISK AND INSURANCE RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Risk management framework

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

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.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Credit risk

Credit risk is the risk of financial loss faced by the Company if a customer or counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade receivables. As at December 31, 2016 and 2015, 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 guarantee deposits from its customers and financial counterparties with regard to financial assets.

The Company's management has established a policy which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, and 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 December 31 is as follows:

		2016	2015
Cash and cash equivalents (excluding cash on hand)	P	1,337,023	4,922
Trade receivables		909,667	–
Due from related parties		215,215	–
Other current accounts receivable		127,346	–
Long-term and guarantee deposits (under other assets and noncurrent accounts receivable)		204,463	–
	P	2,793,714	4,922

As at December 31, 2016, the aging analysis per class of financial assets 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		
Cash and cash equivalents (excluding cash on hand)	P 1,337,023	–	–	–	–	1,337,023
Trade receivables	774,265	66,386	13,994	55,022	10,615	920,282
Due from related parties	215,215	–	–	–	–	215,215
Other current accounts receivable	127,346	–	–	–	–	127,346
Long-term and guarantee deposits	204,463	–	–	–	–	204,463
	2,658,312	66,386	13,994	55,022	10,615	2,804,329
Less allowance for impairment losses	–	–	–	–	10,615	10,615
	P 2,658,312	66,386	13,994	55,022	–	2,793,714

Considering the Company's best estimates of potential losses based on an analysis of aging and considering management's recovery efforts, the allowance for impairment losses amounted to P10,615 as at December 31, 2016.

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, 88% are neither past due nor impaired, and are considered of high grade quality. 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, cash equivalents and long-term and guarantee deposits are based on the credit standing or rating of the counterparty.
- Trade receivables, 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.

The Company sells its products primarily to retailers in the construction industry, with no specific geographic concentration of credit within the country in which the Company operates. As at December 31, 2016 and 2015, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

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 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 revenue and costs are generated and settled mainly in Philippine Peso. For the year ended December 31, 2016, approximately less than 5% of the Company's net sales, before eliminations, were generated in U.S. dollars.

The Company had an exposure arising from the dollar-denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As at December 31, 2016, the Company has not implemented any derivative financing hedging strategy 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 consolidated statements of comprehensive income.

As at December 31, 2016, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the top management on the basis of its risk management policy as follows:

Amounts in thousands of dollars	in U.S. dollar	in Euro
Cash and cash equivalents	$2,307	€–
Due from related parties	254	–
Trade payables	(19,022)	(8,477)
Due to related parties	(342,591)	–
Net liabilities denominated in foreign currency	($359,052)	(€8,477)

As at December 31, 2015, there are no foreign currency denominated financial instruments.

Sensitivity analysis on Foreign Currency Risk

For the management of foreign currency risks, the Company intends to reduce the impact of short-term fluctuations in its consolidated profits. As at December 31, 2016, a hypothetical 5% appreciation of the Philippine Peso against the U.S. dollar and Euro, with all other variables held constant, the Company's profit for the year ended December, 31, 2016 would have increased by approximately P640,339, net of tax, due to higher dollar-denominated net monetary liabilities held by consolidated entities with other functional currencies. Conversely, a hypothetical 5% instant depreciation of the dollar against the Philippine peso would have the opposite effect.

Interest rate risk

As at December 31, 2016, the Company is exposed to interest rate risk primarily on its short-term investments in New Sunward Holding B.V. and long-term loan payable to CEMEX Asia B.V. The short-term investments in New Sunward Holding B.V. bear interest at a rate equivalent to the higher of WAILRF rate minus 10 basis points and zero interest (see Note 11). The long-term loan from CEMEX Asia B.V. bears interest at an annual rate equal to 6-month LIBOR plus 450 basis points (see Note 13).

Sensitivity analysis on Interest Rate Risk

As at December 31, 2016, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the year ended December, 31, 2016 would have decreased by approximately P9,165. 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. 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 (used in) operating activities, as presented in its consolidated statements of cash flows, was P3,747,812 and (P4,256) as at December 31, 2016 and 2015, respectively. In 2016, the Company incurred interest expense amounting to P20,546 from a short-term bank loan, which has been fully paid in 2016. 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. The maturities of the Company's long-term contractual obligations are included in Note 26 to the consolidated financial statements. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

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 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.

