CEMEX | HOLDINGS PHILIPPINES

CERTIFICATION

We, **IGNACIO ALEJANDRO MIJARES ELIZONDO**, of legal age, Mexican and **JANNETTE VIRATA SEVILLA**, of legal age, Filipino, both with office address at 34/F Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila, Philippines, as the duly authorized representatives of the Corporation, do hereby depose and state that:

1. We are the President & Chief Executive Officer and the Corporate Secretary, respectively, of **CEMEX HOLDINGS PHILIPPINES, INC.** (the "**Corporation**"), a corporation duly organized and existing under and by virtue of the Republic of the Philippines, with principal office at 34/F Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila, Philippines;

2. Further to the Notice of SEC dated 17 March 2020, the Corporation on May 13, 2020 filed its Annual Report (SEC Form 17-A) for 2019 by uploading the report through the PSE EDGE (*Electronic Disclosure Generation Technology*).[1] At the time of filing, the Corporation's 2019 Annual Report (SEC Form 17-A) did not include its Sustainability Report for 2019.

3. In accordance with SEC Memorandum Circular No. 13, series of 2020, we hereby submit the Corporation's Sustainability Report for the year ended December 31, 2019, by way of submitting an *Amended* 2019 Annual Report (SEC Form 17-A) with the Corporation's Sustainability Report for 2019.

4. All other contents of the Corporation's 2019 Annual Report (SEC Form 17-A) remain the same as the original submission filed on May 13, 2020, and the *Amended* 2019 Annual Report (SEC Form 17-A) is filed solely for the purpose of submitting the Sustainability Report of the Corporation for the year ended December 31, 2019.

5. The information contained in the Corporation's *Amended* 2019 Annual Report (SEC Form 17-A) including without limitation the Sustainability Report for 2019 is true and correct.

6. We are representatives of the Corporation who have been authorized to finalize and file the Corporation's Sustainability Report for the year ended December 31, 2019, in compliance with SEC Memorandum Circular No. 13, series 2020.

We are executing this Certification on 29 JUN 2020 in Makati City, Metro Manila, to attest to the truthfulness of the foregoing facts and for whatever legal purpose it may serve.

JANNETTE VIRATA SEVILLA
Corporate Secretary

Attested to:

IGNACIO ALEJANDRO MIJARES ELIZONDO
President & Chief Executive Officer

[1] A copy of the Corporation's 2019 Annual Report (SEC Form 17-A) has been uploaded to the Corporation's website.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A (AMENDED)

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 177
OF THE REVISED CORPORATION CODE OF THE PHILIPPINES**

1. For the year ended **December 31, 2019**

2. SEC Identification Number **CS201518815** 3. BIR Tax Identification No. **009-133-917-000**

4. Exact name of registrant as specified in its charter **CEMEX HOLDINGS PHILIPPINES, INC.**

5. **Metro Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City 1200**
Address of principal office Postal Code

8. **+632-8849-3600**
Issuer's telephone number, including area code

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	5,195,395,454[1]

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

Yes [X] No [ ]
Stock Exchange: Philippine Stock Exchange (Main Board)
Securities Listed: Common Shares

[1] As at December 31, 2019, the Corporation's outstanding shares of common stock was 5,195,395,454, all of which were registered pursuant to the Securities Regulation Code (SRC). After the stock rights offering conducted on January 20 to 24, 2020 and the approval by the Securities and Exchange Commission of the Corporation's application for increase in authorized capital stock dated 27 February 2020, the issued and outstanding shares of stock of the Corporation increased to 13,489,226,623 common shares. The shares offered during the stock rights offering consisting of 8,293,831,169 common shares were exempt from registration under SRC.

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 25 and 177 of the Revised Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

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

Yes [X] No [ ]

13. State the aggregated market value of the voting stock held by non-affiliates of the registrant.

₱ 3,474,620,588.27, based on 3,247,308,961 common shares held by non-affiliates of the registrant as at March 31, 2020 @ ₱1.07 per share (which is the average market price at which stocks of the registrant was sold on March 31, 2020)

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Not Applicable

Yes [ ] No [ ]

15. The following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

The latest audited financial statement of the Company which is attached as exhibit in this Form 17-A (Annual Report) is incorporated by reference in ITEM 1 (2)(viii) of PART I (Transactions with Related Parties), ITEM 2 of PART I (Properties), ITEM 6 of PART II (Management's Discussion and Analysis), ITEM 7 of PART II (Financial Statements), ITEM 8 of PART II (Information on Independent Accountant and other Related Matters) and ITEM 12 of PART III (Certain Relationships and Related Party Transactions):

- ***Consolidated Financial Statements of the Company as at and for years ended December 31, 2019 and December 31, 2018***

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

(1) History and Business Development

(a) Organization

CEMEX HOLDINGS PHILIPPINES, INC., 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 it 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 is a wholly-owned indirect subsidiary of CEMEX España, S.A., which in turn is indirectly owned by 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. CEMEX is one of the largest cement companies in the world based on annual installed cement production capacity. CEMEX'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 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".

The term "Parent Company" used in this Form 17-A (Annual Report) refers to CEMEX HOLDINGS PHILIPPINES, INC. without its subsidiaries. The term "Company" refers to CEMEX HOLDINGS PHILIPPINES, INC. together with its consolidated subsidiaries.

The Parent Company's two principal operating subsidiaries, i.e., APO Cement Corporation ("APO Cement") and Solid Cement Corporation ("Solid Cement"), are involved in the production, marketing, distribution and sale of cement and other cement products in the Philippines with well-established brands, such as "APO", "Island", and "Rizal", each of which has a multi-decade history in the Philippines.

On January 1, 2016, the Company acquired, directly and indirectly through intermediate holding companies, a 100% equity interest in each of Solid Cement and APO Cement as a result of the following acquisitions:

(a) 1,112,934,284 preferred shares of APO Cement representing 40% of the outstanding capital stock of APO Cement from CEMEX Asia Holdings, Ltd;

(b) 500,000 common shares of Solid Cement representing 10% of the outstanding capital stock of Solid Cement from CEMEX Asia Pacific Investments B.V.;

(c) 1,500,000 common shares of Solid Cement, representing a 30% equity interest in Solid, from CEMEX Asia B.V. (in addition to CEMEX Asia B.V.'s minority interest in two shares that it owned jointly with Sandstone Strategic Holdings, Inc.);

(d) 458,500 common shares of Edgewater Ventures Corporation representing 100% of the outstanding capital stock of Edgewater Ventures Corporation from CEMEX Asia Holdings, Ltd.;

(e) 2,360,000 common shares of Triple Dime Holdings, Inc. representing 40% of the outstanding capital stock of Triple Dime Holdings, Inc. from CEMEX Asia Holdings, Ltd.;
(f) 120,000 common shares of Bedrock Holdings, Inc. representing 100% of the outstanding capital stock of Bedrock Holdings, Inc. from CEMEX Asia Holdings, Ltd.; and

(g) 4,660,966 common shares of Sandstone Strategic Holdings, Inc. representing 45% of the outstanding capital stock of Sandstone Strategic Holdings, Inc. from CEMEX Asia Holdings, Ltd.

On June 17, 2016, the Securities and Exchange Commission of the Philippines ("SEC") issued a Pre-effective Clearance for Registration covering 5,195,395,454 common shares of the Parent Company broken down as follows: (a) 2,337,927,954 common shares that shall be offered and sold to the public by way of primary offering ("IPO") and (b) 2,857,467,500 issued and outstanding shares which shall not be included in the offer. In view of the SEC Pre-effective Clearance for Registration and the Parent Company's compliance with other conditions imposed by the Board of the Philippine Stock Exchange ("PSE"), the PSE approved on June 17, 2016 the initial listing of up to 5,195,395,454 common shares under the Main Board of the Exchange.

On June 30, 2016, the 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 total outstanding shares of the Parent Company consisting of 5,195,395,454 common shares were listed on the Main Board of the Philippine Stock Exchange.

On April 2, 2019, the Board of Directors approved the increase in the Parent Company's 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 Parent Company's shareholders owning more than 2/3 of the total issued and outstanding capital during a special meeting of stockholders held on October 16, 2019. Following said special stockholders' meeting, the Parent Company initiated the corresponding processes with the SEC and the PSE for a stock rights offering ("Stock Rights Offering") for the purpose of raising the equivalent in Philippine Peso of up to US$250 million.

On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the Stock Rights Offering is exempt from the registration requirements of the Securities Regulation Code of the Philippines and the board of directors of the PSE approved the Parent Company's application for listing of the shares to be offered in the Stock Rights Offering, subject to the fulfillment of certain listing conditions, such as but not limited to the Parent Company having obtained the SEC's approval of the increase in the company's authorized capital stock.

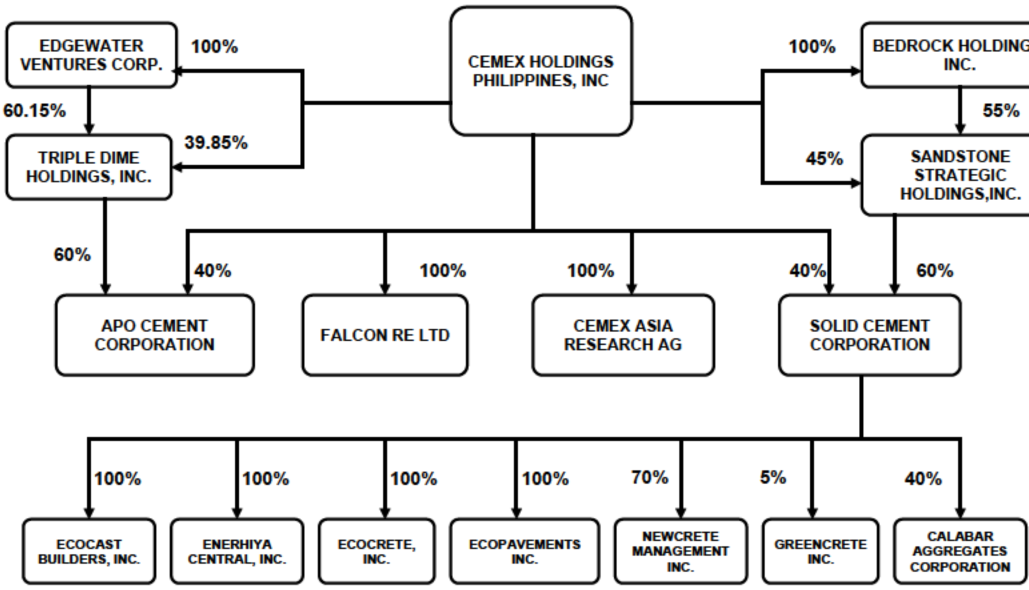
On January 6, 2020, the Parent Company announced that the Stock Rights Offering would involve the offer of 8,293,831,169 common shares with a par value of par value ₱1.00 per share (the "Rights Shares") at an offer price of ₱1.54 per Rights Share that would be issued from the Parent Company's increased ACS. The proceeds from the Stock Rights Offering would be used primarily to fund the expansion of Solid Cement's plant, including (i) to pay outstanding amounts owed by Solid Cement under a revolving credit facility agreement dated November 21, 2018, as amended and restated from time to time, between Solid Cement, as the borrower, and Cemex Asia B.V. ("CABV"), as the lender (the "Solid Expansion Facility Agreement"), which facility agreement has been used primarily but not exclusively to fund the Solid Cement plant expansion project, including (ii) to pay outstanding amounts owed by APO Cement under a master loan agreement dated October 1, 2014, as amended and restated from time to time, between APO Cement, as borrower, and CABV, as lender (the successor to CEMEX Hungary KFT) (the "APO Operational Facility Agreement"), and for other general corporate purposes.

The offer period for the Stock Rights Offering was concluded on January 24, 2020. The total proceeds raised from the Stock Rights Offering amounted to ₱12,772,500,000.26.

On 27 February 2020, the SEC approved the Parent Company's application for increase of ACS and on 4 March 2020, the 8,293,831,169 common shares comprising the Rights Shares were listed under the Main Board of the Exchange.

After the Stock Rights Offering and the approval by the SEC of the Parent Company's application for increase in authorized capital stock, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares.

The following diagram provides a summary of the Company's organizational and ownership structure as of December 31, 2019:



(b) Subsidiaries and Associates

The following are brief descriptions of the Company's operating subsidiaries:

- ***APO Cement Corporation***. APO Cement was incorporated in the Philippines on December 27, 1961 primarily to engage in the production and marketing of cement. The Parent Company owns a direct 40% equity interest in APO Cement as well as an indirect 60% equity interest through its equity interest in 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 Corporation* and its subsidiaries**. Solid Cement was incorporated in the Philippines on September 14, 1987. The Parent Company owns a direct 40% equity interest in Solid Cement as well as an indirect 60% equity interest through its equity interest in 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. Solid Cement also owns a 100% equity interest in each of the following subsidiaries:

  - ***Ecocast Builders, Inc.*** and ***Ecopavements Inc.*** Ecocast Builders, Inc. and Ecopavements Inc. were each incorporated in the Philippines on October 16, 2014 to primarily provide its customers with materials and solutions for cement-intensive housing and pavement projects, respectively. Ecopavement Inc.'s Board of Directors confirmed plans to close the business operations of the company effective on December 31, 2017 and subsequently during a joint special meeting of Ecopavements Inc.'s Board of Directors and Shareholders on

August 31, 2018, the shortening of the corporate term of the Company to December 31, 2019 was approved.

- ***Ecocrete, Inc.*** Ecocrete, Inc. was incorporated in the Philippines on February 13, 2013 to primarily manufacture, develop and sell ready-mix concrete and other construction related products materials. Ecocrete, Inc.'s Board of Directors confirmed plans to close the business operations of the company effective on December 31, 2017, and subsequently during a joint special meeting of Ecocrete, Inc.'s Board of Directors and Shareholders on August 31, 2018, the shortening of the corporate term of the Company to December 31, 2019 was approved.

- ***Falcon Re Ltd.*** – Falcon Re Ltd. was incorporated in Barbados on May 9, 2016. The Parent Company owns a direct 100% equity interest in Falcon Re Ltd., which reinsures third-party insurers of the Company covering risks association with property insurance coverage, with political violence and non-damage business interruption programs, liability program and cyber risks.

- ***CEMEX Asia Research A.G.*** – CEMEX Asia Research AG was incorporated in Switzerland on December 18, 2015. The Parent Company owns 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 the Company has access through several agreements with CEMEX and its affiliate, CEMEX Research Group A.G.

The following are brief descriptions of the Company's investment holding company subsidiaries and other subsidiaries that have not started commercial operations:

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

- ***Bedrock Holdings, Inc.*** and ***Sandstone Strategic Holdings, Inc.*** Bedrock Holdings, Inc. was incorporated in the Philippines on October 30, 1998 and Sandstone Strategic Holdings, Inc. was incorporated in the Philippines on November 12, 1998. The Parent Company owns 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., which is also an investment holding company. The Parent Company directly owns the remaining 45% equity interest in Sandstone Strategic Holdings, Inc. Sandstone Strategic Holdings, Inc. owns a direct 60% 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. The Parent Company owns an indirect 100% equity interest in Enerhiya Central, Inc. through its 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. The Parent Company owns an indirect 70% equity interest in Newcrete Management Inc. through its 100% equity interest in Solid Cement.

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

- ***Calabar Aggregates Corporation.*** Calabar Aggregates Corporation was incorporated in the Philippines on January 31, 1991. Calabar Aggregates Corporation is a company in which the Parent Company owns an indirect 40% equity interest through its 100% equity interest in Solid Cement. This company is currently inactive.

- ***Greencrete Inc.*** Greencrete Inc. was incorporated in the Philippines on November 14, 2012. The Parent Company owns an indirect 5% equity interest in Greencrete Inc. through its 100% equity interest in Solid Cement. Greencrete Inc. has not yet started commercial operations.

(c) Material Reclassification, Merger and Consolidation

There was no material reclassification, merger or consolidation undertaken by the Company in 2019.

(2) General Business Description

The Company has two cement plants with aggregate installed annual capacity[2] of 5.7 million tonnes of cement as of December 31, 2019. APO Cement's cement production plant is located in Naga City, Cebu and currently has three grinding lines and has an installed annual capacity of 3.8 million tonnes of cement, and serves its customers in the Visayas and Mindanao regions through its marine and land distribution network. Solid Cement's cement production plant is located in Antipolo City, Rizal and currently has three grinding lines and an installed annual capacity of 1.9 million tonnes of cement.

In October 2018, the principal project agreements were entered into with CBMI Construction Co., Ltd of China for the procurement, construction and installation of a 1.5 million metric tons per year new integrated cement production line at Solid Cement's plant. The Company targets the commencement of operations of this expanded/new integrated line to take place during the second quarter of 2021. On 1 February 2019, the Board of Investments duly registered Solid Cement Corporation as a New Producer of Cement on a Pioneer Status but with Non-Pioneer Incentives for its 1.5 million metric tons per year new integrated cement production line located in Antipolo City, Rizal. The incentives granted to this registered project include, among others, (1) a 4-year income-tax holiday period commencing from December 2020 or actual start of commercial operations (whichever is earlier) and (2) importation *at zero duty* of capital equipment, spare parts and accessories directly needed and exclusively used in the operations of the registered project. The income qualified for income-tax holiday shall be limited to the income directly attributable to the eligible revenue generated from this registered project.

Solid Cement's plant principally serves the National Capital Region. The operations of the ready-mix plant located in Manila were discontinued in December 2017.

In 2019, the Company sold gray ordinary Portland cement, masonry cement and blended cement. The Company's cement products are principally sold under the APO, Island and Rizal brand names. The Island and Rizal brands are primarily sold to customers in Luzon, whereas the APO brand cement is primarily sold to customers in the Visayas and Mindanao.

(i) Products

Principal Product – Cement

[2] cement grinding capacity

Cement is a binding agent that, when mixed with sand, stone or other aggregates and water, produces either ready-mix concrete or mortar. The Company provides its customers with high-quality branded cement products and services in both bagged and bulk formats. The Company relies on professional knowledge and experience to develop customized products that fulfill its customers' specific requirements and foster efficient and sustainable construction. The Company sells a large proportion of its cement in bags. Sales of cement and cement products accounted for 89.3% of consolidated net sales for 2019 before eliminations. The principal groups of related products and services are gray ordinary Portland cement, blended cement and masonry cement. The Company delivers its bagged, branded product to a large number of distribution outlets so that its cement is available to end-users in a point of sale near to where the product will be used.

Product	Brands	Description	Product Specifications and National Standards Met
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 07:2018 ASTM C150:2018
	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 07:2018 ASTM C150:2018
Masonry	Rizal Masonry Cement APO 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/ C91M:2019
Blended	Rizal Portland Super APO Portland Premium	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 63:2019 ASTM C595: 2018

Others

The Company sold admixtures and building materials to third parties in 2019. These transactions accounted to not more than 0.03% of the total consolidated net sales of the Company for the year.

(ii) Export Revenue

The export revenue for cement as of December 31, 2019 amounted to approximately ₱88.6 million which is 0.4 % of total revenue of the Company for the fiscal year. The cement was exported to the Pacific Islands.

(iii) Distribution Methods

In 2019, the Company's distribution infrastructure utilized 5 marine distribution terminals and 17 land distribution centers/warehouses located across the Philippines. The Company distributes its products using a fleet which is managed directly by its subsidiaries or by third-party transport providers. As of December 31, 2019, the Company leased 378 trucks for the distribution of bag and bulk cement, chartered 32 marine vessels for the waterborne distribution of bag cement in the Philippines, and contracted 4 marine vessels for the distribution of bulk cement.

(iv) Product Development

The Company continues to work with its current portfolio of products with the objective of developing products to suit customers' specific requirements or specifications.

(v) Competition

As of December 31, 2019, the Company's 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. The Company competes through a wide section of the Philippine archipelago, primarily on the basis of quality, market presence, distribution network, diversity of product offerings, sales strategy, brand image and pricing.

(vi) Sources and Availability of Raw Materials and Supplies

The primary raw materials used in the Company's cement production are limestone, pozzolan, clay and gypsum. Raw materials costs represented approximately 12%, 11% and 12% of the Company's consolidated costs of sales for fiscal years 2019, 2018 and 2017, respectively.