Fair values of financial assets and financial liabilities

The Company entered into a commodity swap transaction to hedge its risk exposure on fuel price volatility. The hedge qualifies for hedge accounting. The commodity swap is a contractual agreement to buy fuel at a fixed price and sell fuel at market rate with notional quantity of 10,371 liters. As at December 31, 2016 and 2015, the fair value of the Company's derivative asset is P6,805 and nil, respectively. The recurring fair value measurement is categorized as level 2 of the fair value hierarchy. The fair value is determined using quoted commodity price at the reporting date, adjusted by the fixed price under the commodity swap agreement.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

The fair values of cash and cash equivalents, trade receivables, amounts due from and due to related parties, other current accounts receivable, 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 December 31, 2016 as the said financial instruments bear interest at LIBOR rates, which is approximately similar to the market interest rate. The fair values of long-term time deposits and long-term payable to New Sunward Holding B.V., which are also 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), approximate their carrying amounts as at December 31, 2016 as these financial instruments bear interest at rates which are approximately similar to market interest rates. The fair value of the rental guarantee 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.

NOTE 22 - RETIREMENT BENEFIT LIABILITY

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date was made on December 31, 2016. Valuations are obtained on an annual basis.

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement, and Late Retirement" and "Resignation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

Normal Retirement, Early Retirement and Late Retirement

The total benefit that will be received by a retired employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

covering Normal, Early and Late Retirement

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service unless approved by the Company. The late retirement may be availed only beyond age 60 but not beyond 65, on a case-to-case and yearly extension basis and subject to the consent of the Company.

Resignation

The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
10 to 15	79% of the plan salary for every year of credited service
16 to 20	99% of the plan salary for every year of credited service
21 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

Total and Permanent Disability Benefit and Death Benefit

In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least five (5) years and three (3) years of credited service for Solid and APO, respectively.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

As at December 31, 2016 the weighted average duration of the defined benefit obligation as follows:

	In Years
Solid	18.97
APO	17.39
Ecocrete, Inc.	26.38
Ecocast Builders, Inc.	24.80

No contributions to the retirement benefit plan were made in 2016. The Company plans to contribute the following to the retirement benefit plan in 2017:

		Amount
Solid	P	88,581
APO		58,141
Ecocast Builders, Inc.		435
	P	**147,157**

e) Retirement Benefit Expense

Retirement benefit expense in 2016 is recognized in the following line items in the consolidated statements of comprehensive income:

		Amount
Costs of sales and services	P	41,390
Administrative and selling expenses		33,433
Other financial expenses - net.		29,964
	P	**104,787**

NOTE 23 - INCOME TAXES

23A) INCOME TAXES FOR THE PERIOD

The amounts of income taxes recognized in profit or loss for the year ended December 31, 2016 are as follows:

	2016	2015
Current tax expense	**P1,151,631**	P–
Deferred tax benefit arising from origination and reversal of temporary differences	**(587,887)**	–
	P563,744	P–

As at December 31, 2016 and 2015, the Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until	Amount	Addition During the Period	Expired/Utilized During the Period	Ending Balance
2016	2019	P–	P1,780,808	P–	P1,780,808
2015	2018	28,040	–	–	28,040
2014	2017	12,871	–	–	12,871
2013	2016	13,017	–	(13,017)	–
		P53,928	**P1,780,808**	**(P13,017)**	**P1,821,719**

As at December 31, 2016 and 2015, the Company has MCIT that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until	Amount	Addition During the Period	Expired/Utilized During the Period	Ending Balance
2016	2019	**P–**	**P178**	**P–**	**P178**

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

The plan is registered with the Bureau of Internal Revenue ("BIR") as tax-qualified plan under Republic Act No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

a) Movement in Retirement Benefit Liability

The following table shows reconciliation from the opening balances to the closing balances for retirement benefit liability and its components:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Retirement Benefit Liability
Balance at September 17, 2015 and January 1, 2016	P–	P–	P–
Net retirement benefit liability assumed during business combination	796,064	(79,160)	716,904
Included in profit or loss			
Service costs:			
Current service cost	57,652	–	57,652
Past service cost [1]	17,171	–	17,171
Interest cost, net	37,841	(7,877)	29,964
	112,664	**(7,877)**	**104,787**
Included in OCI			
Actuarial loss (gain) from:			
Change in financial assumptions	(77,471)	–	(77,471)
Change in demographic assumptions	(5,658)	–	(5,658)
Experience adjustments	59,761	–	59,761
Return on plan assets excluding interest income	–	7,322	7,322
	(23,368)	**7,322**	**(16,046)**
Others			
Benefits paid	(36,305)	-	(36,305)
Balance at December 31, 2016	**P849,055**	**(P79,715)**	**P769,340**

1 The past service cost is the result of the amendment during the period on the retirement benefit plan of APO to align with the retirement benefit plan of Solid.

b) Plan Assets

Plan assets as at December 31, 2016 consisted of the following:

		Amount
Unit investment trust fund (UITF)		
Equities - local currency	P	24,777
Fixed income - local currency		21,806
Mutual funds		16,342
Debt instruments		9,368
Money market		3,497
Exchange traded funds		2,915
Government securities		539
Foreign currency		152
Cash in Bank		44
Others		275
	P	**79,715**

Equity UITF investments are placed in a concentrated portfolio of stocks listed in the Philippine Stock Exchange which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Fixed income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities such as special deposit accounts from the Bangko Sentral ng Pilipinas and treasury notes with weighted average term to maturity of up to five (5) years.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Mutual funds are invested in listed equity instruments which are actively traded in globally developed markets. Other mutual funds are invested in debt instruments with terms generally ranging from five (5) to more than ten (10) years which were issued by low and middle income developing countries and are rated mostly at "BBB," "BB" and "B" by Standard and Poor's Financial Services. Investments in bonds have quoted prices in active market and are rated "Aaa," based on ratings made by Philippine Rating Services Corporation.

The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching ("ALM") strategy and investment risk management policy. The objective of BPI AMTG is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTG, and to be able to provide and fund benefits as they fall due.

c) Defined Benefit Obligation

(i) Assumptions

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	Solid	APO	Ecocrete, Inc.	Ecocast Builders, Inc.
Discount rate	5.34%	5.30%	5.67%	5.58%
Future salary growth	6.00%	6.00%	6.00%	6.00%

The following are the turnover rate assumption as at December 31, 2016:

Age	Turnover Rates (%)
18 – 30	5 to <7
31 – 34	4 to <5
35 – 37	3 to <4
38 – 42	2 to <3
42 – 50	1 to <2
51 – 59	0 to <1

Mortality rate is based on the "1994 Group Annuity Mortality Table" from the Society of Actuaries while Disability rate is based on "1952 Disability Study," Period 2, Benefit 5.

ii) Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31, 2016 by the amounts shown below:

	2016	
	Increase	**Decrease**
Discount rate (0.5% movement)	(P43,400)	P46,902
Future Salary Increase rate (0.5% movement)	48,827	(45,564)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

d) Maturity Analysis

Maturity analysis of the benefit payments:

	2016				
	Carrying Amount	**Contractual Cash Flows**	**Within >1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
Defined benefit obligation	P849,055	P1,784,188	P 31,130	P235,199	P1,517,859

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Deferred income tax assets have not been recognized in respect of the following items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom:

	2016		2015	
	Gross amount	Tax effect	Gross amount	Tax effect
NOLCO	P894,850	P268,455	P4,603	P1,381
Unrealized foreign exchange losses	–	–	30	9
	P894,850	P268,455	P4,633	P1,390

23B) DEFERRED INCOME TAXES

For the year ended December 31, 2016, the income tax effects of the temporary differences that resulted in deferred income tax assets and liabilities are presented below:

	Balance at January 1	Additions from business combination	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets (liabilities):					
Unrealized foreign exchange loss (gain)	P–	(P36,825)	P340,519	P–	P303,694
NOLCO	–	14,140	263,921	–	278,061
Accrued retirement benefit liability and past service cost	–	215,813	18,380	(4,814)	229,379
Allowance for impairment losses on receivables	–	21,181	3,184	–	24,365
Write-down of:					
Inventories to NRV	–	57,627	(34,176)	–	23,451
Property, machinery and equipment to recoverable amount	–	9,232	–	–	9,232
Unearned revenue	–	11,998	147	–	12,145
Provisions	–	85,258	(79,918)	–	5,340
Accrued employee severance pay	–	1,321	(1,318)	–	3
Fair value adjustment on property, machinery and equipment	–	(531,006)	83,946	–	(447,060)
Other items	–	12,789	(6,798)	–	5,991
	P–	(P138,472)	P587,887	(P4,814)	P444,601