The raw materials are delivered directly to the Company's production facilities by trucks and conveyor belts. The Company purchases the majority of its limestone, pozzolan and clay requirements from APO Land & Quarry Corporation ("ALQC") and Island Quarry and Aggregates Corporation ("IQAC") pursuant to long-term supply agreements, each having 20-year terms commencing on January 1, 2016 and automatic renewals for successive periods of two years.

ALQC is an entity that is wholly-owned by Impact Assets Corporation, a corporation in which CASEC owns a 40% equity interest. IQAC is an entity that is wholly-owned by Albatross Holdings, Inc., a corporation in which CASEC owns a 40% equity interest.

Most of the quarries from which ALQC and IQAC mine raw materials, such as limestone, pozzolan and clay are located near the Company's cement production plants, which reduces the Company's pre-production transport time and costs.

The Company sources electricity by purchasing grid electricity from third parties, from in-house generators at its plants and, with respect to Solid's cement production plant, through the waste-heat-to-energy facility of SINOMA Energy Conservation Ltd (SINOMA). 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 imported fuel.

The power generation plant at APO Cement plant has a rated capacity of approximately 67.2 megawatts, and APO Cement plant when running at full utilization requires approximately 48 megawatts of power. The power generation plant at Solid Cement plant has a rated capacity of approximately 15.9 megawatts of power, and Solid Cement plant when running at full utilization requires up to approximately 24 megawatts of power.

In January 2012, Solid Cement entered into a 15-year build-and-operate arrangement with SINOMA, to implement a waste heat recovery system at Solid Cement plant. SINOMA's facility captures waste heat generated by the plant's kilns and converts it into electricity. 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 SOLID Cement plant. Moreover, subject to certain conditions, Solid Cement is obligated to purchase all of the electricity generated by the facility. This waste-heat-to-energy facility has a rated capacity of approximately 6 megawatts of power. In March 2017, the Company entered into a similar 15-year build-and-operate arrangement with SINOMA to implement a waste-heat-to-energy facility at APO Cement plant.

In 2019 and 2018, each of APO Cement and Solid Cement plants purchased grid electricity for its respective power needs from San Miguel Electric Corporation.

The Company primarily uses coal to fire its kilns and alternative fuels, including refuse-derived fuel, rubber tires, waste plastic, rice husks, among others. The Company obtains all of its imported coal from Transenergy, Inc., a subsidiary of CEMEX that sources coal, petroleum coke and other energy products on a CEMEX group-wide basis seeking to obtain favorable pricing.

The Company continues to focus on the use of alternative fuels to manage its fuel costs. It seeks to optimize its fuel mix with available alternative fuels, using refuse-derived fuel, rubber tires, waste plastic, rice husks and other alternative fuels. In 2019, the usage of alternative fuels at Solid Cement plant amounted to approximately 19% of the overall fuel used to fire its kiln.

The Company primarily uses heavy fuel oil for the electricity generators at its various plants, and the trucks and vessels used in the distribution of its products run primarily on diesel. The Company obtains its supply of heavy fuel oil and diesel from domestic suppliers.

(vii) Dependence on a single or a few customers

The Company sells cement directly to retailers such as hardware stores. The Company also sells cement directly to institutional customers such as contractors, developers and ready-mix operators. Many of the customers resell the Company's products to a variety of end-users, such as households, small and large contractors and ready-mix concrete producers, while the cement products which the Company sells directly to institutional customers are used in a variety of private and public infrastructure projects. The business of the Company does not depend on any single or few customers, and no single customer represented more than 20% of the Company's consolidated net sales.

(viii) Transactions with Related Parties

Refer to ITEM12 of PART III of this Form 17-A (Annual Report) (Certain Relationships and Related Party Transactions) and Note 13 - Balances and Transactions with Related Parties of the Notes to the Consolidated Financial Statements as of and for the years ended December 31, 2019 and 2018 contained in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

(ix) Intellectual Properties

The Company relies on trademarks to establish and protect its business interests. As a subsidiary of a multinational corporation, all of the trademarks and intellectual property of CEMEX and its subsidiaries, as well as the protection and enforcement thereof, are managed by the CEMEX offices in Mexico and Switzerland with the assistance of the local operating companies. The Company has license rights to use the "CEMEX" name, and the "APO", "Island" and "Rizal" brands from CEMEX and its subsidiary based in Switzerland, CEMEX Research Group AG ("CRG"). In exchange for the right to use the trademarks or brands owned by CEMEX, the Company incurred royalty fees payable to CEMEX for the fiscal year 2019 amounting to ₱ 29.6 million, which accounted for 0.13% of the Company's consolidated revenue.

On the other hand, CRG is also the legal owner of certain intangible assets, including but not limited to, know-how, processes, software and best practices over which the Company has a non-exclusive right to use, exploit and enjoy. The Company relies on these intangible assets for continuous improvements, enhancements and variations considering industry evolution and the particular needs of the Philippine market, and has entered into license agreements that allow its operating subsidiaries to use these intangible assets. In exchange for the intangible assets and tools made available by CRG to the Company, as well as the right to use trademarks or brands, the Company incurred royalty fees payable to CRG for the fiscal year 2019 amounting to ₱ 836 million, which accounted for 3.5% of the Company's consolidated revenue.

The Company owns "Semento Filipino" and "Pioneer Cement" trademarks.

(x) Governmental approval of principal products

APO Cement and Solid Cement possess licenses issued by the Bureau of Product Standards – Department of Trade and Industry which allows them to use the Philippine Standard (PS) Quality Mark for its various products.

(xi) Governmental Regulations

The principal areas in which the Company is subject to regulation are product quality standards, environmental compliance, its methods of distribution, labor, taxation, antitrust and health and safety. For example, 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, the Company is also guided by global benchmarks and standards on occupational health and safety, which is a key focus of management. There are management policies and rules in accordance with applicable laws and regulations such as production safety measures, the handling of hazardous materials, guidelines on high risk operations, and the Company also conducts regular training on occupational health and safety.

(xii) Research and Development

CEMEX's research and development center, led by CRG based in Switzerland, work in close collaboration with our customers to offer them unique, integrated and cost-effective solutions that aim to fulfill their specific performance requirements, including a growing portfolio of value-added brands and help the Company to anticipate and understand society's trends in order to create innovative, sustainable construction solutions, while challenging the current technological landscape.

CEMEX's innovative, sustainable construction solutions have been conceptualized and engineered to positively impact the jobsite safety, promote efficient construction practices, sensibly preserve natural resources vital to life, and improve the quality of life in rapidly transforming cities. Underlying CEMEX's R&D philosophy is a growing culture of global collaboration and coordination, where the global R&D collaboration network identifies and promotes novel collaboration practices, and mobilizes its adoption throughout the CEMEX organization. Pursuant to several license agreements the Company is able to access the research and development capabilities of CRG through the Company's enjoyment and utilization in the Philippines of certain licensed trademarks and intangible assets developed and owned by CRG. In the event that the Company incurs costs for research and development activities undertaken in the Philippines, such costs are reimbursed to the Company by CRG.

(xiii) Compliance with Environmental Law

The Company is 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.

The Company allocates resources to government-mandated social development funds in compliance with environmental laws and regulations. For instance, in 2019, the Company incurred approximately ₱8.6 million for projects implemented pursuant to the Social Development and Management Program.

(xiv) Employees

As at December 31, 2019, the Company has a total of 717 full-time employees in the Philippines, while the Parent Company's foreign subsidiaries employed a total of 6 employees. A breakdown of the employees in the Philippines is shown below:

Area	Number of Employees
Corporate and Administration	167
Cement Business (commercial sales & administration, cement operations & technology, and logistics)	545
Other Businesses	5

As of December 31, 2019, approximately 30% of the non-managerial employees of Solid Cement plant and APO Cement Plant are members of, and were represented by, labor unions. Their labor conditions, including wages and benefits, are governed by collective bargaining agreements negotiated at the plant level. Solid Cement plant has a rank and file union as well as a supervisors' union, and 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, APO Cement and Solid Cement negotiate 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. The collective bargaining agreement with the supervisors' union at the Solid Cement's plant will expire on December 31, 2022, while the rank and file union agreement at Solid Cement plant will expire on February 28, 2023. The collective bargaining agreements with the unions at the APO Cement plant will expire on December 31, 2021. There has been no strike affecting Solid Cement plant or APO Cement plant during the past eighteen years.

(xv) Major Risks Affecting the Business

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

The results of the Company's 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.

The Company's growth prospects are largely dependent upon the economic growth in the Philippines. The Company's 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, there can be no assurance that growth will necessarily translate into an increase in demand for the Company's 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;
- the impact of pandemics, epidemics or outbreaks of infectious diseases, including the COVID-19 pandemic, which may adversely affect, among other matters, supply chains, international operations, liquidity availability, investor confidence and consumer spending, as well as availability of, and demand for, our products and services;
- 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 the Company's 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 the Company's business, prospects, financial condition and results of operations.

Any deterioration of the economic or political environment in the Philippines could adversely affect demand for the Company's products. Demand for the Company's 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 the Company's business, prospects, financial condition and results of operations.

Pandemics, epidemics or outbreaks of infectious diseases could materially adversely affect the Company's financial condition and results of operations

In addition to risks to the health and safety of the Company's employees, customers, contractors and suppliers, the impact of pandemics, epidemics or outbreaks of infectious diseases may result in governmental measures to be implemented to attempt to contain and mitigate the effects of the disease. These measures, and the adverse effects of the pandemic, epidemic or outbreaks of infectious diseases may result, in: (i) temporary restrictions on, or suspended access to, or shutdown, or suspension or the halt of, the Company's manufacturing plants and other facilities; (ii) staffing shortages, production slowdowns or stoppages and disruptions in our delivery systems; (iii) disruptions or delays in our supply chains, including shortages of materials, products and services on which the Company and its businesses depend; (iv) reduced availability of land and sea transport methods to deliver our products, including labor shortages, logistics constraints and increased border controls or closures; (v) increased cost of materials, products and services on which the Company and its businesses depend; (vi) reduced investor confidence and consumer spending where the Company operates; (vii) a general slowdown in economic activity, including construction, and a decrease in demand for the Company's products and industry demand generally; (viii) constraints on the availability of financing in the financial markets, if available at all, including on access to credit lines and working capital facilities from financial institutions; or (ix) the Company's inability to, if required, refinance our existing indebtedness on desired terms, if at all.

A reduction or delay in public or private construction projects may have a material adverse effect on the Company's business, financial condition and results of operations.
The Company's principal 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 the Company's business, 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 Philippine government's desire to increase investment in infrastructure. There can be no assurance that the Philippine government will continue to promote public infrastructure spending. For example, the current Philippine 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.

The Company has substantial indebtedness, the terms of which may restrict our ability to obtain additional financing on commercially reasonable terms or at all.
As of December 31, 2019, the Company had ₱20,063 million of outstanding debt, including ₱11,427 million of outstanding debt owed to BDO Unibank, Inc. (the "BDO"), ₱1,074 million of Philippine peso-denominated outstanding debt owed to CEMEX, US$107 million of U.S. dollar-denominated outstanding debt owed to CEMEX and ₱2,163 million of lease obligations according to PFRS 16.

The Company's indebtedness could have significant adverse consequences, including by impairing its ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes. Furthermore, the Company may have a higher level of indebtedness than some of its competitors, which may put it at a competitive disadvantage and reduce its flexibility in planning for, or responding to, changing conditions in the industry, including increased competition, and the Company may be more vulnerable to general economic downturns and adverse developments in its business. If the Company incurs additional indebtedness, it could make it more difficult for it to satisfy its payment obligations and could increase the severity of these risks.

Pursuant to the BDO Facility Agreement[3], the Parent Company is 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 December 31, 2019, the ratio of the Company's total debt to Operating EBITDA was 6.2 and 3.5, respectively. For fiscals 2018 and 2019, the ratio of the Company's Operating EBITDA to interest expense was 3.0 and 3.7, respectively. On May 15, 2019, the Company signed an

[3] "BDO Facility Agreement" refers to the senior unsecured peso long-term loan facility that the Parent Company signed with BDO Unibank, Inc. on February 1, 2017, for an amount of up to the Philippine Peso equivalent of US$ 280 million, to refinance a majority of the Parent Company's outstanding long-term loan with New Sunward Holding B.V. (NSH), a subsidiary of CEMEX. During the 1st quarter of 2017, this long-term loan with NSH was fully repaid.

Amendment to the BDO Facility Agreement and Supplemental Agreements thereto that, among other changes, exclude from financial covenants in the BDO 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.

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

The Company has significant indebtedness to CEMEX, some of which was denominated in U.S. dollars.

As of December 31, 2019, the Company had indebtedness to CEMEX[4] of US$107 million and ₱1,074 million. 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 the Company's business, prospects, financial condition and results of operations.

Furthermore, there can be no assurance that the Company substantial indebtedness to CEMEX, and our level of foreign currency-denominated indebtedness 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 the Company's profitability.

The Company's results of operations are highly dependent upon the prices it receives for the sale of its cement products. 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 Philippine 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, Solid Cement entered into the principal project agreements with CBMI Construction Co., Ltd ("CBMI"), an affiliate of Sinoma International Engineering Co., Ltd., which, in turn, is a member company affiliated to China National Building Materials Group Co., Ltd., for the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of Solid Cement plant by 1.5 million tonnes. The decision to add this new production line, which is currently expected to commence operations during the second quarter of 2021, was largely

[4] Refers to the indebtedness in the aggregate incurred under the (i) the Solid Expansion Facility Agreement and (ii) APO Operational Facility Agreement

based on an 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.

The Company is dependent on the continuing operation of the Company's two cement plants.
The principal manufacturing facilities of the Company are at two cement plants. The Solid Cement plant is located in Rizal in Luzon and the APO Cement plant is located in Cebu in the Visayas. These plants are subject to the normal risks of industrial production, including equipment breakdowns, labor stoppages, natural disasters, directives from Government agencies, such as the government's implementation of the "Enhanced Community Quarantine" in Luzon, and power interruptions.

In the past, the Company has 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 the APO Cement plant is capable of generating enough back-up power to supply all of its electricity needs, the 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 the cement plants, whether due to repair, maintenance or servicing, industrial accidents, mechanical equipment failure, human error or otherwise, will disrupt and adversely affect the Company's 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 the Company's 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 (the "Naga Landslide") affecting a site located within an area covered by the mining rights of ALQC. The Naga 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, APO Cement sourced raw materials from other suppliers. During the fourth quarter of 2018, the Company believes that the Naga Landslide caused a reduction to its EBITDA by approximately ₱416 million due to lower sales volume and higher production costs.

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

The Company's 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. The Company purchases the majority of its limestone, pozzolan and clay requirements from ALQC and IQAC pursuant to long-term supply agreements, each having 20-year terms commencing on January 1, 2016 and automatic renewals for successive periods of two years and the Company is reliant on these agreements to obtain an adequate supply of limestone, pozzolans and clay at reasonable prices. Under these agreements, the Company is exposed to fluctuations in the spot prices of limestone, pozzolans and clay. The Company

does 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 that the Company sources through global sourcing arrangements with CEMEX, including clinker, the Company 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. The Company also purchases materials such as limestone, clay, pozzolans and gypsum from third parties in and outside of the Philippines.

The Company cannot give assurance that the price it pays for its raw materials will be stable or the most competitive in the future, or that the raw materials it requires for its operations will be available in the amounts required 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 raw materials may result in unexpected increases in production costs, and the Company may be unable to increase the prices of our products to offset these increased costs and therefore may suffer a reduction to its margins, which could adversely affect the Company's business, prospects, financial condition and results of operations.

Any interruption to or a shortage in the supply of the raw materials and/or other supplies used by the Company could prevent the Company from operating its 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 the Company's business, prospects, financial condition and results of operations.

The Company may fail to secure certain materials required to run its business.
The Company may use products produced in other industrial processes of third parties, such as coal, pet coke, gypsum, fuels and alternative fuels, among others. The Company tries to secure the supply of the required materials through long-term renewable contracts and framework agreements, which allow the Company to better manage supplies. Should existing suppliers cease operations or reduce or eliminate production of these products, or should for any reason any suppliers not be able to deliver to the Company 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 the Company 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 the Company's business, prospects, financial condition and results of operations.

The Company leases the premises on which its principal manufacturing installations from ALQC and IQAC.
All of the Company's 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 the Company's best interests in connection with our leasing arrangements, or that the Company will be able to enforce its rights under these agreements. If ALQC and IQAC were to take actions that are adverse to the Company, such as modifying the pricing of our leases, the Company's business could be materially adversely affected. Additionally, as the leases expire, the Company may be unable to negotiate renewals on commercially acceptable terms or at all. Even if the Company is 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 the Company's business, prospects, financial condition and results of operations.

The Company has significant lease obligations and its failure to meet those obligations could adversely affect the Company's business, prospects, financial condition and results of operations.
The Company leases many of its key logistics centers and capital equipment from third parties as well as certain land from ALQC and IQAC. A failure on the part of the Company to pay its 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 the Company's leases expire, the Company may not be able to negotiate renewals on commercially acceptable terms or at all. If any of these events were to occur, it could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

The Company operates in highly competitive markets.
The markets in which the Company operate are highly competitive and are served by a variety of established companies with recognized brand names, as well as new market entrants such as new brand introductions by local manufacturers and importers. Companies in these markets compete based on a variety of factors, often employing aggressive pricing strategies to gain or protect their share of the market.

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. The transaction is the subject of a mandatory merger review by the Philippine Competition Commission[5].

The Company's results of operations depend, in part, on its ability to compete effectively and maintain or increase its share of the market. In the relatively consolidated cement industry, the Company primarily competes on the basis of quality, market presence, distribution network, diversity of product offerings, sales strategy, brand image and pricing. Some of the Company's competitors may be more established, benefit from greater brand recognition or have greater manufacturing and distribution channels and other resources than that of the Company. 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 the Company is unable to compete effectively with such foreign imports or with domestic competitors, the Company may lose some of its market share, its revenues could decline or grow at a slower rate and our business, prospects, financial condition and results of operations could be adversely affected.

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 the cement plants.
The Company is 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.

Higher electricity and fuel costs, or the reduction or interruption in supply thereof, may adversely affect the Company's business, prospects, financial condition and results of operations.
The Company's operations consume significant amounts of electricity and fuel. The cement plants use electricity from the electricity grid, in addition to electricity produced from in-house generators fired by heavy fuel oil and waste production heat. The price and availability of electric energy and fuel are generally subject to market volatility and, therefore, may have an adverse impact on the Company's costs and operating results.

[5] On May 11, 2020, the Philippine Stock Exchange released an Exchange Notice which referenced disclosures made by San Miguel Corporation and Holcim Philippines, Inc. that the planned transaction will not proceed due to the failure to obtain the approval of the Philippine Competition Commission within the required period agreed by the parties.

The Company's adoption of PFRS 16 has resulted in significant changes to the presentation of its financial information.

With effect from January 1, 2019, the Company has adopted PFRS 16, which affects its recognition of leases in its 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 include 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, the Company's audited financial statements for periods prior to January 1, 2019, which do not reflect PFRS 16, may not be comparable to the Company's audited financial statements for any period after January 1, 2019, which are prepared in accordance with PFRS 16. The changes in the Company's accounting with respect to its implementation of PFRS 16 may materially and adversely affect the Company's 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. 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 the Company's fleet of trucks and vessels that it charters, the cost of chartering trucks and vessels and the cost of other distribution infrastructure such as terminals and distribution centers. The Company has sought to expand its distribution infrastructure in order to bring products closer to the markets in which they are sold. Any future increases in the Company's distribution costs could cause it to raise its prices for cement and make it uneconomical for the Company's customers to purchase its products, which could result in a significant decrease in the volume of cement the Company sells to its customers. The Company also engages and relies on third-party service providers, the majority of which relate to services the Company requires for its distribution activities. In the event where any of these service providers were to stop providing the Company with their services, the Company would need to procure loading, hauling and delivery services elsewhere, which may come at a greater cost to the Company. Distribution of cement in the Philippines also poses significant logistical difficulties given the geography of the Philippines. The Company cannot give assurance that its operations will not be materially adversely affected in the future if distribution costs increase or if distribution of its products is interrupted. Any substantial increase in distribution costs or interruption in distribution could adversely affect the Company's business, prospects, financial condition and results of operations.

The results of operations could be affected by fluctuations in interest rates.