The breakdown of deferred income taxes as at December 31, 2016 and 2015 are as follows:

	2016	2015
Deferred income tax credited to income statement	P 587,887	–
Deferred income tax credited to stockholders' equity	(4,814)	–
Change in deferred income tax during the period	P 583,073	–

As at December 31, 2016, based on the forecasts of future cash flows and operating results, the Company believes that sufficient taxable income will be generated so that it is probable that it will realize the tax benefits associated with the recognized deferred income tax assets related to tax loss carry forwards prior to their expiration. In addition, the Company concluded that the deferred income tax liabilities that were considered in the analysis of recoverability of its deferred income tax assets will reverse in the same period and tax jurisdiction of the related recognized deferred income tax assets. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, currently recognized deferred income tax assets would be evaluated and derecognized if necessary against the results of the period.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

23C) EFFECTIVE TAX RATE

Differences between the financial basis and the corresponding tax basis of assets and liabilities and the different income tax rates and laws applicable to the Company, among other factors, give rise to permanent differences between the average statutory tax rate of the entities included in the consolidated financial statements, and the effective tax rate presented in the consolidated statements of comprehensive income, which as at December 31, 2016 and 2015 were as follows:

	2016	2015
Statutory income tax rate	30.00%	(30.00%)
Movement in NOLCO	13.63	31.27
Non-deductible expense	0.61	–
Non-taxable income	(7.94)	–
CAR tax rate difference	(6.17)	–
Others	(1.62)	(1.27)
Consolidated effective income tax rate	28.51%	0.00%

23D) SIGNIFICANT TAX PROCEEDINGS

As at December 31, 2016, APO and Solid are the subject of the on-going regular tax investigations conducted by the Philippine tax authorities covering the taxable years 2012 and 2013. As at March 8, 2017, no preliminary tax audit findings or issues have been raised arising from these investigations.

NOTE 24 - STOCKHOLDERS' EQUITY

24A) COMMON STOCK

As at December 31, 2016 and 2015, information on the Parent Company's common stock is summarized as follows:

	Authorized			Issued and Outstanding		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
Balance at September 17, 2015/ December 31, 2015	1,504,000	P100	P150,400	94,000	P100	P9,400
Full payment of previously subscribed common stock				282,000	100	28,200
Effect of decrease in par value on previously authorized and subscribed shares	148,896,000	-	-	37,224,000	-	-
Effect of increase in authorized capital stock	5,044,995,454	1	5,044,995	2,819,867,500	1	2,819,867
Shares issued during IPO				2,337,927,954	1	2,337,928
Balance at December 31, 2016	**5,195,395,454**	**P1**	**P5,195,395**	**5,195,395,454**	**P1**	**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 BOD 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 P2,819,867 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).

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

24B) OTHER EQUITY RESERVES

As at December 31, 2016 and 2015, the movements and balance of other equity reserves is detailed as follows:

		2016	2015
Balance at beginning of period	P	**(34)**	–
Cumulative translation of a foreign subsidiaries		**90,898**	(34)
Share-based payments		**11,655**	
Remeasurements on retirement benefit liability (Note 22)		**11,232**	–
Hedge reserve		**6,805**	–
Balance at end of period	P	**120,556**	(34)

24C) NON-CONTROLLING INTERESTS

Non-controlling interest represents the 30% share of non-controlling stockholders in the results and equity of Newcrete Management, Inc. As at December 31, 2016 and 2015, non-controlling interest in equity amounted to approximately P246 and nil, respectively.

24D) SHARE BASED PAYMENTS

As part of CEMEX's share-based payments programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX, S.A.B. de C.V.'s CPOs, pursuant to which new CPOs are issued by the ultimate parent company under each annual program over a 4 year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a 1 year restriction on sale.

Under these programs, CEMEX, S.A.B. de C.V. issued new shares to certain executives of the Company for approximately 765,586 CPOs as at December 31, 2016, that were subscribed and pending for payment in the ultimate parent company's treasury. As at December 31, 2016, there are approximately 1,200,262 CPOs associated with these annual programs that are expected to be issued in the future as the Company's executives render services.

The compensation expense related to these programs for the year ended December 31, 2016, for approximately P11,655 corresponding to the fair value of the number of CEMEX's CPOs at the date of grant, was recognized in the Company's profit or loss against other equity reserves. The weighted average fair value, which pertains to the market price of the CEMEX's CPOs granted in 2016 is 13.79 Mexican Pesos. As at December 31, 2016 and 2015, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's own stock (intrinsic value).

24E) RETAINED EARNINGS

As at December 31, 2016, the Company's retained earnings include unappropriated retained earnings of its significant operating subsidiaries, Solid and APO, amounting to P1,534,978 which pertains to the result of the operations of both Solid and APO from the date the Parent Company obtained control over these subsidiaries. Such amount was offset by the net results of the Parent Company and its remaining subsidiaries. The retained earnings of both Solid and APO are not available for declaration as dividends by the Parent Company until declared by the respective investees.

24F) 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 for the Company with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD 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 "Stockholders' Equity" as shown in the consolidated statements of financial position.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

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:

	2016	2015
Total liabilities	P22,357,672	P190
Less cash and cash equivalents	(1,337,155)	(4,922)
Net debt (excess cash)	P21,020,517	(P4,732)
Total equity	P28,684,212	P4,732
Net debt to equity ratio	P0.73:1	- P1:1

NOTE 25 - BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share ("EPS") calculation reflects the effect of the stock split resulting from the decrease in par value of the common stock from P100 to P1 per share, which was approved by the SEC on May 20, 2016 (see Note 24A). The change resulted in an increase in the weighted average number of shares outstanding used in the 2015 computation from 109,195 shares to 10,919,452 shares. The amounts considered for the calculation of earnings per share ("EPS") for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015 are as follows:

		2016	2015
Profit (loss) (a)	P	1,413,466	(4,446)
Add: non-controlling interest net loss		24	–
Controlling interest in net income		1,413,490	(4,446)
Weighted average number of shares outstanding - Basic/Diluted (b)		2,845,589,135	37,600,000
Basic/Diluted earnings (loss) per share (a/b)	P	P0.50	(P0.12)

As at December 31, 2016 and 2015, the Company has no dilutive equity instruments.

NOTE 26 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2016 and 2015, the Company had the following contractual obligations. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

		2016				2015
Obligations		Less than 1 year	1-5 Years	More than 5 Years	Total	Total
Long-term payable to related parties [1]	P	1,219,843	17,995,563	4,744,420	23,959,826	–
Operating leases [2]						–
Vessel lease		141,952	125,541	–	267,493	–
Land lease		91,139	455,695	1,640,502	2,187,336	–
Warehouse lease		27,594	173,024	–	200,618	–
Office lease		16,711	88,683	64,182	169,576	–
Retirement plans and other benefits [3]		31,130	235,199	1,517,859	1,784,188	–
Total contractual obligations	P	1,528,369	19,073,705	7,966,963	28,569,037	–

1 The payables pertain to the Company's loan from New Sunward Holding B.V. and CEMEX Asia B.V. Loan with New Sunward Holding B.V. bears interest at 7.535% per annum and payable in four annual installments starting March 2020 until March 2023. Loan with CEMEX Asia B.V. bears interest at an annual rate equal to 6-month LIBOR plus 450 basis points. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively.

2 The Company leases its vessels, land, warehouses and office premises under operating leases with periods ranging from 1 - 25 years. Total rental expenses recognized in profit or loss by the Company from these operating leases amounted to P355,213 and nil for the year ended December 31, 2016 and for the period from September 17 to December 31, 2015, respectively. The amounts of payments under operating leases have been determined on the basis of nominal cash flows.

3 Represents the estimated payments for retirement benefits over the expected maturity of the retirement and other benefit liabilities (see Note 22). Future payments include an estimation of new pensioned personnel over those years.

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

NOTE 27 - CONTINGENCIES FROM LEGAL PROCEEDINGS

As at December 31, 2016, the Company is involved in various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) claims for environmental damages; 2) claims to revoke permits and/or licenses; 3) national and local tax assessments; 4) labor claims; and 5) 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, but 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.