The Company is exposed to interest rate risk primarily in connection with certain long-term loans which are subject to variable interest rate. There can be no assurance that fluctuations in interest rates will not adversely impact the Company's business, financial condition and results of operations**.**

The Company's operations can be affected by adverse weather conditions.

Construction activity, and thus demand for the Company's products, decreases substantially when heavy or sustained rainfalls occur. Consequently, demand for the Company's products is significantly lower during the rainy season in the Philippines or during periods of unexpected heavy or sustained rainfalls. Adverse weather conditions can adversely affect the Company's results of operations and profitability especially if they occur with unusual intensity, during unexpected periods or last longer than usual, especially during peak construction periods. This was the case in September 2018 when the operations of the APO Cement plant was affected by the landslide in Naga, Cebu which took place during the rainy season.

The development or implementation of the Company's various projects including the planned expansion of the Solid Cement plant may not be completed on schedule or within the allocated budget.

The Company currently expects 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 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. The time taken and the costs the Company incurs 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 the Company's 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.

There can be no assurance that the expansion of the 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 the Company's products will warrant the additional installed annual capacity that it expects to have available following the expansion of the Solid Cement plant, or any other development or expansion project that the Company may undertake, in which case it is possible that the Company may not recoup its expenditures in connection with such projects in full or at all. Moreover, as the Solid Cement plant expansion remains ongoing and is expected to be completed in the second quarter of 2021, the Company may need to augment its 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, the Solid Cement plant expansion would require the Company 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.

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

The principal areas in which the Company is subject to regulation are product quality standards, environmental compliance, the Company's methods of distribution, labor, taxation, antitrust and health and safety. The Company may also be adversely affected by regulations applicable to ALQC and IQAC, or to other third parties that provide the Company with products and services. The adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the Philippines may increase the Company's operating costs or impose restrictions on the Company's operations.

The results of operations could be affected by fluctuations in currency exchange rates.
The Company is exposed to foreign exchange fluctuations to the extent the Company incurs monetary assets and/or liabilities, or recognizes income or expenses, in a currency different from its functional currency, which is the Philippine Peso.

The Company's insurance coverage may not cover all the risks to which the Company may be exposed and the Company effectively self-insures a portion of its risks.
The Company faces the risks of fatalities and injury of its employees and contractors, loss and damage to its products, property and machinery due to, among other things, fire, theft and natural disasters such as floods and earthquakes. The Company also faces risks related to cyber-security related matters. Such events may cause a disruption to or cessation of its operations. While the Company believes that it has suitable insurance coverage in line with industry practices, in some instances the Company's insurance coverage may not be sufficient to cover all of its potential unforeseen losses and liabilities. In addition, the Company's insurance coverage is subject to deductibles, exceptions and limitations, and may not cover all the risks to which the Company 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 the Company 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, the Company 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 the Company's self-insured risks, consequently the Company may suffer net losses as a result of its insurance strategy.

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, if its losses are not covered by the insurance policies it has taken up, or if the Company is required to pay claims to its insurers pursuant to the re-insurance arrangements described above, the Company may be liable to cover any shortfall or losses. Our insurance premiums may also increase substantially because of such claim from its insurers. In any of such circumstances, the Company's business, prospects, financial condition and results of operations may be adversely affected.

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies that own land or mineral rights.
The Company currently does not conduct any mining operations, nor does it own any land or mineral rights, as it leases the land on which the APO Cement plant, Solid Cement plant and its other principal facilities are located and it purchases substantially all of its raw materials from ALQC and IQAC. While it does not currently own land or mineral rights, it may do so in the future. If the Company does decide to purchase and own land or mineral rights in the Philippines, foreign ownership in the Company will be limited to a maximum of 40% of its issued and outstanding capital stock. Under such circumstances, the Company 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 it 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 the Parent Company's common shares to the extent international investors are restricted from purchasing its common shares in normal secondary transactions.

The Company is 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.

The Company 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 of the Philippines. In addition, it 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 the Company is a party, and the great variety of people and entities with which it interacts with in the course of business, the Company is subject to the risk that its affiliates, employees, directors, officers, partners, agents and service providers may misappropriate its assets, manipulate its 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 Philippine Government's antitrust supervisory body, the Philippine Competition Commission, requested information from the Parent Company 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 the Company) 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 the Parent Company is not aware of any allegation related to this investigation against the Parent Company, Solid Cement or APO Cement, there can be no assurance that this investigation will not result in adverse actions against CEMAP and/or the 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 the Company's internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by its affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of the organization's policies and procedures. If the Company or any member of the CEMEX group fail to fully comply with applicable laws and sanctions regulations, the applicable government authorities may investigate it and, if it is the case, impose fines, penalties and remedies, which could cause the Company to lose clients, suppliers and access to debt and capital markets. Any violations by the Company 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 the Company's business, prospects, financial condition and results of operations.

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

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

In September 2015, Solid Cement suffered an oil spill at its 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 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 Naga 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. See ITEM 3 of PART I of this Form 17-A (Annual Report)

The outcome of the various legal proceedings and investigations involving the Company 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 the Company's management from its 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 Company is subject to human rights laws and internal policies regarding human rights, and any violation of human rights laws or deviation from the Company's and CEMEX's internal policies related to human rights may adversely affect the Company.

The Company seeks to align its strategy and operations with universal principles on human rights and it expects all of its employees and business partners to similarly adhere to these principles. Even though the Company has 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 the Company could be accused or perceived to deviate from this policy. A significant deviation from its human rights principles could impact the Company's employees, communities, suppliers or customers, as well as the Company's reputation, which in turn could cause some persons to avoid business transactions with the Company, adversely impact the Company's capacity to operate without disruptions and affect talent retention and attraction efforts, all of which could have an adverse impact on the Company's business, prospects, financial condition and results of operations.

The inability of the subsidiaries to pay dividends or make distributions or other payments to the Parent Company in sufficient amounts, including due to bankruptcy or insolvency, would impair the Company's ability to pay-off its indebtedness, make dividend payments or comply with future obligations.

The Parent Company is a holding company and operates exclusively through its operating subsidiaries. The Parent Company's primary assets will be the equity capital of its subsidiaries, APO Cement and Solid Cement. The ability of its subsidiaries to pay dividends to the Parent Company in the future will depend on their earnings, solvency, covenants contained in future financing or other agreements and on regulatory restrictions. If the Parent Company is unable to receive cash from its subsidiaries pursuant to dividend payments and/or other obligations, it may not have sufficient funds to pay-off its indebtedness, make dividend payments, pay any fees to CEMEX resulting from services rendered under the agreements [See ITEM 12 of PART III of this Form 17-A (Annual Report) (Certain Relationships and Related Party Transactions)], or comply with its future obligations.

CEMEX's significant interest in the Company may result in conflicts of interest.

As of December 31, 2019, CASEC held 66.78% of the outstanding common shares of stock of the Parent Company and has indicated its decision to subscribe to its entitlement shares in the initial round of the Stock Rights Offering and the additional rights share in the mandatory second round of the Stock Rights Offering. Accordingly, upon the closing of the Stock Rights Offering, CASEC, an indirect subsidiary of CEMEX, will continue to own at least 66.78% of the outstanding common shares of stock of the Parent Company, which may be increased to the extent CASEC subscribes for additional rights shares in the Stock Rights Offering as described above[6]. As a result of its ownership of the Parent Company's common shares of stock through its indirect ownership of CASEC (which may decide to purchase or sell all or part of its shareholdings at any time), CEMEX will generally be able to determine the outcome of corporate actions requiring, as applicable, the approval of shareholders holding a majority or two-thirds of the outstanding shares of stock of the Parent Company, including the election of a majority of its directors.

CEMEX's interests may differ from those of other holders of the Parent Company's common shares, and actions that CEMEX may take with respect to the Company may not be as favorable to other shareholders as they are to CEMEX. As of the date of this report, the Parent Company's Board of Directors 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 the Company and CEMEX in a number of areas relating to their ongoing relationships including, but not limited to:

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

There is a risk that the Parent Company may be in direct competition with CEMEX with respect to the Company's activities in the construction materials industry because CEMEX may potentially engage in the same activities in which it engages in the Philippines. To address these potential conflicts, a adopted a corporate opportunity policy has been adopted and is reflected in the Framework Agreement. Pursuant to the Framework Agreement, the Parent Company 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 the Parent Company 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 CASEC. 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 the Parent Company's total voting power, or the Parent Company is no longer consolidated with CEMEX under IFRS, or for any other reason the Parent Company ceases 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 the Parent Company 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 the Company's business to be materially adversely affected.

In addition, under the terms of the 2016 Framework Agreement, while the Company is an indirect subsidiary of CEMEX, it is 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 and CASEC. See ITEM 12 of PART III of this Form 17-A (Annual Report) (Certain Relationships and Related Party Transactions)

[6]After the completion of the Stock Rights Offering, as at 29 February 2020, CASEC held 75.66% of the outstanding common shares of stock of the Parent Company.

We believe that the involvement of CEMEX in the Company's operations has been, and will continue to be, important in the pursuit and implementation of the Company's business strategy. However, CEMEX, through CASEC, may not remain the controlling shareholder in the future. The Company's business, prospects, financial condition and results of operations and the market price of the Parent Company's common shares could be materially and adversely affected if CEMEX ceases to participate actively in the Company's operations.

ITEM 2. Properties

(1) The Company does not own land. The majority of the Company's property, consisting of plant and equipment, are located in Naga City, Cebu; Antipolo City, Rizal; Batangas City, Batangas; La Paz, Iloilo City; and Tondo, Manila. The production plants and distribution infrastructure are strategically located to serve key markets in the Philippines. APO Cement production plant is located in Naga City, Cebu. Solid Cement plant is located in Antipolo City, Rizal.

The following table sets forth certain information concerning the land and floor space leased by the Company from ALQC, IQAC and other entities for the Company's cement plants, offices and other facilities as of December 31, 2019:

	Land and/or Floor Space
	(approx square meters)
APO Cement plant	453,884
Solid Cement plant	635,013
Marine distribution centers	59,620
Land distribution centers/warehouse	39,987
Company headquarters	2,192
Sales offices	136

Under the lease agreements of APO Cement and Solid Cement with ALQC and IQAC, respectively, each of APO Cement and Solid Cement as lessee uses the leased premises for its various business activities including the manufacture of cement and other cement products as well as the temporary storage and distribution of its products and raw materials. The term of the lease agreements 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 additional information relating to lease liabilities, see Note 21 of the Notes to the Company's Consolidated Financial Statements as at December 31, 2019 and December 31, 2018 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

(2) The table below summarizes fixed assets and right-of-use assets portfolio of the Company as of December 31, 2019:

(In Thousand Pesos)	Amount (₱)
Buildings and improvements	6,269,697
Machinery and equipment	15,350,874

Construction in progress	4,810,422
Sub-total	26,430,993
Less: Accumulated depreciation, depletion, amortization and allowance for impairment loss	(6,493,270)
Total	19,937,723

(3) The Company's properties are not mortgaged or encumbered.

ITEM 3. Legal Proceedings

On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the "Naga Landslide"), a site located within an area covered by the mining rights of 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 Naga 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 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".

In the complaint, among other allegations, plaintiffs (i) claim that the Naga 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.

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, APO Cement and ALQC hold the position that the Naga Landslide occurred due to natural causes and deny liability, fault and negligence. 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 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 Cement'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 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.

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 plaintiffs filed a motion for reconsideration of the court's order dated September 30, 2019, which remains pending as of the date of this report.

As of December 31, 2019, because of the current status of the lawsuit and 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.

In addition to the above proceedings, several of the subsidiaries of the Parent Company are involved in various legal proceedings 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 also received various information requests from governmental and administrative authorities when such authorities are conducting periodic or general reviews of the markets in which we operate. The Parent Company believes that it has made adequate provisions to cover both current and contemplated general and specific litigation risks, and the Parent Company believes these matters will be resolved without any material significant effect on its our operations, financial position and results of operations. The Parent Company is 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, the Parent 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 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, the Parent Company has 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.

The Parent Company believes these matters will be resolved without any material significant effect on its business, consolidated financial position or consolidated financial performance.

ITEM 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of the Parent Company was held on 6 June 2019 at Mayuree 1 Grand Ballroom, Dusit Thani Manila, Ayala Centre, Makati City, Metro Manila, Philippines, during which meeting the following matters were approved: (a) approval of the minutes of the Meeting of Stockholders held on June 6, 2018; (b) Report of the President and Chief Executive Officer; (c) approval of the audited financial statements as of 31 December 2018; (d) ratification of actions of the Board of Directors and Management since June 6, 2018; (e) election of the members of the Board of Directors; and (f) appointment of the accounting firm of R.G. Manabat & Co. as external auditor of the Corporation for the fiscal year 2019. In addition, stockholders owning more than two-thirds of the Parent Company's total issued and outstanding shares were present, either in person or by proxy. At this annual meeting, and upon motion duly made and seconded, the following resolutions were duly adopted by the vote of stockholders owning at least a majority of the total issued and outstanding capital of the Corporation:

"RESOLVED, that Section 1 of the Article III of the Amended By-laws of the Corporation be as it is hereby amended to read as follows:

> 'Section 1. Powers of the Board. – Unless otherwise provided by law, the corporate powers of the Corporation shall be exercised, all business conducted and all property of the Corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:
>
> x x x
>
> (h) <u>For and on behalf of the Corporation, to guarantee the obligations of, and provide financial support to, any of its subsidiaries and affiliates; and</u>
>
> <u>(i)</u> To implement these By-laws and to act on any matter not covered by these By-laws, provided such matter does not require the approval or consent of the stockholders under the Corporation Code.'

"RESOLVED FURTHER, that the Corporation be and it is hereby authorized to file an application with the Securities and Exchange Commission for the approval of the foregoing amendment to the Amended By-laws of the Corporation."

A Special Meeting of Stockholders of the Parent Company was held on 16 October 2019 at Mayuree II, Dusit Thani Manila, Ayala Centre, Makati City, Metro Manila, Philippines, where stockholders owning more than two-thirds of the Parent Company's total issued and outstanding shares were present, either in person or by proxy. At said meeting, stockholders owning more than two-thirds of the total issued and outstanding capital (i) approved to increase the authorized capital stock of the Parent Company from ₱5,195,395,454.00 divided into 5,195,395,454 common shares with a par value of ₱1.00 per share to ₱18,310,395,454.00 divided into 18,310,395,454 common shares with a par value of ₱1.00 per share, and (ii) approved and adopted the following resolutions:

"RESOLVED, that Article VII of the Amended Articles of Incorporation of the Corporation be as it is hereby amended to read as follows:

> 'SEVENTH: That the authorized capital stock of the Corporation is <u>Eighteen Billion Three Hundred Ten Million Three Hundred Ninety Five Thousand Four Hundred Fifty Four Pesos (Php 18,310,395,454.00)</u> in lawful money of the Philippines, divided into <u>Eighteen Billion Three Hundred Ten Million Three Hundred Ninety Five Thousand Four Hundred Fifty Four (18,310,395,454)</u> common shares with par value of One Peso (PhP 1.00) per share. x x x'

"RESOLVED FURTHER, that the Corporation be and it is hereby authorized to file an application with the Securities and Exchange Commission for the approval of the foregoing amendment to the Amended Articles of Incorporation of the Corporation."

No other matters were submitted during the fourth quarter of the fiscal year covered by this Form 17-A (Annual Report) to a vote of security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Issuer's common Equity and Related Stockholder Matters

(1) Market information

The common stocks of the Company are traded at the Philippine Stock Exchange (PSE). For the year ended December 31 2019[7], the high and low market prices for each quarter are shown below:

Quarter period	2019 High	2019 Low
January to March	₱ 2.92	₱ 1.88
April to June	₱ 3.22	₱ 1.75
July to September	₱ 3.39	₱ 2.56
October to December	₱ 2.68	₱ 1.91

(2) Shareholders

As of December 31, 2019, there were five billion one hundred ninety five million three hundred ninety five thousand and four hundred fifty four (5,195,395,454) issued and outstanding common shares of stock of the Parent Company.

The top twenty (20) *stockholders of record* of the Parent Company, including the number and percentage of total common shares outstanding held by each as of December 31, 2019 were as follows:

Title of Class	Names of Stockholders	No. of Shares Held	% to Total Outstanding Shares
Common Shares	CEMEX ASIAN SOUTH EAST CORPORATION	2,857,467,493[(a)]	55.000%
Common Shares	PCD Nominee Corporation (Non-Filipino)[(b)]	1,326,081,883	25.524%
Common Shares	PCD Nominee Corporation (Filipino) [(b)]	1,009,722,065	19.435%
Common Shares	Cai Yu Xi	1,000,000	0.019
Common Shares	Alfonso Sy Teh or Connie Sia Cheng Teh	400,000	0.008
Common Shares	Sysmart Corporation	215,200	0.004
Common Shares	Bob Dy Gothong	208,600	0.004
Common Shares	Tristan Q. Perper	100,000	0.002
Common Shares	Elvira M. Cruz and Bernardo A. Cruz	90,000	0.002
Common Shares	Myra P. Villanueva	40,000	0.001
Common Shares	Elvira M. Cruz or Bernardo A. Cruz	38,000	0.001
Common Shares	Elvira M. Cruz or Bernardo A. Cruz	12,000	nil

[7] For the first quarter of 2020, the high and low market prices of the Company shares were ₱2.18 and ₱0.90, respectively.

Common Shares	Majograjo Development Corporation	10,000	nil
Common Shares	Anita Uy Mustera or Nicolas R. Mustera	2,700	nil
Common Shares	Milagros P. Villanueva	2,500	nil
Common Shares	Myrna P. Villanueva	2,500	nil
Common Shares	Marietta V.Cabreza	1,000	nil
Common Shares	Christine F. Herrera	1,000	nil
Common Shares	Victor Co and/or Alian Co	200	nil
Common Shares	Shareholders Association of the Philippines, Inc.	100	nil

(a) In addition to the shareholdings of CASEC indicated in the table above, CASEC owns in scripless form 611,945,000 shares recorded under *PCD Nominee Corporation (Non-Filipino).* Furthermore, each of the 5 individuals held one share which is beneficially owned by CASEC and recorded under *PCD Nominee Corporation (Non-Filipino):* Joaquin Miguel Estrada Suarez, Ignacio Alejandro Mijares Elizondo, Alejandro Garcia Cogollos, Antonio Ivan Sanchez and Larry Jose Zea Betancourt. Accordingly, as of December 31, 2019, CASEC owned a total of 3,469,412,498 shares corresponding to approximately 66.78 % of the total outstanding shares of CHP.

(b) Based on the Top 100 PDTC Participants Report (consolidated) of the Philippine Depository & Trust Corporation for the month of December 2019, the *PCD Nominee Corporation (Non-Filipino)* and the *PCD Nominee Corporation (Filipino)* accounts include the following:

(1) The Hongkong and Shanghai Banking Corp. Ltd.- Clients' Acct – 796,814,944 shares corresponding to approximately 15.34% of total outstanding shares of CHP

(2) COL Financial Group, Inc. – 213,891,816 shares corresponding to approximately 4.12% of total outstanding shares of CHP

As of December 31, 2019, an estimated 33.15% of the total outstanding shares of stock of the Parent Company was held by the public.

(3) Dividends declaration, if any

The Parent Company has not declared any dividends on its common equity from the time of its initial listing and any subsequent interim period for which financial statements are required to be presented by SRC Rule 68.

(4) Sales of Unregistered Securities within the last three (3) years

There were no securities of the Company sold by it from the time of its IPO until end of December 2019 which were not registered under the Securities Regulation Code (SRC).[8]

ITEM 6. Management's Discussion and Analysis

The following is a discussion and analysis of the Company's consolidated financial condition and results of operations as at and for the years ended December 31, 2019, 2018 and 2017, and certain trends, risks and uncertainties that may affect the Company's business.

[8] In January 2020, the Parent Company conducted a stock rights offering involving 8,293,831,169 common shares of stock pursuant to a Notice of Confirmation of Exempt Transaction of the Securities and Exchange Commission which was issued on December 11, 2019, confirming that the stock rights offering is exempt from the registration requirements of the Securities Regulation Code (SRC) under SRC Section 10.1 (e) and (i).