NOTE 28 - MAIN SUBSIDIARIES

The Parent Company's direct and indirect subsidiaries as at December 31, 2016 are as follows:

Entities	Country of Incorporation	Main activity	% of interest
CAR	Switzerland	Services	100.0
Falcon	Barbados	Insurance	100.0
Edgewater Ventures Corporation	Philippines	Holdings	100.0
Triple Dime Holdings, Inc.	Philippines	Holdings	100.0
APO	Philippines	Cement	100.0
Bedrock Holdings, Inc.	Philippines	Holdings	100.0
Sandstone Strategic Holdings, Inc.	Philippines	Holdings	100.0
Solid	Philippines	Cement / Concrete	100.0
Ecocast Builders, Inc.	Philippines	Construction	100.0
Ecocrete, Inc.	Philippines	Services	100.0
Ecopavements, Inc.	Philippines	Construction	100.0
Enerhiya Central, Inc.	Philippines	Energy	100.0
Newcrete Management, Inc.	Philippines	Services	70.0

NOTE 29 - SUBSEQUENT EVENTS

On February 1, 2017, the Parent Company signed a Senior Unsecured Peso Term Loan Facility Agreement with BDO Unibank, Inc. ("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 will have a tenor of seven (7) years from the date of the initial drawdown on the facility and will consist of a fixed rate and a floating rate tranche.

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of CEMEX Holdings Philippines, Inc. (the "Company") and Subsidiaries as at and for the year ended December 31, 2016 and as at December 31, 2015 and for the period from September 17 to December 31, 2015, included in this Form 17-A, and have issued our report thereon dated March 8, 2017.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration;
- Map of Group of Companies within which the Group belongs;
- Schedule of Philippine Financial Reporting Standards and Interpretations; and
- Supplementary Schedules of Annex 68-E.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

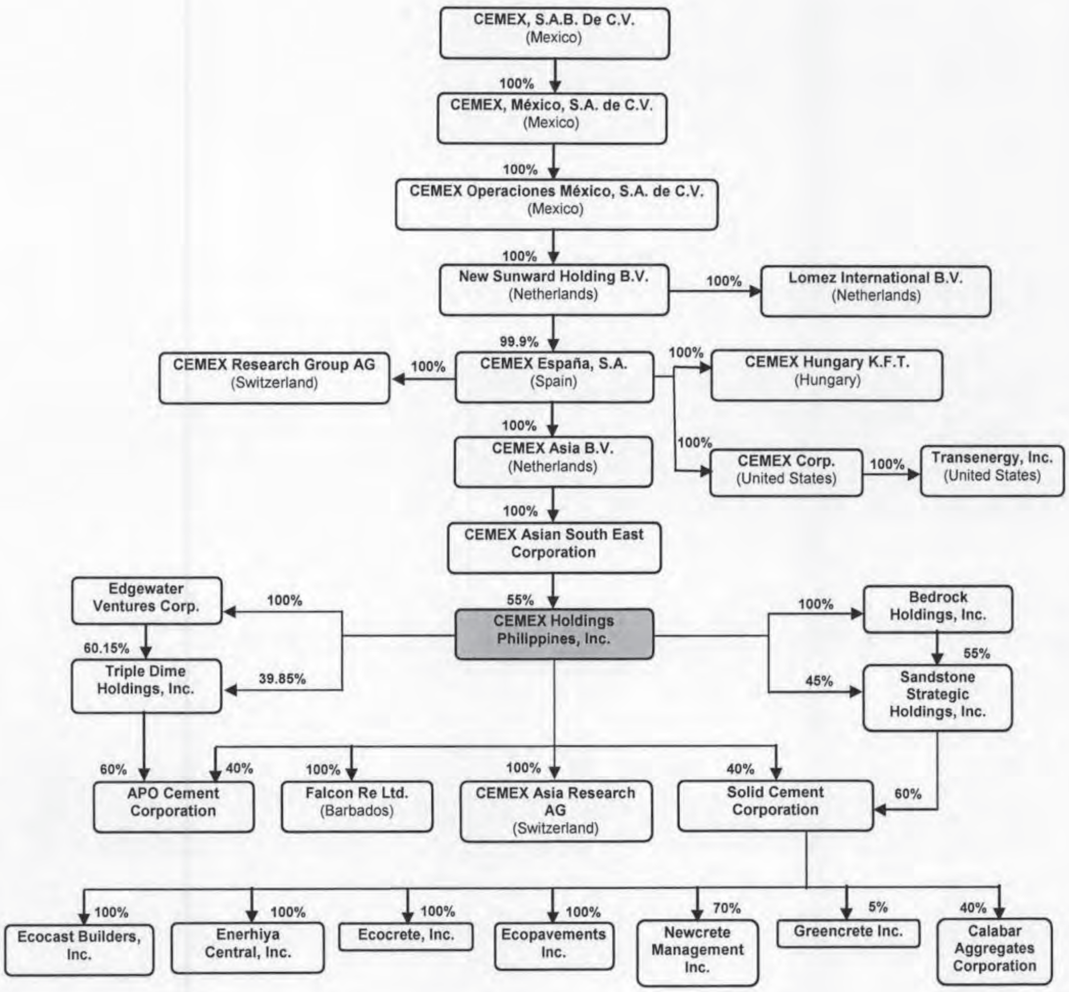
EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-3, Group A, valid until April 30, 2018
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-12-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 5904915MD
Issued January 3, 2017 at Makati City