Beginning January 1, 2019, the Company adopted PFRS 16, *Leases*, which introduces a single lessee accounting model and requires a lessee to recognize, for all leases, allowing exemptions in case of leases with a term of less than 12 months or when the underlying asset is of low value, assets for the right-of-use of the underlying asset against a corresponding financial liability, representing the net present value of estimated lease payments under the contract, with a single income statement model in which a lessee recognizes amortization of the right-of-use asset and interest on the lease liability.

See Note 3 of the Notes to the Company's Consolidated Financial Statements as at and for the years ended December 31, 2019, 2018 and 2017 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report) for the impact in adoption.

Results of Operations

As at and for the years ended December 31, 2019, 2018 and 2017:

Revenue
The consolidated revenue for the years ended December 31, 2019, 2018 and 2017 amounted to ₱23.6 billion, ₱23.4 billion and ₱21.8 billion, respectively. Revenue was generated mainly from sale of cement products as a result of the Company's ordinary activities.

The breakdown of revenue after elimination of transactions between consolidated entities for the year ended December 31, 2019, 2018 and 2017 were as follows:

	For the year ended December 31, 2019		**For the year ended December 31, 2018**		**For the year ended December 31, 2017**	
Segment	***Amount****	***%Revenue***	***Amount****	***%Revenue***	***Amount****	***%Revenue***
Cement	23,588	100%	₱23,400	100%	₱21,571	99%
Other business	8	0%	18	0%	213	1%
Total	**23,596**	**100%**	₱23,418	**100%**	₱21,784	**100%**

**Amounts in millions*

Cost of Sales
Consolidated cost of sales for the years ended December 31, 2019, 2018 and 2017, amounted to ₱13.9 billion, ₱14.2 billion and ₱12.3 billion, respectively. Costs arose mainly from power and fuel consumption, raw materials and supplies used during production, depreciation and other expenses directly attributable to the manufacturing of finished goods.

Power and fuel represented approximately (i)19.1% and 20.6%, of cost of sales in 2019, respectively, (ii) 21.4% each, of cost of sales in 2018, and (iii) 21.5% and 22.1%, respectively, of cost of sales and services in 2017.

Gross Profit
As a result of the above conditions, gross profit for the years ended December 31, 2019, 2018 and 2017, reached ₱9.7 billion, ₱9.2 billion and ₱9.5 billion, respectively. Gross profit as a percentage of revenue for the year ended December 31, 2019, 2018 and 2017, represented 41.0%, 39.3% and 43.4%, respectively.

Operating Expense
Operating expenses amounted to ₱7.3 billion, ₱7.7 billion and ₱7.3 billion for the years ended December 31, 2019, 2018 and 2017, respectively. Operating expenses were composed of administrative, selling, and distribution expenses. Administrative and selling expenses amounted to ₱3.1 billion, ₱3.0 billion and ₱3.1 billion, or 13.2%, 12.8% and 14.1% of revenue, in 2019, 2018 and 2017, respectively. These include: a) license fees amounting to ₱865.4 million, ₱883.5 million and

₱827.8 million, respectively; b) insurance amounting to ₱195.8 million, ₱226.8 million and ₱154.1 million, respectively; c) salaries and wages amounting to ₱766.8 million , ₱653.0 million and ₱590.9 million, respectively; and d) administrative fees amounting to ₱744.2 million, ₱656.9 million and ₱878.6 million, respectively. Distribution expenses amounted to ₱4.2 billion, ₱4.7 billion and ₱4.3 billion, which accounted for 17.9%, 19.9% and 19.6% of revenue, in 2019, 2018 and 2017, respectively.

Other expenses included in operating expenses cover utilities and supplies, taxes and license, depreciation, advertising and travel expenses, rental, and others.

Operating Income before Other Expenses, Net
For the reasons discussed above, operating income before other expenses - net amounted to ₱2.3 billion, ₱1.5 billion and ₱2.1 billion in 2019, 2018 and 2017, respectively. These comprised of 9.9%, 6.5% and 9.7% of revenue, respectively.

Other Income (Expenses), Net
Other income (expenses), net for the years ended December 31, 2019, 2018 and 2017 were ₱8.5 million, (₱42.7) million and (₱226.2) million, respectively. See Note 9 of the Notes to the Company's Consolidated Financial Statements as at and for the years ended December 31, 2019, 2018 and 2017 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

Financial and Other Financial Expenses, Net
Net financial expenses in 2019, 2018 and 2017 amounted to ₱1,304.5 million, ₱1,113.5 million and ₱1,048.2 million, respectively. See Notes 10, 13, 21 and 24 of the Notes to the Company's Consolidated Financial Statements as at and for the years ended December 31, 2019, 2018 and 2017 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

Foreign Exchange Gain (Loss), Net
Gain (loss) of ₱453.1 million, (₱381.4) million and (₱70.9) million were reported in 2019, 2018 and 2017, respectively. Foreign exchange gain (losses) were incurred mainly due to: (a) deposit agreements between the Parent Company and its foreign subsidiaries; (b) revolving facility agreement between Solid Cement and CEMEX Asia, B.V.; and (c) depreciation of PH peso against US dollar in 2017 and 2018 which appreciated in 2019 from ₱52.58 exchange rate as at December 31, 2018 to ₱50.64 exchange rate as at December 31, 2019.

- On 1 August 2016, the Parent Company signed deposit agreements with Falcon Re Ltd. and CEMEX Asia Research A.G., respectively, in which the mentioned subsidiaries may deposit and withdraw the amount placed at any time and date, according to the conditions established in the deposit agreement. The agreements shall be valid and binding until August 1, 2021. The principal under the Falcon Re Ltd deposit agreement shall bear interest calculated daily at a rate equal to Western Asset Institutional Liquid Reserve Fund (WAILRF) minus 10 basis points. The principal under the CEMEX Asia Research A.G. deposit agreement was subject to an initial interest rate of 2.25%, which interest was subsequently increased to 2.5% per annum effective in July 2017 and then to 3% per annum starting March 2018.
- On November 21, 2018, Solid Cement signed a revolving facility agreement with CEMEX Asia, B.V. 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. On November 28, 2019, further amendments were made to increase the facility to U.S.$160,000. The agreement, which was subject to initial interest rate of 8.2%, bears an interest based on the Company's leverage ratio.

Income Tax
As a result of operations, the Company's income tax expense in 2019, 2018 and 2017 amounted to ₱219.2 million, ₱953.7 million and ₱130.8 million, respectively.

Net Profit (Loss)
As a result of the abovementioned concepts, net profit (loss) for the years ended December 31, 2019, 2018 and 2017 amounted to ₱1,279.6 million, (₱970.7 million) and ₱638.3 million, respectively.

Financial Position

As at December 31, 2019, December 31, 2018, and December 31, 2017

Cash and Cash Equivalents
Cash and cash equivalents amounted to ₱1.4 billion, ₱1.8 billion and ₱1.1 billion as at December 31, 2019, 2018 and 2017, respectively. As at December 31, 2019, cash and cash equivalents of ₱1.4 billion, include ₱1.2 billion cash on hand and in banks and ₱0.2 billion short-term investments which are readily convertible to cash. As at December 31, 2018, cash and cash equivalents of ₱1.8 billion include ₱1.7 billion cash on hand and in banks and ₱0.1 billion short-term investments which are readily convertible to cash. As at December 31, 2017, cash and cash equivalents of ₱1.1 billion include ₱0.6 billion cash on hand and in banks and ₱0.5 billion short-term investments which are readily convertible to cash.

Trade Receivables - Net
Accounts receivables amounted to ₱893.0 million, ₱708.9 million and ₱833.3 million as at December 31, 2019, 2018 and 2017, respectively, net of allowance for impairment losses amounting to ₱23.8 million, ₱24.1 million and ₱36.1 million, respectively, which mainly pertained to receivables from customers.

Due from Related Parties
Related party balances amounted to ₱27.7 million, ₱30.3 million and ₱26.4 million as at December 31, 2019, 2018 and 2017, respectively, resulting primarily from the sale of goods, invoicing of administrative fees, and advances between related parties.

Insurance Claims and Premium Receivables
Premiums receivable, which amounted to ₱437.0 million, ₱604.9 million and nil as at December 31, 2019, 2018 and 2017, respectively was related to non-damage business interruption insurance receivable from third party insurance company. Premiums receivable represents premiums on written policies which are collectible within the Company’s credit term.

Insurance claims amounted to ₱8.5 million, ₱345.1 million and nil as at December 31, 2019, 2018 and 2017, respectively. As at December 31, 2018, outstanding insurance claims refer to the loss incurred during the “Landslide” that occurred in 2018.

Other Current Accounts Receivable
Other accounts receivables amounted to ₱65.2 million, ₱73.1 million and ₱74.6 million as at December 31, 2019, 2018 and 2017, respectively, which mainly pertained to short term deposits, receivables from contractors and employees and loan receivables.

Inventories
Inventories amounted to ₱3.0 billion, ₱3.5 billion and ₱3.3 billion as at December 31, 2019, 2018 and 2017, respectively. Inventories consisting of raw materials, cement and work in process amounted to ₱1.9 billion, ₱1.8 billion and ₱1.7 billion as at December 31 2019, 2018 and 2017, respectively, and the remaining balance referred to spare parts. Inventories are measured at cost or net realizable value, whichever is lower.

Prepayments and Other Current Assets
Other current assets amounted to ₱1.7 billion, ₱1.7 billion and ₱1.4 billion as at December 31, 2019, 2018 and 2017, respectively, which referred primarily to prepayments of insurance, ₱508.8 million, ₱529.8 million and ₱542.7 million, respectively, and prepayment of taxes, ₱645.0 million, ₱525.3

million and ₱548.9 million, respectively, and advances to suppliers, ₱367.8 million, ₱444.9 million and ₱116.8 million, respectively.

Investment in an Associate and Other Investments
As of December 31, 2019, investments in Associates covered minority equity investments in Greencrete Inc., Calabar Aggregates Corporation and others.

Other Assets and Noncurrent Accounts Receivable
Other assets amounting to ₱837.2 million, ₱818.2 million and ₱716.7 million as at December 31, 2019, 2018 and 2017, respectively, primarily consisted of long-term prepayments amounting to ₱27.9 million, ₱41.7 million and ₱47.8 million, respectively, long-term performance deposits of ₱259.9 million, ₱115.7 million and ₱122.4 million, respectively, and debt reserve account and guarantee bonds used in operations amounting to ₱480.8 million, ₱601.2 million and ₱485.5 million, respectively. The rest mainly referred to noncurrent portion of the unamortized transportation allowances of employees.

Advances to Contractors for Plant Construction
In November 2018, the Company made a downpayment 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 amounting to $40.7 million (approximately ₱2.1 billion). As at December 31, 2019 and 2018, the balance of this account amounted to ₱1.6 billion and ₱2.1 billion, respectively.

Property, Machinery and Equipment and Assets for the Right-of-use - Net
Property, machinery and equipment had a balance of ₱18.0 billion, ₱15.6 billion and ₱15.6 billion as at December 31, 2019, 2018 and 2017, respectively. As at December 31, 2019, 2018 and 2017, ₱0.7 billion, ₱1.1 billion and ₱0.8 billion, respectively, were incurred for maintenance capital expenditures and ₱3.2 billion, ₱0.3 billion and ₱0.5 billion, respectively, for strategic capital expenditures.

Assets for the right-of-use as at December 31, 2019, 2018 and 2017 amounted to ₱2.0 billion, ₱2.2 billion and ₱2.2 billion, respectively.

Deferred Income Tax
The Company's deferred income tax asset amounted to ₱1.0 billion, ₱774.4 million and ₱1.1 billion, while deferred income tax liability amounted to ₱1.6 million, ₱147.4 million and ₱95.8 million, as at December 31, 2019, 2018 and 2017, respectively. Deferred income tax is mainly related to future tax benefit from operating losses, excess MCIT over RCIT and other future deductible expenses.

Goodwill
As of December 31, 2019, the Company's goodwill arose from the business combinations when the Parent Company acquired its subsidiaries.

Trade Payables
Trade payables as at December 31, 2019, 2018 and 2017 amounted to ₱4.8 billion, ₱4.9 billion and ₱2.3 billion, respectively, which were related to purchases of raw materials and other goods, and services provided by third parties.

Due to Related Parties
Short-term payable to related parties had a balance of ₱2.7 billion, ₱2.7 billion and ₱2.3 billion as at December 31, 2019, 2018 and 2017. Long-term payable to related parties amounted to ₱5.4 billion, ₱2.5 billion and ₱1.1 billion as at December 31, 2019, 2018 and 2017, respectively. The increase in long-term payable to related parties were mainly due to additional drawdowns in revolving facility agreement of the Company with CEMEX Asia, B.V.

Contract Liabilities, Unearned Income, Other Accounts Payable and Accrued Expenses, and Income Tax Payable
Contract liabilities, unearned income, other payables and accruals which amounted to ₱1.9 billion, ₱2.3 billion and ₱2.1 billion as at December 31. 2019, 2018 and 2017, respectively, pertained mainly to accruals, contract liabilities (which include advances from customers and unredeemed customer loyalty points) unearned income from insurance premium, provisions, and tax payables.

Lease Liabilities
The current portion of lease liabilities amounted to ₱525.4 million, ₱453.7 million and ₱264.0 million as at December 31, 2019, 2018 and 2017, respectively. The noncurrent portion of lease liabilities amounted to ₱1.6 billion, ₱1.9 billion and ₱2.1 billion as at December 31, 2019, 2018 and 2017, respectively.

Retirement Benefit Liability
Retirement Benefit Liability amounting to ₱794.2 million, ₱715.2 million and ₱761.0 million as at December 31, 2019, 2018 and 2017, respectively, pertained to the provision recognized by the Company associated with employees' defined benefit pension plans.

Long-term Bank Loan
The total outstanding balance of the Parent Company's unsecured peso long-term facility with BDO Unibank, Inc.[9] was ₱11.4 billion, ₱13.8 billion and ₱13.9 billion as at December 31, 2019, 2018 and 2017, respectively. The debt issuance cost of this long-term bank loan, corresponding to ₱106.0 million, ₱138.2 million and ₱166.6 million, on unamortized basis, was deducted from the total loan liability as at December 31, 2019, 2018 and 2017, respectively. Short-term portion of the bank loans amounted to ₱140.1 million each as at December 31, 2019, 2018 and 2017.

Other Noncurrent Liabilities
Other noncurrent liabilities of ₱20.6 million as at December 31, 2019, 2018 and 2017 referred to provision for asset retirement obligation.

Common Stock
As at December 31, 2019, the total authorized capital stock of the Parent Company consisted of 5,195,395,454 common shares at a par value of ₱1 per share, and the total issued and outstanding capital stock was 5,195,395,454 common shares at a par value of ₱1 per share.

Other Equity Reserves
The amount referred to the cumulative effects of items and transactions that were, temporarily or permanently, recognized directly to stockholders' equity which included share-based compensation, remeasurement of retirement benefits liability (net of tax), cumulative currency translation of foreign subsidiaries and unrealized gains and losses arising from fair value changes on derivative asset designated as a hedging instrument.

Retained Earnings
Retained earnings of ₱2.3 billion, ₱981.3 million and ₱2.0 billion as at December 31, 2019, 2018 and 2017, respectively, included the Company's cumulative net results of operations.

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[9] On February 1, 2017, the Parent Company signed a senior unsecured peso long-term loan facility with BDO Unibank, Inc. 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. (NSH), a subsidiary of CEMEX. During the 1st quarter of 2017, this long-term loan with NSH was fully repaid.

Company Performance Indicators and Liquidity

Key Performance Indicators

As of December 31, 2019, the Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as at December 31, 2019, 2018 and 2017.

Key Financial Indicators	**Formula**	**2019**	**2018 (As restated)**	**2017 (As restated)**
Current Ratio	Current Asset/Current Liabilities	**0.7 : 1**	**0.8 : 1**	**0.9 : 1**
Solvency Ratio	Profit + Depreciation and Amortization/Total Liabilities	**0.1 : 1**	**0.0 : 1**	**0.1 : 1**
Net debt to Equity Ratio	Debt*/Total Equity	**0.9 : 1**	**1.0 : 1**	**0.8 : 1**
Asset to Equity Ratio	Total Assets/Total Equity	**2.0 : 1**	**2.0 : 1**	**1.8 : 1**

**The debt is net of cash and cash equivalents.*

Key Financial Indicators	**Formula**	**2019**	**2018 (As restated)**	**2017 (As restated)**
Interest Rate Coverage Ratio	Operating income before other expenses/interest	**1.9 : 1**	**1.4 : 1**	**2.1 : 1**
Profitability Ratio	Operating Margin/Revenue	**0.1 : 1**	**0.1 : 1**	**0.1 : 1**

As of December 31, 2019, the Company does not have any off-balance sheet arrangements that are reasonably likely to have a material effect on its financial condition, operating results and liquidity or capital resources.

Liquidity

The Company's operations are exposed to risks from changes in price, interest rates, inflation, foreign exchange, governmental spending, social instability and other political, economic and/or social developments in Philippines, any one of which may materially impact its net income and cash from operations. Consequently, in order to meet liquidity needs, the Company relies on cost-efficiency, profitability management and operating improvements to optimize capacity utilization and maximize profitability, as well as advances or borrowing under credit facilities, proceeds of debt and proceeds from asset sales. The Company also participates in liquidity management program pursuant to which it invests excess liquidity and has certain flexibility to undertake borrowings (intragroup or with CEMEX) to meet its own liquidity needs. Amounts that are invested or borrowed under this liquidity management program are often denominated in U.S. dollars.

Material Commitments for Capital Expenditures for 2020

The Company originally budgeted for 2020 about ₱7,400 million for capital expenditures and investments for calendar year 2020, which substantially consists of the following: ₱1,000 million - maintenance CAPEX and ₱6,400 million - Solid Cement's new cement production line. The Company expected to fund these capital expenditures through one and/or any combination of the following options: proceeds raised during the Stock Rights Offering conducted in January 2020, revenue or cashflow from operations, and/or debt from any subsidiary of CEMEX, S.A.B. de C.V. However, in light of the circumstances discussed in the section below on *Trend, Events or Uncertainties Affecting Recurring Revenues and Profits*, as of the date of this report, the Company is re-assessing its budget for capital expenditures and investments for 2020.

Bank Loan

On February 1, 2017, the Parent Company signed a Senior Unsecured Philippine peso Term Loan Facility with BDO Unibank, Inc. (BDO") for a loan amount of up to the Philippine peso equivalent of US$280 million, the proceeds of which were applied to refinance its borrowings from New Sunward Holding B.V., which is an indirect subsidiary of CEMEX. 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 Parent 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, the Company's 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 the Company's ultimate parent company, CEMEX or any of CEMEX's subsidiaries 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, and (iii) allow for certain loans taken by the Company and its subsidiaries with any CEMEX 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.

As of December 31, 2019, the Parent Company is in compliance with the applicable restrictions and covenants of the facility agreement; however, the Parent Company cannot give assurance that it will be able to comply with the restrictions and covenants contained in the said facility agreement, as supplemented, including if its interest coverage ratio will decline and constrain Parent Company's ability to incur additional debt for general corporate purposes. The Parent Company may need to seek waivers, amendments and/or further supplement the facility agreement in the future. Even though the Parent Company has been able to supplement the facility agreement in the past, there is no assurance that that any future waivers, amendments and/or supplements, if requested, will be obtained or entered into.

Trend, Events or Uncertainties Affecting Recurring Revenues and Profits

The impact of the novel strain of the coronavirus identified in China in late 2019 ("COVID-19") has grown throughout the world, including the Philippines, and governments have implemented numerous measures attempting to contain and mitigate the effects of the virus.

On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID-19 which resulted to the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020 until April 12,

2020. The President announced several social distancing measures which were implemented including extension of suspension of classes in all levels in Metro Manila until April 12, 2020, prohibition of mass gatherings or events, imposition of community quarantine measures as necessary, restriction of mass public transport system (MRT, LRT, etc.), and most importantly, suspension of land, domestic air and domestic sea travel to and from the Metro Manila beginning March 15 until April 14, 2020. On March 26, 2020, the Governor of Cebu Province announced the implementation of ECQ measures for the entire island of Cebu, effective March 30, 2020.[10] Subsequently, ECQ was extended to May 15, 2020.

There is significant uncertainty regarding measures imposed and potential future measures that might be imposed by government, and restrictions on access to the Company's manufacturing facilities, on its operations or workforce, or similar limitations for the Company's customers, distributors, suppliers and contractors, which could limit customer demand and/ or the Company's capacity to meet customer demand, any of which could have a *material* adverse effect on the Company's financial condition and results of operations. The degree to which COVID-19 affects the Company's results and operations will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. As of the date of this report, the Company is not able to make reliable estimates of the impact of COVID-19 and, therefore, the Company is not able to quantify them. The Company will evaluate quarterly during the year 2020, the impact of these events on its financial condition, results of operations and cash flows.

Other than as disclosed elsewhere in this Form 17-A (Annual Report) or in the Company's Consolidated Financial Statements as at and for the years ended December 31, 2019 and 2018 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report), the Parent Company is not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2019 that are reasonably likely to have a material and adverse effect on the Company's net sales, 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, or that would trigger direct or contingent financial obligation, including any default or acceleration of an obligation.

Refer to the discussion on major risks affecting the business in ITEM 1 of PART I of this Form 17-A (Annual Report).

ITEM 7. Financial Statement

The Company's Consolidated Financial Statements as of years ended December 31, 2019 and 2018 in the accompanying Audited Financial Statements are filed as part of this Form 17-A (Annual Report).

ITEM 8. Information on Independent Accountant and other Related Matters

(A) External Audit Fees and Services

The external auditor of the Company is R.G. Manabat & Co. (RGM&Co.).

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[10] Considering the implementation of ECQ in Luzon, the Company announced on March 19, 2020 that it started the process that will lead to the temporary stoppage of the production at Solid's plant operations located in Antipolo City. On the other hand, beginning March 20, 2020 the operations at APO's plant continued but with skeletal workforce arrangement.

The fees billed for professional services rendered to the Company by R.G. Manabat & Co. since the Parent Company's incorporation on September 17, 2015 (exclusive of out-of-pocket expenses) consisted of the following:

Nature of Work	2019	2018	2017	2016	2015
(a)(1) Audit of annual financial statements or services that are normally engaged by external auditor in connection with statutory and regulatory filings or engagements	₱6,058,500	₱6,058,500	₱6,100,700	₱8,294,048	₱642,992
(a)(2) Other audit-related services	₱4,095,000	₱2,469,000	₱2,619,000	₱-	₱-
(b) Other non-audit related services (eg. for tax accounting, compliance, advice, planning and other form of tax services)	₱-	₱-	₱465,078	₱-	₱-
(c) Other Services – services related to the Parent Company's reports on the "Use of IPO Proceeds" for the period ended September 30, 2016 and for the year ended December 31, 2016	₱-	₱-	₱-	₱112,000	₱-

(B) Changes in and disagreements with accountants on accounting and financial disclosures

The accounting policies adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries for year ended December 31, 2019 have been applied consistently to all years presented therein, except that certain amendments to accounting standards have been adopted as at January 1, 2018 and applied in the preparation of the consolidated financial statements. A brief discussion of these changes is found in Note 3 of the Notes to the Company's Consolidated Financial Statements as of year ended December 31, 2019 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

There were no disagreements with accountants on accounting and financial disclosures.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors and Executive Officers of CEMEX HOLDINGS PHILIPPINES, INC.

(1) Directors and Executive Officers

Basic information and a brief description of the business experience of each of the Directors and Executive Officers of the Parent Company as of December 31, 2019 including directorships held in reporting companies, if any, are provided below:

Members of the Board of Directors

A. Independent Directors

Pedro Roxas. 63 years old, Filipino citizen. 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, Mapfre Insular Insurance Corporation. He is a member of the Board of Directors of Brightnote Assets Corporation. He is a member of the board of directors & the President of Fundacion Santiago and the Chairman of the Board of Club Punta Fuego. Mr. Roxas serves as an independent member of the Board of Directors of the Parent Company. 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 Parent 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 Parent Company's Audit Committee and a Member of the Nomination Committee.

Alfredo Panlilio. 56 years old, Filipino citizen. 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, Inc. in August 2019. He is the Chairman of the Board of Directors or the President and board member, respectively of various companies affiliated with of PLDT and Smart Communications, Inc. Mr. Panlilio also serves as president of the MVP Sports Foundation, the umbrella sports advocacy organization of the Metro Pacific Group, the President of Samahang Basketbol ng Pilipinas and the PBA Governor for the Meralco Bolts. He is the Treasurer of the National Golf Association of the Philippines and

Manila Golf, Inc. Mr. Panlilio is also a Trustee of Philpop Musicfest Foundation, Inc. Mr. Panlilio is an independent director on the Board of Directors of the Parent Company. 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 Parent 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 Parent Company's Nomination Committee and a member of the Audit Committee.

Eleanor M. Hilado. 56 years old, Filipino citizen. 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 of Directors of the Parent Company. Ms. Eleanor was elected as a member of the Board, and a member of the Parent Company's Audit Committee and Nomination Committee on June 6, 2019.

B. Other Directors[11]

Joaquin Miguel Estrada Suarez[12]. 55 years old, Spanish citizen. 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

[11] During the meeting of the Board of Directors held on 2 April 2019, the Board acknowledged the retirement of Maria Virginia Ongkiko Eala from the CEMEX organization, and accepted her resignation as a member of the Board of Directors and member of the Nomination Committee.
[12] On March 25, 2020, Mr. Estrada tendered his resignation as the Chairman and member of the Board of Directors effective on March 27, 2020. On April 2, 2020, the Board of Directors elected Mr. Sergio Mauricio Menéndez Medina as the new Chairman and member of the Board of Directors.

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 Parent Company's Chairman of the Board of Directors, a position he has held since October 25, 2016. He was initially elected to the Parent Company's Board of Directors on February 29, 2016, and was re-elected as director during the Parent Company's annual stockholders' meetings held on June 7, 2017, on June 6, 2018 and on June 6, 2019.

Ignacio Alejandro Mijares Elizondo. 45 years old, Mexican citizen. 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. Mr. Mijares 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 Parent 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.

Alejandro Garcia Cogollos. 45 years old, Spanish citizen. 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 Parent Company's Board of Directors and as Vice President for Planning and Administration. He was re-elected as a member of the Board during the Parent Company's annual stockholders' meetings held on June 6, 2018 and on June 6, 2019. Mr. Garcia is a member of the Parent Company's Nomination Committee.

Antonio Ivan Sanchez Ugarte. 49 years old, Spanish citizen. 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, Mr. Sanchez 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 of Directors was effective on January 1, 2018. He was re-elected as a member of the Board during the Parent Company's annual stockholders' meetings held on June 6, 2018 and then on June 6, 2019.

Larry Jose Zea Betancourt. 58 years old, British citizen. 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 of Directors on April 2, 2019 and was re-elected as member of the Board at the Parent Company's annual stockholders' meeting held on June 6, 2019. Mr. Zea is a member of the Parent Company's Audit Committee.

The members of the Board of Directors hold office for a term of one (1) year until their successors are elected and qualified.

Other Principal Executive Officers

Irma D. Aure. 44 years old, Filipino citizen. 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, the Board of Directors appointed Ms. Aure as Vice President for Human Capital and Organization effective July 15, 2019.

Adrian V. Bancoro. 42 years old, Filipino citizen. 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 the Tax Director, a position he has held since February 29, 2016.

Pierre Ignatius C. Co. 30 years old, Filipino Citizen. 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 the Parent Company. On June 6, 2019, he was appointed by the Board of Directors as Investor Relations Director of the Parent Company effective on June 7, 2019.

Ma. Virginia Lacson-Del Rosario. 51 years old, Filipino citizen. 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 the Board of Directors as the Company's Customer Experience Director.

Jose Mauro Gallardo Valdes. 35 years old, Mexican citizen. Jose Mauro Gallardo Valdes holds a Bachelor's degree in Business Administration and Marketing and a Diploma in International Marketing. In 2005, Mr. Gallardo 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 the Parent Company's Enterprise Risk Management (ERM) Manager.

Kristine G. Gayem. 39 years old, Filipino citizen. 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 the Board of Directors to serve as Energy Director.

Edwin P. Hufemia. 48 years old, Filipino. 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 the Company's Vice President for Supply Chain. He is also a member 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., 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. 45 years old, Filipino citizen. 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 the Company's 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 the 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.

Chito S. Maniago[13]. 39 years old, Filipino. 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

[13] Mr. Maniago voluntarily resigned as Director for Corporate Communications and Public Affairs of CHP effective on 13 April 2020.

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 the Company's Director for Corporate Communications and Public Affairs on June 6, 2018.

Arturo Manrique Ramos*[14]*. 51 years old, Mexican citizen. 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 the Company's Vice President for Cement Operations and Technical.

Everardo Sánchez Banuet. 46 years old, Mexican citizen. 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, the Board of Directors appointed Mr. Sanchez as Vice President for Commercial (Distribution Segment) effective on February 15, 2019.

Dino Martin W. Segundo. 48 years old, Filipino citizen. 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, a position to which he 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 the 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.

Jannette Virata Sevilla. 58 years old, Filipino citizen. 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 the Parent Company's Corporate Secretary and Compliance Officer,

[14] The Board of Directors accepted the resignation of Mr. Manrique (who was re-assigned to Mexico as a result of a global re-organization exercise) as Vice President for Cement Operations and Technical, effective 10 February 2020, and elected in his place Mr. Carlos Alberto Palero Castro.

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.

Juan Carlos Soto Carbajal. 44 years old, Spanish citizen. 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, the Board of Directors appointed Mr. Soto as the Company's Procurement Director effective on January 30, 2019.

Rolando S. Valentino. 45 years old, Filipino citizen. 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 the Internal Auditor of the Parent Company, a position he has held since August 24, 2016.

Steve Kuansheng Wu. 53 years old, Taiwan citizen. 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 the Parent Company's 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.

(2) Significant Employees

As of December 31, 2019, no single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all of the Company's employees as instrumental to the overall success of the Company's performance.

(3) Family Relationships

As of December 31, 2019, there are no family relationships among the members of the Board of Directors and Executive Officers up to the fourth civil degree of consanguinity or affinity.

(4) Involvement in Certain Legal Proceedings of Directors and Executive Officers

As of December 31, 2019, and to the best of the Company's knowledge and belief, during the past five (5) years, none of the members of the Board of Directors, nor any of the Executive Officers of the Parent Company, (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 minor offenses); (iii) has been or is are 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 Philippine 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.

ITEM 10. Executive Compensation

(1) Directors' Compensation

Under the Parent Company's by-laws, the members 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 of Directors approved in a special meeting held on June 3, 2016 the following honorarium fee/per diem for independent directors of the Parent Company: (i) an honorarium fee/ per diem equivalent to ₱450,000.00 (computed on an annual basis) for acting as director and (ii) an honorarium fee/per diem equivalent to ₱ 90,000.00 (computed on an annual basis) per Committee membership.

(2) Executive Compensation

The following table summarizes the aggregate compensation of the President/Chief Executive Officer ("CEO") and the four most highly compensated Executive Officers (the "NEOs") of the Parent Company, as well as the other executive officers of the Parent Company during the last three completed fiscal years and the ensuing fiscal year are as follows:

Name and Principal Position	Year	Salary *(in millions of Philippine Pesos)*	Bonus[15] *(in millions of Philippine Pesos)*	Other Compensation *(in millions of Philippine Pesos)*
CEO and NEOs 1.Ignacio Alejandro Mijares Elizondo (current President and CEO), Pedro Jose Palomino (former President and CEO who resigned during the 3rd quarter of 2017) 2. Paul Vincent Arcenas Investor Relations Officer and Vice President for Communications, Marketing and Investor Relations 3. Edwin P. Hufemia Vice President for Supply Chain 4. Hugo Losada Barriola Vice President for Strategic Planning 5. Maria Virginia Ongkiko Eala Vice President for Human Resources	Actual 2017	₱50.5	₱29.4	₱32.6
CEO and NEOs 1. Ignacio Alejandro Mijares Elizondo	Actual 2018	₱56.4	₱27.0	₱42.2

[15] Bonus includes the value of benefits received in connection with variable compensation or long-term incentive plans applicable to eligible executives.

President and CEO 2. Arturo Manrique Ramos Vice President for Cement Operations & Technical 3. Edwin P. Hufemia Vice President for Supply Chain 4. Antonio Desmay Jimenez Procurement Director 5. Steve Kuan-Sheng Wu BSO Director				
CEO and NEOs 1. Ignacio Alejandro Mijares Elizondo President and CEO 2. Arturo Manrique Ramos Vice President for Cement Operations & Technical 3. Alejandro Garcia Cogollos Vice President for Planning & Admin. 4. Edwin P. Hufemia Vice President for Supply Chain 5. Everardo Sanchez Banuet Vice President for Commercial – Distribution Segment	Actual 2019	₱57.2	₱26.3	₱42
CEO and NEOs 1. Ignacio Alejandro Mijares Elizondo President and CEO 2. Carlos Alberto Palero Castro Vice President for Cement Operations & Technical 3. Alejandro Garcia Cogollos Vice President for Planning & Admin. 4. Edwin P. Hufemia Vice President for Supply Chain 5. Everardo Sanchez Banuet Vice President for Commercial – Distribution Segment	Projected 2020	₱56.1 estimated	₱43.7 estimated	₱55.4 estimated
All other executive officers as a group unnamed.	Actual 2017	₱36.5	₱6.9	₱15.9
	Actual 2018	₱61.4	₱20.5	₱30.25
	Actual 2019	₱65.9	₱18.9	₱24.38
	Projected 2020	₱61.9 estimated	₱17.1 estimated	₱25.38 estimated

Certain executive officers of the Parent Company or its subsidiaries have received compensation in the form of CEMEX S.A.B. de C.V.'s restricted CPOs 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 CPOs as a long-term incentive compensation to be vested over a specific period of time.

Certain executive officers of the Parent Company or its subsidiaries received in 2019 compensation in the form of cash pursuant to the terms of a variable long-term incentive plan approved by the Parent Company's Board of Directors 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 shares of the Parent Company from the market.

(3) Employment Contracts Between the Parent Company and CEO and NEOs

As of December 31, 2019, the Parent Company has no special employment contracts with CEO and NEOs.

(4) Warrants and Options Outstanding

As of December 31, 2019, the Parent Company has not issued any warrants or options which are held by the CEO, the NEOs, and all officers and directors as a group.

(5) Employee Restricted Stock and Other Incentive Plans

As of December 31, 2019, the Parent Company has not established an employee restricted stock or other incentive stock plan of its shares or otherwise linked to the value of its shares.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The Parent Company is not aware of any one who beneficially owns in excess of 5% of the Parent Company's common shares as of December 31, 2019, except as set forth in the table below:

Title of Class	Record Owners	Names of beneficial owner	Nationality	No. of Shares Held	% to Total Outstanding Shares
Common Shares	CEMEX ASIAN SOUTH EAST CORPORATION	Same as record holder	Non-Filipino (incorporated in the Philippines but wholly owned by a Netherlands company)	2,857,467,493[a]	55.000%[a]
Common Shares	PCD Nominee Corporation (Non-Filipino)	PCD Participants and clients[b]	Non-Filipino	1,326,081,883	25.524%
Common Shares	PCD Nominee Corporation (Filipino)	PCD Participants and clients[b]	Filipino	1,009,722,065	19.435%

[a] In addition to the shareholdings of CASEC indicated in the table above, CASEC owns in scripless form 611,945,000 shares. Furthermore, each of the following five individuals holds one share which is beneficially owned by CASEC: Joaquin Miguel Estrada Suarez, Ignacio Alejandro Mijares Elizondo, Alejandro Garcia Cogollos, Antonio Ivan Sanchez and Larry Jose Zea Betancourt. These foregoing shares are part of the shares recorded under the account *PCD Nominee Corporation (Non-Filipino)*. **Accordingly, as of December 31, 2019, CASEC owned a total of 3,469,412,498 shares corresponding to approximately 66.78 % of the total outstanding shares of CHP.**

[b] Based on the Top 100 PDTC Participants Report (consolidated) of the Philippine Depository & Trust Corporation for the month of December 2019, the *PCD Nominee Corporation (Non-Filipino)* and the *PCD Nominee Corporation (Filipino)* accounts include the following:

(1) The Hongkong and Shanghai Banking Corp. Ltd.- Clients' Acct – 796,814,944 shares corresponding to approximately 15.34% of total outstanding shares of CHP
(2) COL Financial Group, Inc. – 213,891,816 shares corresponding to approximately 4.12% of total outstanding shares of CHP

(2) Security Ownership of Management

The number of shares owned of record and/or beneficially owned by the Directors, the CEO and NEOs as of December 31, 2019 are set forth below:

Title of Class	Name of Record Owner	Name of Beneficial Owner	Amount	Nationality	% to Total Shares
Common	Pedro Roxas	Same as record owner	1,001	Filipino	nil
Common	Alfredo Panlilio	Same as record owner	1,001	Filipino	nil
Common	Eleanor Hilado	Same as record owner	776,700	Filipino	0.01%
Common	Joaquin Miguel Estrada Suarez	CEMEX ASIAN SOUTH EAST CORPORATION	1 (director's qualifying share)	Spaniard	nil
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)	Mexican	0.01%
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)	Spaniard	nil
Common	Antonio Ivan Sanchez Ugarte	CEMEX ASIAN SOUTH EAST CORPORATION	1 (director's qualifying share)	Spaniard	nil
Common	Larry Jose Zea Betancourt	CEMEX ASIAN SOUTH EAST CORPORATION	1 (director's qualifying share)	British	nil
Common	Arturo Manrique Ramos	Same as record owner	303,156	Mexican	nil
Common	Edwin P. Hufemia	Same as record owner	451,794	Filipino	nil
Common	Everardo Sanchez Banuet	Same as record owner	151,106	Mexican	nil

(3) Voting Trust Holders of 5% or More

As of December 31, 2019, the Parent Company is not aware of any voting trust or similar arrangement among persons holding more than 5% of the shares.

(4) Changes in Control

At the beginning of the last fiscal year, CASEC beneficially owned 55% of the outstanding capital stock of the Parent Company. The Parent Company is not aware of the existence of any change in control agreements.

ITEM 12. Certain Relationships and Related Party Transactions

Framework Agreement with CEMEX

On March 9, 2016, the Parent Company entered into a Framework Agreement with CEMEX and its principal shareholder, CASEC, to avoid conflicts of interest between the Parent Company and CEMEX. The Framework Agreement became effective upon commencement of trading of the Parent Company's shares on the PSE last July 2016, and may be amended by written agreement between CEMEX, the principal shareholder and the Parent Company, provided that any modification by the Parent Company shall be authorized by the Parent Company's independent directors. In addition, the Framework Agreement will cease to be in effect if the Parent Company is no longer a subsidiary of CEMEX or if CEMEX ceases to account for its investment in the Parent Company 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, the Parent Company's 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.

Other Transactions

Transactions with affiliated companies or other related parties of the Parent Company (including subsidiaries of CEMEX) are mentioned or referenced to in the Company's Consolidated Financial Statements as of years ended December 31, 2019 and 2018 contained in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

These transactions include, among others, the following:

- <u>Services Agreement</u>

  a) On January 1, 2017, Solid Cement entered into the *Business Support Services Agreement* with CEMEX Central, S.A. de C.V. now CEMEX Operaciones México, S.A. de C.V.[16] ("CEMEX Operaciones"), pursuant to which CEMEX Operaciones provides Solid Cement, whether performed directly by CEMEX Operaciones 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 Operaciones 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. This 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 Operaciones has the right to terminate the agreement in the event that Solid Cement ceases to be a direct or indirect subsidiary of CEMEX. Solid Cement pays CEMEX Operaciones a service fee that is calculated according to market practices based on the cost incurred to provide the Solid Services plus an

[16] CEMEX Operaciones, S.A. de C.V., a CEMEX subsidiary organized and existing under the laws of Mexico, was merged with CEMEX Central, S.A. de C.V., whereby CEMEX Operaciones was the surviving entity pursuant to an agreement with respect to such merger dated August 1, 2019

arm's length markup. CEMEX Operaciones calculates periodically the service fee and prepares its invoices in U.S. dollars. The service fees are determined exclusive of taxes.

b) On January 1, 2017, APO Cement entered into the *Business Support Services Agreement* with CEMEX Central, S.A. de C.V. now CEMEX Operaciones, pursuant to which CEMEX Operaciones 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 Operaciones 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. This 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 Operaciones has the right to terminate the agreement in the event that APO Cement ceases to be a direct or indirect subsidiary of CEMEX. APO Cement pays CEMEX Operaciones 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 Operaciones calculates periodically the service fee and prepares its invoices in U.S. dollars. The service fees are determined exclusive of taxes.