March 8, 2017
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC.
3[4th] Floor, Floor Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue, Makati City
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings (Deficit), January 1, 2016		**(P4,634,111)**
Adjustments:		
Adjustments in previous years' reconciliation		-
Unappropriated Retained Earnings (Deficit), as adjusted, January 1, 2016		**(4,634,111)**
Add: Net income actually earned/realized during the year		
Net income during the period closed to Retained Earnings	**4,419,957,222**	
Less: Non-actual/unrealized income net of tax		
Equity in net income (loss) of associate/ joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)		
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting in gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Deferred income tax benefit for the year	**549,827,278**	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned/realized during the year		**3,870,129,944**
Add (Less):		
Dividends declaration during the period		-
Appropriation of retained earnings during the period		-
Reversal of appropriations		-
Effect of prior period adjustments		-
Treasury shares		-
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2016		**P3,865,495,833**

CEMEX Holdings Philippines, Inc. and Subsidiaries
Map of the Group of Companies Within which the Company Belongs
As at December 31, 2016



Note: The diagram provides the organizational and ownership structure as at December 31, 2016 and has been simplified to show only the relevant intermediate holding companies of CEMEX, S.A.B. de C.V.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements	✓		
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39		✓	
PFRS 9 (2014)	Financial Instruments		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
	Amendments to PAS 40: Transfers of Investment Property		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of investment properties - asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	✓		
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts		✓	

Legend:

Adopted *- means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

Not Adopted *- means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

Not Applicable *- means the standard or interpretation is not relevant at all to the operations of the entity.*

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

SCHEDULE A. FINANCIALS ASSETS

December 31, 2016

(Amounts in Thousands)

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued

NOT APPLICABLE

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)

December 31, 2016

(Amounts in Thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
APRIL BILUGAN VIDAL	P -	P 7,025	P (5)	P -	P 7,020	P -	P 7,020
CARPIO,EDMUND JAVIER	-	862	(35)	-	827	-	827
BLANCO,HERMINIA SISON	-	581	(111)	-	470	-	470
AS-IL, MARK GANSSEN	-	192	(35)	-	157	-	157
HEIDEE ESGUERRA CASTILLO	-	150	-	-	150	-	150
JOAN IVY DIESTA SORONGON	-	140	-	-	140	-	140
VICENCIO, ROCHELLE FERNANDO	-	130	(3)	-	127	-	127
FLORES, MARIA KATRINA MANZANO	-	7,299	(7,184)	-	115	-	115
	P -	P 16,379	P (7,373)	P -	P 9,006	P -	P 9,006

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS

December 31, 2016

(Amounts in Thousands)