- <u>*License Agreements*</u>

Pursuant to separate license agreements[17] entered into by the Parent Company's subsidiary, CEMEX Asia Research AG ("CAR"), with CEMEX and CEMEX Research Group AG ("CRG"), respectively, the Parent Company's subsidiaries are allowed the non-exclusive use in the Philippines of different trademarks, names and intellectual property assets owned and developed by CEMEX, such as the name "CEMEX" and brands "APO", "Island" and "Rizal", and other related names and trademarks, processes and information technology, software, industrial models, procurement, commercial and distribution systems. These license agreements became effective with retroactive effect to 1 January 2016 upon completion of the IPO, and have an initial term of five years, automatically renewable for subsequent five-year terms unless terminated by either of the parties thereto by providing one-month written notice prior to the end of the applicable term. These agreements may also be terminated if CAR would cease to be a direct or indirect subsidiary of CEMEX. As consideration for the use of these trademarks, names and intellectual property assets, CAR pays to the licensors a royalty fee determined at an arm's length basis.

- <u>*Loan Facility Agreements*</u>

a) On November 21, 2018, Solid Cement, as borrower, entered into a revolving credit facility agreement with CEMEX Asia, B.V. for a principal amount of up to US$75.0 million (the "Solid Expansion Facility Agreement"). The borrowings under this Solid Expansion Facility Agreement 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.

In February 2019, the parties signed an amendment agreement to this facility increasing the available principal amount to US$100.0 million. In November 2019, Solid Cement further

[17] "Trademark License Agreement" between CEMEX, S.A.B. de C.V., as Licensor, and *CEMEX Asia Research A.G.*, as Licensee, effective as of January 1, 2016 (as from time to time amended and/or restated), and the "Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement" between CEMEX Research Group (a subsidiary of CEMEX) as "Licensor", and *CEMEX Asia Research A.G.*, as "Licensee", effective as of January 1, 2016 (as from time to time amended and/or restated)

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 this 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 this 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).

b) On October 1, 2014, APO Cement, as borrower, entered into a master loan agreement with CEMEX Hungary KFT (now CEMEX España, S.A.)[18], as lender, with a principal amount of up to US$40.0 million, which was assigned by CEMEX Hungary KFT to CEMEX Asia, B.V. on January 2016 (the "APO Operational Facility"). 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, this APO Operational Facility was further amended to extend the maturity date to April 1, 2020 and changed the interest rate to 8.43% annually.

- <u>*General Commercial Arrangements*</u>

The Company (whether directly or indirectly through any of its operating subsidiaries) engaged with affiliated companies or other related companies in various commercial arrangements in the ordinary course and on arm's-length terms, including:

- supply agreements or spot purchases of cement or other construction materials;
- freight contracts pursuant to which said related companies transport to the Company any products or goods purchased by the Company from related companies or third parties but using vessels owned or contracted by said related companies;
- spot purchases of carbon, petroleum coke or other fuels required by us and offered or arranged by said related companies or offered by the Company to said related companies, such as the coal supply contract with Transenergy, Inc. (a CEMEX subsidiary that sources coal, petroleum coke and other products), as well as any hedges for such transactions; and
- the sale or purchase or lease of construction equipment, including machinery, vehicles used for construction, etc., between related companies and the Company.

Notably, APO Cement and Solid Cement purchase the majority of their respective limestone, pozzolan and clay requirements from ALQC[19] and IQAC[20] pursuant to long-term supply agreements effective as of January 1, 2016. These supply agreements each have 20-year terms and automatic renewals of two years. All of the principal manufacturing installations of APO Cement and Solid Cement are located on land owned by ALQC or IQAC. Under the lease agreements, ALQC and IQAC have various

[18] CEMEX Hungary K.F.T. was merged into CEMEX España, S.A. effective 31 October 2017. As a result of the merger, CEMEX Hungary K.F.T. ceased to exist.

[19] APO Land & Quarry Corporation is not a direct or indirect subsidiary of the Parent Company and is not a member of the Company. ALQC is an entity that is wholly-owned by Impact Assets Corporation, a corporation in which CASEC owns a 40% equity interest.

[20] Island Quarry and Aggregates Corporation is not a direct or indirect subsidiary of the Parent Company and is not a member of the Company. IQAC is an entity that is wholly-owned by Albatross Holdings, Inc., a corporation in which CASEC owns a 40% equity interest.

customary rights as landlord. Each of these lease agreements expires in December 2040 and is extendable for another 25 years.

For further information on related party transactions, including outstanding advance balances, see Note 13 of the Notes to the Company's Consolidated Financial Statements as of and for the years ended December 31, 2019 and 2018 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

Save for transactions with affiliated companies or other related parties of the Parent Company (including subsidiaries of CEMEX) mentioned or referenced to in herein discussions or in the Company's Consolidated Financial Statements as of years ended December 31, 2019 and 2018 contained in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report), there has been no other material related party transactions during the last three years with the Parent Company or any of its subsidiaries in which a Director or Executive Officer of the Parent Company, or a security holder owning at least ten percent (10%) or more of the outstanding shares of stock of the Parent Company, and members of their respective immediate family had or is to have a direct or indirect material interest

PART IV – CORPORATE GOVERNANCE

ITEM 13. Basic Corporate Governance Policies

(1) ***Manual of Corporate Governance***

The Parent Company adopted its Manual of Corporate Governance (the "Manual") on March 7, 2016. This Manual was amended on October 25, 2016 and May 10, 2017. The Parent Company's policy of corporate governance is principally based on the Manual. The Manual 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 long-term success and to secure sustained competitiveness in a manner consistent with the Board's fiduciary responsibility. Upon favorable endorsement of the Audit Committee, the Board of Directors approved to amend the Revised Manual of Corporate Governance on February 6, 2018 and, thereafter, on March 22, 2018.

There are currently three independent directors on the Board of Directors of the Parent Company namely, Ms. Eleanor M. Hilado and Messrs. Pedro Roxas and Alfred Panlilio. During the organizational meeting of the Board of Directors held on June 6, 2019, Mr. Roxas was designated as the Lead Independent Director, whose functions shall include, among others, serving an intermediary between the Board Chairman and other independent directors, when necessary, and shall chair meetings among non-executive directors.

The Manual embodies the 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.

The Manual expressly provides that any material amendment or revision to the provisions defining the (i) royalty/license fee or service fee, as applicable, payable to CEMEX pursuant to, or (ii) the duration or term of, any of the Company's license agreements involving the trademark and other intellectual properties of CEMEX or the service agreements with CEMEX shall require the affirmative vote of two independent directors.

The Manual recognizes the authority of the Board of Directors to create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Manual. The Board of Directors adopted on January 30, 2019 a *Framework for a Self-Rating Performance System* which among others that every January of each year, separate performance assessments of the Board of Directors and the board committees shall be conducted using the criteria and rating system presented in circulated questionnaires. For the Board of Directors, the criteria currently focuses on the following key areas: composition and competencies of board members, decision-making effectiveness, relevance & timeliness of information and management of shareholders. For the board committees, the criteria currently focuses on the following areas: composition & competencies of committee members, decision-making effectiveness, appropriateness of committee recommendations and availability of information & resources. Following the adoption of the *Framework for a Self-Rating Performance System*, the members of the Board of Directors and board committees completed their respective performance assessments for 2018.

The organization has a performance rating system for executives and employees.

The Parent Company is not aware of any deviation from or violation of the provisions of the Manual.

The Parent Company undertakes to further improve its corporate governance practices as may be required by law or the exigency of the business.

On May 6, 2019, the Parent Company submitted with the Securities and Exchange Commission its Integrated Corporate Governance Report for 2018 (SEC Form I-ACGR) with the corresponding attestation on the organization's internal audit, control and compliance system. These documents were submitted with the Philippine Stock Exchange on May 8, 2019.

(2) ***CEMEX Code of Ethics and Business Conduct***

The Company adheres to the Code of Ethics and Business Conduct of CEMEX ("Code") which was established to ensure that all employees of CEMEX worldwide abide by the same high standards of conduct in their daily interactions. This Code is designed to govern the Company's relationships with all of its stakeholders, workplace safety, health, environmental responsibility, protection of confidential information, conflicts of interest, financial controls and records, and preservation of assets. Through the organization's ethics committees, training programs, and secure internal communications channels, the Company ensures awareness and enforcement of this Code. Among several implementing global policies of CEMEX being observed by the Company are the Global Anti-Trust Compliance Policy, CEMEX Anti-Bribery/Anti-Corruption Policy and CEMEX Insider Trading Policy. The Code and the various implementing global policies of CEMEX are periodically evaluated and, where deemed necessary or appropriate, updated.

In 2019, the employees of the Company received training on various topics governed by the Code, dedicating more than 8,900 training manhours related to Anti-Corruption and Anti-Bribery, Competition and Anti-Trust, Corporate Governance, Health & Safety, Code of Ethics and Business Conduct, and Labor Education. Training programs for employees were also conducted for other topics and focus areas.

(3) ***Material Related Party Transactions Policy***

On September 3, 2019, the Board of Directors approved a *Policy on Material Related Party Transactions* in furtherance of SEC Memorandum Circular No. 10, Series of 2019.

(4) ***Board Committees***

The Parent Company's Board has constituted two committees to more effectively manage the operations: (i) the Audit Committee and (ii) the Nomination Committee.

(a) The Audit Committee will carry out, among other things, the following functions: (i) assist the Board of Directors in the performance of its oversight responsibility for: the company's financial reporting process; its system of internal control; its audit process and the monitoring of compliance with applicable laws, rules and regulations; (ii) supervise the effectiveness of its internal control procedures and corporate risk management systems; (iii) perform oversight functions over its 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 the company's 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 its 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 of Directors; (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 the company's 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.

Following the favorable endorsement of the Audit Committee, the Board of Directors approved the Charter for the Audit Committee on October 25, 2016 and approved the Internal Audit Charter on February 6, 2018.

The Audit Committee is currently comprised of four members, three of whom are the independent directors. The Audit Committee reports directly to the Board of Directors.

During the organizational meeting of the Board of Directors on June 6, 2019, the Board of Directors appointed the following board members as members of the Audit Committee: Pedro Roxas (Chairman), Alfredo S. Panlilio, Eleanor M. Hilado and Larry Jose Zea Betancourt.

The members of the Audit Committee and the Board of Directors of the Parent Company are informed about the internal controls and procedure observed by the Company, and are regularly updated about and have reviewed the results/ findings of the audit and monitoring processes. The Audit Committee and the Board of Directors have not detected material weaknesses in the internal controls and risk management system currently in place. In support of the oversight function of the Board of Directors, the Audit Committee is tasked to consider improvements to further enhance the effectiveness of the internal controls and risk management system of the Company.

(b) The Nomination Committee will carry out, 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 of Directors are competent and will foster the company's long-term success and secure its competitiveness; (ii) review and evaluate the qualifications of persons nominated to the Board of Directors as well as other appointments that require the approval of the Board of Directors; and (iii) assess the effectiveness of the processes and procedures of the Board of Directors in the election or replacement of directors.

The Nomination Committee reports directly to the Board 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 is currently comprised of four members, three of whom are the independent directors. During the organizational meeting of the Board of Directors on June 6, 2019, the Board of Directors appointed the following board members as members of the Nomination Committee: Alfredo S. Panlilio (Chairman), Pedro Roxas, Eleanor M. Hilado and Alejandro Garcia Cogollos.

ITEM 14. Attendance of Directors

A) Meetings of the Board of Directors in 2019

Name	Date of Election [initial date / re-election date(s)]	No. of Board Meetings Held during the Director's tenure in 2019	No. of Board Meetings Attended
Joaquin Miguel Estrada Suarez (Chairman)	29 February 2016 /7 June 2017/ 6 June 2018/ 6 June 2019	9	8

Pedro Roxas (Lead Independent Director)	3 June 2016 /7 June 2017/ 6 June 2018/ 9 June 2019	9	7
Alfredo S. Panlilio (Independent Director)	3 June 2016 /7 June 2017/ 6 June 2018/ 6 June 2019	9	5
Eleanor M. Hilado (Independent Director)	6 June 2019	6	6
Ignacio Alejandro Mijares Elizondo	4 July 2017/6 June 2018 / 6 June 2019	9	9
Alejandro Garcia Cogollos	25 April 2018/ 6 June 2019	9	9
Antonio Ivan Sanchez Ugarte	6 December 2017 (effective on 1 January 2018)/ 6 June 2018/6 June 2019	9	9
Larry Jose Zea Betancourt	2 April 2019/6 June 2019	7	7

B) Meetings of the Audit Committee in 2019

Name	No. of Committee Meetings Held during the Member's tenure in 2019	No. of Committee Meetings Attended
Pedro Roxas (Chairman)	6	5
Alfredo S. Panlilio	6	4
Eleanor M. Hilado	3	3
Larry Jose Zea Betancourt	3	3
Alejandro Garcia Cogollos[21]	3	3

C) Meetings of the Nomination Committee in 2019

In 2019, the Nomination Committee convened meetings on April 2, 2019 and April 24, 2019. During the meeting on April 2, 2019, Chairman Alfredo S. Panlilio and Pedro Roxas, who were the only incumbent members then, attended the meeting. During the meeting on April 24, 2019, all members of the committee, i.e. Chairman Alfredo S. Panlilio, Pedro Roxas and Larry Jose Zea Betancourt, were in attendance.

[21] In 2019, Alejandro Garcia Cogollos was a member of the Audit Committee for the period prior to the Annual Meeting of Stockholders held on June 6, 2019. He attended all three meetings of the Audit Committee which were held during his tenure as member of the Audit Committee.

PART V - EXHIBITS AND SCHEDULES

ITEM 15. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

A - Consolidated Financial Statements of the Company as at and for years ended December 31, 2019 and December 31, 2018 and Supplementary Schedules
B - SEC Form 17-Q for Quarter Ended March 31, 2019 (1st Quarter 2019)
C - SEC Form 17-Q for Quarter Ended June 30, 2019 (2nd Quarter 2019)
D - SEC Form 17-Q for Quarter Ended September 30, 2019 (3rd Quarter 2019)

(b) Reports on SEC Form 17-C

List of Disclosures under SEC Form 17-C for the period from 1 January 2019 to 31 December 2019

Subject Matter	Date of Form 17-C
Amendment to the Revolving Facility Agreement between SOLID Cement and CEMEX Asia, B.V.	December 20, 2019
Press Release on CHP's Stock Rights Offering	December 16 2019
PSE Approval of CHP's Listing Application	December 13, 2019
Amendment to the Revolving Facility Agreement between SOLID Cement and CEMEX Asia, B.V.	November 28, 2019
Update on Environmental Case in Cebu	November 11, 2019
Briefing Materials for the Conference Call/Webcast for 3rd Quarter 2019	October 25, 2019
Press Release on Stock Rights Offering	October 17, 2019
Results of Special Meeting of Stockholders held on 16 October 2019	October 16, 2019
Notice of Investors' Briefing for 3rd Quarter 2019	October 14, 2019
Change in Telephone Numbers	October 4, 2019
Notice of Special Meeting of Stockholders and Rights Offering	September 3, 2019
Supplemental Information to 2nd Quarter 2019 Materials	August 2, 2019
Briefing Materials for the Conference Call/Webcast for 2nd Quarter 2019	July 26, 2019
Appointment of Vice President	July 24, 2019
Notice of Investors' Briefing for 2nd Quarter 2019	July 19, 2019
SEC Approval of Amended By-Laws	July 18, 2019
Press Release on Results of Annual Meeting of Stockholders	June 27, 2019
Statement on the Results of the 2019 Annual Meeting of Stockholders	June 6, 2019
Results of the Organizational Meeting of Board of Directors 2019	June 6, 2019
Results of Annual Meeting of Stockholders 2019	June 6, 2019
Postponement of Annual Meeting of Stockholders to 6 June 2019	May 30, 2019
Amendment to the Revolving Facility Agreement between SOLID Cement and CEMEX Asia, B.V.	May 27, 2019
Amendment to the Facility Agreement between CHP and BDO Unibank, Inc.	May 17, 2019
Amended 1st Quarter2019 Presentation	May 6, 2019
Amended 1st Quarter2019 Report	May 6, 2019
Briefing Materials for the Conference Call/Webcast for 1st Quarter 2019	April 26, 2019
Notice of Investors' Briefing for 1st Quarter 2019	April 17, 2019

Notice of Annual Meeting of Stockholders with Agenda, Explanatory Notes and Supplemental Information	April 5, 2019
Details of the 2019 Annual Meeting of Stockholders	April 2, 2019
Change in Directors	April 2, 2019
Change in Directors (Amended)	April 2, 2019
Notice of CEMEX Day	March 14, 2019
Amendment to the Revolving Facility Agreement between SOLID Cement and CEMEX Asia, B.V.	February 28, 2019
Briefing Materials for the Conference Call/Webcast for 4th Quarter 2018	February 08, 2019
Notice of Investors' Briefing for 4th Quarter 2018	February 01, 2019
Change in Officers	January 30, 2019
Approval of the Board of Investments for Solid Cement's New Line	January 30, 2019

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code, this report is signed on behalf of CEMEX HOLDINGS PHILIPPINES, INC. by the undersigned, thereunto duly authorized, in the City of Makati on 13 May 2020.

CEMEX HOLDINGS PHILIPPINES, INC.

By:

IGNACIO ALEJANDRO MIJARES ELIZONDO
President and Chief Executive Officer

STEVE KUANSHENG WU
Treasurer and Chief Financial Officer

JANNETTE VIRATA SEVILLA
Corporate Secretary

SUBSCRIBED AND SWORN to before me on MAY 20 2020 in Makati City, Metro Manila, affiant(s) exhibiting to me the following documents:

NAMES	IDENTIFICATION DOCS	PLACE/DATE OF ISSUE
Ignacio Alejandro Mijares Elizondo	[redacted]	[redacted]
Steve Kuansheng Wu	[redacted]	[redacted]
Jannette Virata Sevilla	[redacted]	[redacted]

Doc. No. 392;
Page No. 60;
Book No. 26;
Series of 2020.

RUBEN T.M. RAMIREZ
Notary Public for Makati City
Until December 31,2021
2086 E. Pasaus St., Makati City
IBP O.R No. 097071/ December 10,2019
Roll No. 28947/ MCLE No. VI-0020246
PTR No. MKT 8117044/1-02-2020
Appointment No. M-158

CEMEX HOLDINGS PHILIPPINES, INC. (CHP) SUSTAINABILITY REPORT 2019

COMPANY DETAILS	
Name of Organization	**CEMEX HOLDINGS PHILIPPINES, INC. (CHP)**
Location of Headquarters	34th Floor Petron Mega Plaza Building 358 Sen. Gil J. Puyat Avenue, Makati City
Location of Operations	**CEMEX HOLDINGS PHILIPPINES, INC.**[1] 34th Floor Petron Mega Plaza Building 358 Sen. Gil J. Puyat Avenue, Makati City **SOLID CEMENT CORPORATION (SOLID)** Sitio Tagbac, Barangay San Jose, Antipolo City, Rizal **APO CEMENT CORPORATION (APO)** Barangay Tina-an, Naga City, Cebu
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	CEMEX HOLDINGS PHILIPPINES, INC. SOLID CEMENT CORPORATION (SUBSIDIARY) APO CEMENT CORPORATION (SUBSIDIARY)
Business Model, including Primary Activities, Brands, Products, and Services	CHP with its two principal operating subsidiaries, i.e., APO CEMENT CORPORATION (“APO Cement”) and SOLID CEMENT CORPORATION (“Solid Cement”), are involved in the production, marketing, distribution and sale of cement and other cement products in the Philippines with well-established brands, such as "APO", "Island", and "Rizal", each of which has a multi-decade history in the Philippines. In the production of cement products, the following are key activities in the supply chain, including pre-manufacturing phase: (a) raw materials extraction (b) manufacturing and packaging (c) sales and marketing. Raw materials extraction and transportation is carried out by suppliers that are owned and controlled by third-party entities or entities that are not a member of the CHP Group of companies.
Reporting Period	January 1, 2019 – December 31, 2019
Highest Ranking Person responsible for this report	**CARLOS ALBERTO PALERO CASTRO** Vice President for Operations and Technical

[1] *The term " Company" refers to CEMEX HOLDINGS PHILIPPINES, INC. (CHP) together with its two principal operating subsidiaries, i.e., APO Cement and Solid Cement. Except as the context otherwise may require, references in this report to “we,” “us” or “our” refer to the Company.*

MATERIALITY PROCESS

We went through a series of steps to determine which Sustainability topics are material to our Company. We referred to the material topics of CEMEX as our take-off point. CHP is an indirect subsidiary of CEMEX. We validated and contextualized this by identifying key activities and impacts in our value chain in the Philippines including the operations of our suppliers that are critical to our value creation. We also referred to the stakeholder feedback obtained from our formal and informal channels to gauge our stakeholder's expectations on sustainability. The following specific steps were undertaken:

1. Understanding the Sustainability Context. We looked at the communities where we operate as well as the local and national sustainable development challenges that are impacted by what we do as a Company. We have identified the most relevant issues such as climate change, water scarcity, energy security, materials scarcity, physical hazards to communities from our operations, biodiversity, social inequality, the need for infrastructure, as well as government and regulatory-related uncertainties. With these in mind, we identified which specific activities in our operations affect these topics, and how.

2. Identifying Material Environmental, Social, and Economic Impacts across Supply Chain. For each key activity in the supply chain impactful or relevant to our business and operations, we identified relevant impacts to the economy, environment, and society. We also highlighted key impacts relevant to the sustainable development issues we identified earlier. The key steps in the supply chain we have considered are as follows:

a. **Quarrying of Raw Material.** Limestone and clay are extracted in a controlled manner designed to minimize the effect to the environment. Blasting is done with the use of the full initiation system, seeking to minimize air blasts and vibrations. In some quarries with medium type of raw materials that do not require blasting, heavy equipment like excavators, back hoes and loaders are used for mining operation.
Note: This activity is carried out by a third-party supplier/s.

b. **Transporting the Raw Material.** The quarried materials are transported to the crushing plant by dump trucks and fed to the crusher hopper.
Note: This activity is carried out by a third-party supplier/s.

c. **Crushing.** The quarried materials are fed to the crusher hopper to further reduce its size by crushing to approximately 80 mm diameter size and transported via belt conveyor to the limestone storage.

d. **Pre-homogenization.** The raw material from the limestone storage are scraped and conveyed to different bins for pre-homogenization. This is the proportional mix of the different types of materials like limestones, clay and any other required material for the raw mix.

e. **Raw Material Grinding.** This takes places in vertical raw mills, which grinds the material through the pressure exerted by four rollers, which roll over a turning milling table. Fine raw meal is produced in this process.

f. **Raw Meal Homogenization.** This process takes place in silos equipped with an aeration system to maintain a homogenous mix of fine raw material to be fed to the kiln.

g. **Calcination.** Calcination is the core portion of the process, in which huge rotary kilns come into play. Inside, at 1400 degrees Celsius, the raw material is transformed into clinker: small, dark gray nodules that are 3-4 centimeters in diameter.

h. **Cement Milling.** In a horizontal ball mill, the clinker is ground by different-size steel balls while it works its way through the horizontal mill's chambers, with gypsum being added to extend cement setting times. In a vertical cement mill, clinker is ground through the pressure exerted by four rollers, which roll over a turning milling table.

i. **Cement Packaging and Delivery.** The cement that are stored in a cement silo are extracted thru fluid or to the packhouse rotopackers where it will be packed in 40 kg sacks. For cement in tonner bags packaging and bulk loading, these are extracted directly from the cement silo. In either case, it can be transported via trucks or vessels thru the port facilities.

Any topic related to our key capitals, i.e. the input materials, water, human capital, that are critical to our viability and operability are considered material topics. We also included the impacts of our third-party suppliers that affect the sustainability challenges we earlier identified. We mapped our products and how they contribute to infrastructure development across sectors, such as mobility, energy, agriculture, and built environment.

3. Taking Stakeholders Perspectives. This year, we relied on existing stakeholder feedback that has been collected over the years through our formal channels. The feedback was collected by key actors responsible for engaging our key stakeholders, such as investors, customers, regulators, community members, as well as our employees. We identified which topics are frequently being raised by the stakeholders and included these in our list of material topics. Stakeholder information are provided in Annex A.

4. Defining Performance Metrics. For each material topic, we identified metrics that most effectively capture our sustainability performance. We referred to the Philippines Securities and Exchange Commission (SEC) reporting guidelines, as well as the Global Reporting Initiative standards, which provides universally used metrics for sustainability performance disclosures.

5. Defining Management Approaches. For each material topic, we characterized the risks and opportunities and defined how these are managed. We looked internally at what we have been doing over the years and identified gaps where management approaches have not been clearly defined and documented. In the future, we expect to create a tracking system to better manage these topics and evaluate whether the management approaches that we have put in place have indeed contributed to improve our performance on such topics.

ECONOMIC

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Table 1

DISCLOSURE	AMOUNT (in thousands)	CURRENCY
Direct Economic Value Generated (Revenue and Other Income)	23,664,755	PhP
Direct Economic Value Distributed:		
a. Operating Costs and Other Expenses	18,142,460	PhP
b. Employee Wages and Benefits	1,161,048	PhP
c. Interest Payments to Loan Providers	1,163,102	PhP
d. Taxes to Government	357,869	PhP
e. Investments to Community	8,593	PhP

Total Economic Value Distributed = 20.8 B PhP or 88% of Revenue

PROCUREMENT PRACTICES

Proportion of Spending on Local Suppliers

Table 2

DISCLOSURE	QUANTITY	UNITS
Percentage of Procurement Budget used for Significant Locations of Operations that is Spent on Local Suppliers	81%	%

ECONOMIC PERFORMANCE AND PROCUREMENT PRACTICES
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

Impacts. Our impact to local and national economy depends on two factors - our ability to create value and our policies and practices that affect how we distribute economic opportunities to our stakeholders.

Our value creation is key to our ability to flow economic value to society. The revenue that we gain each year represents how our customers value our products, services, and innovative solutions. Our continual product innovation to meet customer expectations and grow our market influences our ability to create value. In 2019, we have created more than 23 B PhP of economic value. A good 20.8 B PhP or 88% of our revenue flows back to different stakeholders creating ripples of economic opportunities, supporting thousands of jobs and other enterprises.

We recognize that the distribution of economic opportunities to our key stakeholders, such as employees and suppliers, impacts their own productivity, viability, and growth. In 2019, around 77% of our revenue (18.1 B PhP) flowed to our suppliers of goods and services, some small and medium sized enterprises, whose economic activities also support their own employees and suppliers. Also, around 81% of payment to suppliers went to businesses who operate in the Philippines. Furthermore, around 5% of our revenue flowed to our employees.

Our payment of taxes to government may affect their ability to provide social services to its citizens. In 2019, we paid 357.9 M PhP in taxes to the government. We also aim to impact the community around us by providing economic opportunities through activities such as local employment, local sourcing, and corporate social responsibility projects. Lastly, our ability to meet our investor's expectations and financial services providers may affect our ability to source capital to support our growth. Hence, we seek to ensure that our spending decision making is guided by the highest standards of fairness and equitability.

Risks. Our ability to create value is influenced by various risks. We take an effort to systematically characterize these risks, understand its implications to our business, and ensure that they are adequately managed. These risks include:

Table 3

KEY BUSINESS RISKS	DESCRIPTION (Likelihood and Impact)
High Dependence of Business to Philippine Economic Performance	The Company's growth prospects are largely dependent upon the economic growth in the Philippines. The Company's growth will depend partially on whether the Philippine economy can maintain a consistent growth rate, as well as our ability to capitalize on such growth. The Philippines has experienced periods of slow or negative growth, high inflation, significant depreciation of the peso and the imposition of exchange controls. There also can be no assurance that an economic slowdown in the Philippines will not recur. Any deterioration of the economic or political environment in the Philippines could adversely affect demand for the Company's products, business, financial condition, and results of operations.
A Reduction or Delay in Public or Private Construction Projects	The Company's principal 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 the Company's business, financial condition, and results of operations. There can be no assurance that the Philippine government will continue to promote public infrastructure spending.
High Debt-to-Operating EBITDA Ratio	The Company's indebtedness could have significant adverse consequences, including impairing its ability to obtain additional financing for working capital, capital expenditures, or acquisitions. When the indebtedness is high, the Company may be at a disadvantage and may have reduced flexibility in planning for, or responding to, changing conditions in the industry, including increased competition. The Company may also be more vulnerable to general economic downturns and adverse developments in its business.
Price Fluctuations from Oversupply of 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 has substantially increased in the Philippines, which has adversely impacted pricing.
Operability of the Two Cement Plants	The Company is dependent on the continuing operation of the Company's two cement plants. These plants are subject to normal risks of industrial production, including, but not limited to, equipment breakdowns, labor stoppages, natural disasters, directives from Government agencies and power interruptions. Any prolonged or significant disruption to the cement plants, whether due to repair, maintenance or servicing, industrial accidents, mechanical equipment failure, human error or otherwise, will disrupt and adversely affect the Company's operations. Additionally, any major or sustained disruptions in the supply of utilities such as water or electricity, the supply of raw materials, fires, flooding, landslides or other natural calamities, communal unrest or acts of terrorism, may

	disrupt our operations, damage our cement plants, inventories and could adversely affect the Company's business, prospects, financial condition, and results of operations.
Highly Competitive Markets	The Company operates in highly competitive markets. Companies in these markets compete based on a variety of factors, often employing aggressive pricing strategies to gain or protect their share of the market. The Company primarily competes based on quality, market presence, distribution network, diversity of product offerings, sales strategy, brand image, and pricing. In addition to domestic competition, foreign-based producers are also considered as competitors due to the influx of imported cement in the country.
Fluctuation in Interest Rates	The Company is exposed to interest rate risk primarily in connection with certain long-term loans which are subject to variable interest rate.
Regulatory Risks	New regulatory developments may increase costs of doing business or restrict operations. The principal areas in which the Company is subject to regulation are product quality standards, environmental compliance, the Company's methods of distribution, labor, taxation, antitrust, and health and safety. The Company may also be adversely affected by regulations that affect third-parties that provide the Company with products and services.

Apart from these business risks, we also recognize that inequitable economic value distribution could have implications on creating more inequality in society and reducing the ability of our stakeholders to meet their compromises to us. Inequality drives the poor performance of our suppliers and their employees, which could also affect our long-term viability. The succeeding items provide approaches to how we optimize our economic performance by ensuring an equitable flow of economic value to our stakeholders. The aforementioned risks, as well as the risk factors described under "Section 2 - General Business Description - Major Risks Affecting the Business" included in our annual report for the year ended December 31, 2019 filed to the SEC (the "2019 Annual Report"), are not the only risks we face, and any of the risk described above and in the 2019 Annual Report could significantly and adversely affect our business, liquidity, results of operations or financial condition, as well as, in certain instances, our reputation.

Management Approach for Impacts and Risks

We have put in place a system aimed to ensure we keep our business risks sufficiently managed. It provides a structured approach designed to manage all important risks including environment, health and safety risks that could impact the Company's objectives. Figure 1 summarizes the key processes.

Figure 1. Risk Management Process

The Enterprise Risk Management (ERM) function provides support to the decision-making process, by anticipating and coordinating management of short-term, medium-term, and long-term risks that could prevent our company from achieving its strategic objectives. We employ tools to gather information from a range of sources, analyze the data, identify and assess potential risks, and respond to them. This process is aligned to the global CEMEX ERM approach as follows:

Risk Identification. ERM team uses several risk identification techniques that focus on both strategic and operational issues. A combined bottom-up and top-down approach is used to try to include risk perspectives from all levels of the company. Other processes within our company, such as internal audits, internal controls, compliance, and financial risk management, complement the surveillance function of ERM.

Risk Assessment. Risks are analyzed and assessed using quantitative and qualitative methods and then prioritized based on their estimated impact and probability of materialization.

Risk Mitigation. A mitigation strategy with specific action plans is defined for each risk and a risk owner who are primarily responsible for risk treatment. Risk and opportunity plans are updated at least on a biannual basis, considering all types of risks, trends, and emerging concerns that could impact our company.

Risk Follow-up. Risk developments are continuously monitored and changes in their status are promptly provided to management.

We have several processes that test the robustness of our systems, evaluate compliance across all business units, and encourage continuous improvements. These processes include compliance training for employees, periodic reviews of our policies and procedures, and regular internal audits.

Our ERM process follows and replicates best world standard practices like ISO 31000 “Risk Management Guidelines,” ISO 31010 “Risk Assessment Techniques,” ISO 22301 “Business Continuity Management Systems” and the Business Continuity Institute “Good Practices Guidelines” among other certifications.

Role of the Board in ERM

Based on the Organization for Economic Cooperation and Development (“OECD”) principles of corporate governance, the Board of Directors oversees and monitors CHP’s business objectives and strategy. The Board of Directors convenes for meetings to discuss various significant matters affecting CHP, including regular quarterly meetings to discuss financial and operational results, risks, and review our business approach.

The Board of Directors reviews and oversees the implementation of (i) the annual budget and business plans including major capital expenditures, (ii) strategies designed to address risks and other challenges or opportunities impacting CHP, and (iii) other initiatives developed to promote plant, logistics and organizational efficiencies and improvements.

Table 4 provides a summary of Risk Assessment processes done to monitor and measure risks, as well as the corresponding control mechanisms.

Table 4

KEY BUSINESS RISKS	RISK ASSESSMENT (Monitoring and Measurement)	RISK MANAGEMENT AND CONTROLS (Structures, Procedures, Actions Taken)
High Dependence of Business to Philippines Economic Performance	• Scanning of local, regional, and international news and economic information • Monitoring of public and private construction information	• Maximize organic growth by delivering superior customer experience • Capitalize on CEMEX Go digital platform • Drive operational excellence • Monitoring and scenario planning to anticipate potential risks and opportunities
A Reduction or Delay in Public or Private Construction Projects	• Scanning of local, regional, and international news and economic information • Monitoring of public and private construction information	• Deliver superior customer experience • Leverage sales through CEMEX Go digital platform • Customer segmentation and customized value propositions • Drive operational excellence
Highly Competitive Markets	• Scanning of local, regional, and international news and economic information • Monitoring of public and private construction information • Regular assessment of sales and operations strategy	• Deliver superior customer experience • Leverage sales through CEMEX Go digital platform • Customer segmentation and customized value propositions • Drive operational excellence
Price Fluctuations from Oversupply of Cement	• Scanning of regional cement supply and demand dynamics • Monitoring of public and private construction information • Regular assessment of sales and operations strategy	• Deliver superior customer experience • Leverage sales through CEMEX Go digital platform • Customer segmentation and customized value propositions • Drive operational excellence
Operability of the Solid and Apo Plants	• Annual external audit and regular internal audit on the plant's Integrated Management System on Health and Safety (ISO 45001), Environment (ISO 14001), and Quality (ISO 9001) • Annual external audit and regular internal audit on the plant's Energy Management System (ISO 50001) • Annual third-party evaluation of the	• Full adherence to high health and safety standard and ensuring nothing comes before the health and safety of our employees, contractors, and the community • Drive operational excellence • Secure supply of required materials through long-term renewable contracts and framework agreements • Monitor inventory and identify critical

	plant's loss prevention systems and equipment maintenance • Annual site audit by CEMEX Central's Process Assessment Certification System (PACS) team to ensure standard operational practices are in place • Implementation of monthly system check on Health, Safety and Security performance of the plant • Monthly review and administration of key performance indicators and initiatives • Regular conduct of on-site Continuous Improvement meetings • Regular review, scheduling and execution of plant equipment preventive maintenance, and equipment Capital Expenditures	levels • Investment in equipment to monitor, control and abate emission levels in our kilns • Consistently record and report environmental, health, and safety incidents at every level of our business to identify recurring root causes and to share corrective actions • Adherence to high social responsibility standards • Implementation of sustainable community engagement plans to build mutually beneficial long-term relations with nearby districts and key stakeholders • Have business continuity plans to avoid major disruptions to our business • Insure assets – our main operations and assets are insured against certain adverse events. However, in most cases, the insurance policy does not cover the total impact that an adverse event could have, which limits its effect.
High Debt-to-Operating EBITDA Ratio	• Continuous monitoring of company financial condition, ratios, and projections • Regular assessment of sales and operations strategy	• Focus on EBITDA growth • Maintain profitability through cost and operational efficiencies • Drive prudent financial strategy • Manage working capital efficiently
Fluctuation in Interest Rates	• Scanning of news and economic information • Continuous monitoring of company financial condition, ratios, and projections	• Focus on EBITDA growth • Maintain profitability through cost and operational efficiencies • Drive prudent financial strategy • Manage working capital efficiently
Regulatory Risks	• Monitoring of local, regional, national, and international news and regulations	• Compliance with laws and regulations • Commitment to conduct all business activities with high ethical standards • Enhancement of our Code of Ethics and Business Conduct, which addresses anti-bribery, related-person transactions, health and safety, environmental responsibility, confidentiality, conflicts of interest, financial controls, and preservation of assets • Continued enhancement of the Company's anti-corruption and bribery policies and trainings • Acknowledgement and understanding of our Code of Ethics and Business Conduct by employees

		• Secured ETHOSline to submit suggestions, inquiries, and report alleged ethics, compliance or governance violations • Continuous internal audits and internal controls in place to prevent misconduct by our employees and third parties • Incorporate compliance-related initiatives in the management of third parties

Approaches to Optimize our Economic Impacts

We continue to improve our policies and systems to ensure that the distributed economic value flows to the right stakeholders in an equitable manner. Our policies and monitoring system on governance and anti-corruption help us to achieve this. The anti-corruption section on this document will provide more details.

While we negotiate our contracts with our suppliers and service providers to gain the best price, we put due care aiming to reach a fair price for both parties. This seeks that our suppliers do not compromise important aspects of their operations, which also affects their sustainability and ability to meet our quality standards.

Overall, we track the portion of our revenue that flows back to society to see how our business drives more economic activities across our value chain and in the geographies where we operate. In 2019, 88% of our revenues flowed back to the economy. Most of the value that we retained is reinvested to drive future growth.

Equitable Distribution and Inclusion. In our production facilities, we offer inclusive employment opportunities to local community members. Whenever possible, we source local goods and services from Micro, Small and Medium Enterprises (MSMEs), despite our industry being highly technical and specialized. Hence, part of the work that we do in our locations is to help build more capability for locals to be able to supply what we need in our operations.

Equitable Access to our Products. We continue to strengthen our distribution network around the country to be able to provide those in the far-flung areas access to our products and services. Part of our strategy is to supply directly to hardware stores to better manage the local supply of our products. We also design more competitive products to meet our customer needs at a price that is within their reach.

Fair Compensation to our Employees. We seek to ensure that our level of compensation enables our employees to enjoy quality of life and access basic services. Compared to minimum wage of respective provinces where we have major operations, our lowest paid employee's rate is 135% higher than the minimum wage. We benchmark with industry standards in the Philippines seeking that our compensation remains competitive and fair for our employees.

Meeting Our Financial Obligations to Government. Our Tax Department's primary function is aimed to ensure compliance with Philippine tax laws and regulations. Headed by a CPA-Lawyer, the Tax Department also has four (4) certified public accountants who are knowledgeable with the requirements imposed by the Philippine tax authorities, which are the Bureau of Internal Revenue, Bureau of Customs and the various local government units. To help ensure tax compliance particularly in dealing with certain complex and highly technical tax rules, we are also supported by an external tax advisory firm. This combined external and internal tax-related knowledge and capability help ensure that the Company is paying the correct taxes to the government.

On instances when there is a need to discuss with tax authorities new or highly technical tax issues, we may engage qualified tax consultants who expressly abide by our Anti-Bribery policies and who themselves have established their own effective anti-bribery controls. We observe a process designed to ensure that there are no facilitation payments involved in the transactions with the government. Regardless of the engagement of external tax consultant, tax-related discussions with the tax authorities are made with the direct participation of the Head of the Tax Department or by its Tax Manager who is under the direct supervision of the Head of the Tax Department. Also, payments for consultancy fees are consistent with the reasonable time charges agreed with the tax consultants prior to the start of engagement. Finally, there is no success fee-based remuneration for consultants.