Related party name	Balance at beginning of period	Acquired through business combination	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Solid Cement Corporation	P -	P 183,614	P 3,834,542	P 3,872,204	P -	P 145,952	P -	P 145,952
APO Cement Corporation	-	193,808	4,734,418	4,738,781	-	79,445	110,000	189,445
Bedrock Holdings, Inc.	-	109,617	-	-	-	-	109,617	109,617
Ecocast Builders, Inc.	-	13,905	26,128	18,360	-	21,673	-	21,673
Ecopavements, Inc.	-	15,932	37,173	12,818	-	287	40,000	40,287
Ecocrete, Inc.	-	2,862	41,402	37,150	-	7,114	-	7,114
Cemex Asia Research AG	-	-	1,695,604	9,359	-	16,980	1,669,265	1,686,245
Falcon Re Ltd.	-	-	1,474,011	6,415	-	-	1,467,596	1,467,596
	P -	P 519,738	P 11,843,278	P 8,695,087	P -	P 271,451	P 3,396,478	P 3,667,929

CEMEX HOLDINGS PHILIPPINES, INC. AND A SUBSIDIARIES

SCHEDULE D. GOODWILL AND OTHER INTANGIBLE ASSETS

December 31, 2016

(Amounts in Thousands)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	P -	P 27,859,694	P -	P -	P -	P 27,859,694

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

SCHEDULE E. LONG TERM DEBT

December 31, 2016

(Amounts in Thousands)

Title of Issue and type of obligation	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Number of Periodic Installments	Final Maturity

NOTHING TO REPORT

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

December 31, 2016

(Amounts in Thousands)

Name of Related Parties	Balance at beginning of period	Balance at end of period
New Sunward Holding B.V.	P -	P 14,557,460
CEMEX Asia B.V.	-	1,361,862
	P -	P 15,919,322

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

December 31, 2016

(Amounts in Thousands)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

NOTHING TO REPORT

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE H. CAPITAL STOCK
December 31, 2016

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors/ officers	Others
Common shares	5,195,395,454	5,195,395,454	Not applicable	2,857,467,493	2,007	2,337,925,954

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016 AND AS AT DECEMBER 31, 2015 AND FOR THE PERIOD FROM SEPTEMBER 17, 2015 TO DECEMBER 31, 2015

	2016	2015
Current ratio (Current assets over current liabilities)	**1.16:1**	25.91:1
Solvency ratio (Profit plus depreciation and amortization over total liabilities)	**0.12:1**	-23.40:1
Bank debt-to-equity ratio (Bank debt over total equity)	**N/A**	N/A
Asset-to-equity ratio (Total assets over total equity)	**1.78:1**	1.04:1
Interest rate coverage ratio (Profit before interest and taxes over interest expense)	**2.60:1**	N/A
Operating profit margin (Operating profit over net sales)	**20%**	N/A
Net profit margin (Profit over net sales)	**6%**	N/A

REGISTERED HEAD OFFICE AND
PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY

CEMEX Holdings Philippines, Inc.
34/F Petron Megaplaza
358 Sen. Gil. J. Puyat Avenue
Makati City, Philippines 1200

GLOBAL COORDINATOR

The Hongkong and Shanghai
Banking Corporation Limited,
Singapore Branch
21 Collyer Quay #10-01
HSBC Building
Singapore 049320

DOMESTIC UNDERWRITER

BDO Capital & Investment Corporation
20/F South Tower,
BDO Corporate Center
7899 Makati Avenue
Makati City 0726, Philippines

LEGAL ADVISORS

To the Company as to United States federal securities law and New York law

Skadden, Arps, Slate, Meagher & Flom LLP
6 Battery Road
Suite 23-02
Singapore 049909

To the Global Coordinator and Domestic Underwriter as to United States federal securities law and New York law

Cleary Gottlieb Steen & Hamilton LLP
c/o 37th Floor, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

To the Company as to Philippine law

Romulo Mabanta Buenaventura Sayoc and de los Angeles
21/F Philamlife Tower
8767 Paseo de Roxas, Makati City
Philippines

To the Global Coordinator and Domestic Underwriter as to Philippine law

Picazo, Buyco, Tan, Fider & Santos
Penthouse, Liberty Center—Picazo Law
104 H.V. dela Costa St., Salcedo Village
Makati City, Metro Manila, Philippines

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

R.G. MANABAT & CO.
9/F KPMG Center
6787 Ayala Avenue
Makati City
Philippines