Meeting the Needs of our Communities. We conduct an annual stakeholder consultation among community leaders (Department of Environment and Natural Resources (DENR), Local Government Units (LGUs), Non-Governmental Organizations (NGOs), academe, church) to better understand their needs, and prioritize these recommendations based on our available resources. These projects are mostly infrastructure, such as provision of water systems, road repairs, educational learning programs and provision of school supplies, as well as livelihood programs which create economic opportunities for the community.

Opportunities & Management Approach

While we have put in place measures to manage our risks and optimize the value that we create and distribute to our stakeholders, we see an opportunity to assess our suppliers and hold them to the same standards. As a management approach, we will review our supplier accreditation and assessment processes to see opportunities for encouraging them seeking that they distribute economic value to their stakeholders in an equitable way. Specifically, we will assess the effectiveness of our suppliers' anti-corruption measures and their policy and practice on employee compensation and benefits. We see significant benefits to this effort as 77% of our revenue flows to our supplier of goods and services.

Climate-related risks and opportunities

The operability of our two plants are subject to climate change impacts, including, but not limited to, flooding, water shortage, and extreme weather events. These risks may disrupt our operations, damage our cement plants and inventories that could adversely affect the Company's business, prospects, financial condition, and results of operations. Additionally, any major or sustained disruptions in the supply of utilities such as water or electricity, or the supply of raw materials as a result of climate impacts would also have financial implications to our business.

These issues are discussed in both CHP's management and board level along with other risks. Moving forward, we will put more emphasis into these risks to build better understanding of its business implications under various climate scenarios. We will also take the step to estimate the financial implications of these risks to our business in the short, medium, and long-term horizons.

As we gain better understanding of the financial implications, the topic's priority will be elevated even more at the management and board level where specific actions and targets may be drawn.

ANTI-CORRUPTION

Training on Anti-corruption Policies and Procedures

Table 5

DISCLOSURE	QUANTITY	UNITS
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	29[2]	%

Incidents of Corruption

Table 6

DISCLOSURE	QUANTITY	UNITS
Number of incidents in which directors were removed or disciplined for corruption	0	Incidents
Number of incidents in which employees were dismissed or disciplined for corruption	0	Incidents
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	Incidents

In 2019, we did not have any incidence of corruption. This was determined by reviewing our records such as internal and/or external incident reports, administrative cases heard, and formally litigated cases of violations of applicable anti-corruption and anti-bribery laws involving the Company, its directors, officers, employees, authorized representatives, agents, and/or contractors.

ANTI-CORRUPTION
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

We recognize how corruption could disrupt the equitable flow of value to our key stakeholders, i.e. suppliers, employees, government, and providers of capital. Corruption could increase the cost of doing business which has gross implications to our competitiveness and long-term viability. The Company considers all business operations that interact with any third-party, including, but not limited to, the government, regulators, suppliers and/or customers, as areas that have corruption risks. Hence, all employees involved in such functions receive intensive training on anti-corruption and anti-bribery policies, including third parties who interact with the Company's employees.

[2] *In 2019, 208 out of 717 employees (29%) underwent training on anti-corruption. These employees were prioritized as their role involves interaction with third-parties or government entities.*

Management Approach for Impacts and Risks

Our Policy. Our anti-corruption policy is embedded in our Code of Ethics and Business Conduct. It expressly declared that the organization rejects all forms of corruption. It is designed to govern our relationships with all of CHP's stakeholders, and addresses anti-bribery, antitrust compliance, money laundering prevention, related-person transactions, workplace safety, health, environmental responsibility, confidentiality terms, conflicts of interest, financial controls and records, and preservation of assets.

The Company forbids all its directors, officers, employees, authorized representatives, agents, and/or contractors from promising or providing anything of value to third parties, including, but not limited to, government officials, regulators, suppliers, and/or customers to secure any undue advantage or unduly influence any decisions. It is also forbidden to accept or demand anything of value to influence decision-making on behalf of the Company. "Anything of value" is very broad and can include, but is not limited to, cash, cash equivalents (gift cards), gifts, favors, food, entertainment and opportunities.

The Company, its directors, officers, employees, authorized representatives, agents, and/or contractors cannot offer anything in order to obtain permits or licenses, to keep or obtain any business, to get any sort of advantage, or to try and unduly influence decisions, particularly with government officials. In addition, the Company has a strict policy on not retaining a third-party representative, intermediary or agent that engages in corrupt activities on behalf of the Company. Before dealing with any third party, the Company must first analyze if it is reputable, confirm it has agreed to comply with the Company's Code of Ethics, and that it has signed the Company's Letter of Commitment for Anti-Bribery Compliance Laws.

In general, the following are the guidelines of the Company when it comes to corruption and bribery:

1. The Company, its directors, officers, employees, authorized representatives, agents, and/or contractors may only provide gifts and hospitalities according to the Company's policies.

2. Employees of the Company are required to obtain a written approval from their immediate supervisor, the Company's Legal Department, and the President of the Company before executing any payment or receiving expense reimbursement from any government official.

3. As a rule, the Company requires all contracts and agreements with any third party be reviewed by the Company's Legal Department.

4. The Company shall maintain accurate and truthful books, records, and accounts.

5. The Company verifies the identity and background of the beneficiary or recipient of any charity, donation or sponsorship, and obtains authorization according to applicable policies.

6. The Company does not pay for items that cannot be supported with a receipt and/or invoice.

7. The Company does not permit upfront cash payments or any other type of unusual pay arrangement.

Failure to comply with our Code will be considered misconduct and may subject the erring employee, officer or director to disciplinary action.

Detection and Action. The Code of Ethics and Business Conduct describes the process for investigating violation of the Code, including its implementing policies like the Anti-Bribery and Anti-Corruption Policies.

Administratively, if the person involved in a corruption incident is a director, officer, or employee (the "Respondent"), the Company will issue a Notice to Show Cause. Once the Respondent provides a written reply, the Company will evaluate the same. If the Company determines that further investigation is necessary, the Company will issue a second notice in the form of a Notice of Administrative Hearing. The Respondent is then given another opportunity to be heard in an administrative hearing. Should the Company determine that the Respondent is guilty of corrupt practices, the Company will issue a third notice informing the Respondent about the findings and the sanction to be imposed. The sanction may range from two (2) weeks suspension up to dismissal. For avoidance of doubt, the administrative process is separate and distinct from the possible remedies that the Company may take as provided for in applicable anti-corruption laws.

If the person involved is a third-party acting on behalf of the Company, the Company will conduct investigation and determine if actions must be taken. If the third-party is found to have committed corruption, the Company shall implement actions to possibly terminate its relations with the said third-party and resort to possible remedies provided for in applicable anti-corruption laws.

A full copy of the Code of Ethics and Business Conduct is publicly available at:
https://www.cemexholdingsphilippines.com/about-us/ethics-and-compliance

Opportunities and Management Approach

We continue to improve our systems to monitor and detect corruption incidences within the organization, as well as third-party entities acting on behalf of the Company. Beyond pre-screening and policy training, we expect to set-up more proactive ways to detect, report, and investigate corruption cases. We will continue to strengthen our whistle blowing policy platform through the ETHOSline where anyone can anonymously report any incidence of corruption. We will also continue our annual Anti-Corruption and Anti-Trust Seminars to continually put emphasis and importance of this matter.

If there are concerns or suspected ethics, governance or compliance violations, it's important that our employees, our stakeholders, and the general public have a trusted, secure place to which they can turn. Managed by an autonomous third party, our ETHOSline provides an online portal and phone line for sending comments, requesting advice, and submitting complaints on these topics. Accessible through our company website. This secure, confidential, and independent portal is available 24 hours a day, seven days a week. Open and free for all to use, our ETHOSline records more complaints every quarter, underscoring the growing confidence that people place in this secure, confidential reporting tool.

Ultimately, our main goal is to get to the bottom of every report; all cases are looked at. We carry out a review; then if needed, an investigation to handle it according to our ETHOS Manual; and if applicable, apply consequences if our Code of Ethics is violated.

ENVIRONMENT

CHP SUPPLY CHAIN INPUTS AND IMPACTS

The full supply chain impacting or relevant to the business and operations of the Company is provided in Table 7 to show the different resources the Company requires and the impacts it creates in each step. CHP's owned and controlled operations do not include quarrying and transportation of raw materials which are carried out by CHP's third-party suppliers.

Table 7

INPUT RESOURCES	PROCESSES	ENVIRONMENTAL IMPACT
Materials • Limestone • Clay • Pozzolan Energy • Liquid Fuel	1. Quarrying of Raw Materials *Note: This process is carried out by a third-party supplier.*	• Fugitive Dust Emission • Gas Emissions • Noise • Vibration • Heat • Biodiversity impact
	2. Transporting the Raw Materials *Note: This process is carried out by a third-party supplier.*	• Fugitive Dust Emissions from Hauling • Emissions from Truck Exhaust
Materials • Limestone • Clay • Pozzolan • Alternative Raw Material Energy • Electricity	3. Crushing	• GHG Emission • Dust Emissions • Noise
Materials • Mixed Grade Limestone • Pyrite /Iron Concentrate Energy • Electricity	4. Pre-homogenization	
Materials • Mixed Grade Limestone • Pyrite /Iron Concentrate • Alternative Raw Material • Water (cooling) Energy • Electricity	5. Raw Material Grinding	
Materials • Fine Raw Meal Energy • Electricity	6. Raw meal Homogenization	• GHG Emission • Dust Emission
Materials • Kiln Feed • Water (cooling and dust management) Energy	7. Calcination	• GHG Emissions • Dust Emissions • Gas Emissions • Heat • Noise

• Primary Fuel • Alternative Fuel • Electricity		
Material • Clinker • Gypsum • Alternative Raw Material • Water (cooling and dust management) Energy • Electricity	8. Cement Milling	• GHG Emissions • Dust Emissions • Noise
Materials • Cement • Cement Bag Energy • Liquid Fuel • Electricity	9. Cement Packaging 10. Cement Delivery	• GHG Emissions • Dust Emissions • Cement Sweeping • Hardened Cement • Cement Bag Wastes

The following sections provide CHP's 2019 performance on managing these material topics.

RESOURCE MANAGEMENT – ENERGY

Energy Consumption Within the Organization

Table 8

DISCLOSURE	USAGE QUANTITY FOR THE YEAR			Where it is used in the process
	Quantity[3]	Units	Quantity in GJ	
Energy Consumption (Bunker Fuel)	4,396	K li	174,121	Cement Production, Power Generation
Energy Consumption (Diesel)	312	K li	11,222	Power Generation
Energy Consumption (Special Fuel Oil)	6,423	K li	249,039	Cement Production
Energy Consumption (Primary Fuel)	474,408	t	12,623,667	Cement Production
Energy Consumption (Alternative Fuel)	41,319	t	1,100,808	Cement Production
Energy Consumption (Electricity)	492,447[4]	MWh	1,772,809	Cement Production

Reduction of Energy Consumption

In 2019, we implemented several initiatives in our two cement plants to improve our energy efficiency, which resulted to the following reduction in energy consumption.

Table 9

DISCLOSURE	QUANTITY	UNITS
Energy Reduction (Fuels)	82,397	GJ
Energy Reduction (Electricity)	10,333	MWh

The following provides details of these initiatives:

1. **Monitoring for Optimization and Addressing Energy Deviation.** Energy performance is monitored daily for both electricity consumption and fuel mix. Any energy deviation is analyzed for its root cause and immediately acted upon. Part of monitoring is to identify operation settings that yielded best energy performance for specific product formulation. These operational settings are then applied to succeeding production batches.

2. **Replacement of the Grinding Table in Raw Mill.** During the maintenance shutdown of Solid Cement Plant in 2019, the said equipment was changed to a new one, resulting in improved energy efficiency of the raw mill. A grinding table is used in reducing the raw materials particles to size that is suitable for the kiln. Through time, a grinding table's efficiency is reduced due to wear and tear in its moving parts that are in contact with the raw mill rollers. This results in longer processing time and more energy consumption to achieve the desired fineness. Replacing it with a more efficient equipment saves energy.

3. **Replacement of Liner and Diaphragms in Finish Mill.** The liner and diaphragms are parts of a finish mill that come in contact with moving parts of the ball mill. Through time they get worn out which affects their functions resulting to inefficient grinding process. In 2019, we replaced them with a new design in the two finish mills of our Solid Cement Plant ("Solid Plant") to improve the capacity of the

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[3] *This consumption covers operations owned and controlled by CHP and does not include supply chain consumption.*
[4] *Out of the 492,447 MWh electricity consumption, 6.8% or 33,547 MWh is generated in our facility by recovering waste heat in our operations. This 6 MW Waste Heat Recovery (WHR) facility is owned and operated by a third party who sells the power to CHP.*

mills. This resulted in energy efficiency through a grinding performance and reduced recirculation of materials. The new design of the liners allows a better impact of the grinding balls on the materials and improve the sorting of the grinding balls inside the grinding chamber, which improve the efficiency of the mill. The new design of the diaphragms allows a better sorting of the materials between the two grinding chambers which reduced the recirculation of materials not at the right size which need to be sent back the mill, and a better flow of air and materials inside the grinding chamber, lowering the pressure drop and the consumption of the fans.

Table 10 provides details of savings in energy and in cost generated from energy efficiency initiatives highlighted in this report. It also provides resulting avoidance in greenhouse gas emissions ("GHG Emissions"). The energy we saved accounts for 0.62% of our total energy consumption in 2019.

Table 10

ENERGY REDUCTION INITIATIVES	SAVINGS (in MWh)	SAVINGS (in Million PhP)	EQUIVALENT GHG REDUCTION (in tCO_2e)
Monitoring to address Energy Deviation (Fuel)	22,888	20	16,301
Monitoring to address Energy Deviation (Electricity)	8,421	42	5,998
Replacement of the Raw Mill grinding table (Solid Plant)	1,236	2.6	880
Replacement of Finish Mills liner and diaphragms replacement (Solid Plant)	675	1.4	481
TOTAL	**33,221**	**66**	**23,660**

ENERGY CONSUMPTION AND REDUCTION

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

We recognize that cement production is an energy intensive process requiring the use of various types of fuels and a considerable amount of electricity. Therefore, we continue to invest in the best available technology to improve our energy efficiency and pollution control systems that keeps our air emissions to a minimum or even lower than regulatory limits.

Management Approach for Impacts and Risks

We monitor our energy performance and operation parameters daily which are compiled into a weekly report. Monitoring allows better analysis on root causes of energy deviations for operation and maintenance teams. This also provides key data needed to calibrate the operations settings for better performance in every product formulation and production cycle.

Monthly meetings are held to discuss more complex energy deviation and define action plans to address them. Experts from different aspects of the operation brainstorm to determine the root cause of these deviations and come-up with appropriate solutions. Partners such as suppliers and global CEMEX experts are also consulted to provide best practices and ensure our production systems are at par with global standards. Capital expenditure investments are also determined based on the cost-benefit analysis being done by the teams on various system improvement projects identified from this process. We track our progress carefully to determine the impacts of our improvement projects. This process is guided by the ISO 50001 Energy Management System standards. Our compliance to the standards is being audited by a credible third-party audit firm.

Opportunities and Management Approach

Moving forward, we aim to increase the frequency and extent of data that we will collect through this monitoring process. We are studying the option of continuous monitoring systems for much faster analysis and response in an event of an energy deviation. This system will also provide immediate feedback on operational settings that yields the best energy efficiency level in any production cycle. We are also working on embedding energy consciousness into the mindset and culture of our teams.

RESOURCE MANAGEMENT – MATERIALS

Materials Used by the Organization

Table 11

DISCLOSURE	QUANTITY	UNITS
Materials used by weight or volume		
• Renewable	0	t
• Non-renewable		
Main Raw Materials	6,993,652	t
Additives	244,528	t
Recycled/Alternative Raw Materials[5]	95,353	t

MATERIALS
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected and Management Approach

Availability of raw materials is critical to our sustainability and operations. Any shortage of materials will limit our ability to meet our production targets and our ability to compete in the market. We constantly assess the material reserves of limestone, silica and pozzolanic materials in areas within the control of our principal raw material suppliers and we continue to explore other sourcing strategies seeking to ensure availability of raw materials for our operations.

While quarrying of raw materials is being done by our suppliers, we continue to track the impacts and risks at the quarrying operations as these could affect the sustainability of supply of the raw materials that we need.

At the quarry sites, we see three major risks affecting their operations:

1. Presence of informal settlers. Their presence in the permitted quarry sites creates a problem as they prevent the suppliers' entry into the sites which disrupts the quarry operations and suppliers' ability to extract minerals. In order to manage this, our suppliers work with the Local Government Units (LGUs) to discourage settlers from erecting structures and help control their expansion.

2. Residential development near the permitted mining areas. The mining sites require buffer areas to ensure that the impacts of their operations do not affect any human settlements. Having developments within the buffer area exposes these settlements to potential impact. Effort is extended to coordinate with the local government to help create better zoning plans seeking to ensure no future developments will be within the buffer zone.

3. Natural disasters and hazards such as landslides, earthquakes, fires, floods, typhoons, and other similar events. We recognize and anticipate risks relevant to these hazards that could disrupt operations and cause damage to the facilities. Detailed procedures on how to deal with these hazards have been put in place by our suppliers in order to mitigate their impacts. Company-wide drills are conducted to ensure employees know what to do in case any of these hazards occur.

We recognize that the extraction of raw materials has inherent negative impacts to the environment and surrounding communities. We have been working with our suppliers to put in place measures to ensure responsible quarry operations on their part. Our major suppliers are certified for their Integrated Management

[5] *Recycled/Alternative Raw Materials accounts for about 1% of the total materials.*

System (IMS) and we monitor that their compliance with applicable regulatory requirements are met. Quarry operations are also being monitored quarterly by a Multi-Partite Monitoring Team (MMT) composed of DENR, LGU, NGO's, other relevant government agencies and company representatives to ensure implementation of environmental programs.

As these suppliers move land, soil structures are disrupted, liberating silt could potentially disrupt bodies of water downstream. To manage this, they have put in place siltation ponds, which is regularly maintained, aiming to ensure silt is sufficiently contained and will not be discharged into the bodies of water. On dry days, regular water sprinkling is also being done in the mine sites to manage dust.

Beyond the quarry sites of our third-party suppliers, we find ways to manage the impacts relevant to our use of materials. We seek to ensure that materials are used efficiently. For example, we innovate on product formulations that use less clinker per bag of cement we sell.

Some of the innovation we do to reduce clinker factor includes:

1. Use of CEMEX-patented admixture to substitute 6% of clinker without compromising the strength and quality (Solid Cement plant).

2. Compressive strength optimization. This is done through optimizing the:

    a. Fineness of blended cement. Compressive strength is maximized at a certain level of fineness of cement particles as it reacts chemically better that increases binding strength.

    b. Pozzolan type used with good performance in Pozzolan Activity Index (PAI). PAI is a scale used to gauge the performance of pozzolanic materials as far as its reactivity to cement formulation. Higher Pozzolanic activity results to better cement quality and strength.

    c. Clinker convertibility through use of Mineralizer. Mineralizers lower the temperature needed to produce clinker from raw mix and makes clinker more reactive, resulting to improved compressive strength and clinker convertibility. Lower temperature reduces fuel consumption and improves refractory life.

    d. Admixture Development. This includes innovation in current admixture to increase clinker substitution by enhancing Cement properties such as setting times, air entrainment, and compressive strength. With higher compressive strength, clinker factor can be reduced through clinker substitution.

Opportunities and Management Approach

Moving forward, we continue to coordinate with third-party suppliers looking to ensure sustainability of materials and work with more clients to provide them the products and services that meets their requirements. We will also continue to promote measures designed to ensure the mitigation of our impacts.

ECOSYSTEMS AND BIODIVERSITY (WHETHER IN UPLAND/WATERSHED OR COASTAL/MARINE)

Table 12

DISCLOSURE	QUANTITY	UNITS
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
Site 1: Naga, Cebu. This site has a river downstream that feeds into the sea.	214	Hectares
Site 2: Antipolo, Rizal. Downstream from the mining site is a river.	47	Hectares
Habitats restored Pozzolan Quarry Site	9	Hectares
International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations	None	

Note: Quarry sites are owned and/or controlled by third-party suppliers. They are only presented here to show our approach in managing our impact to biodiversity.

ECOSYSTEM AND BIODIVERSITY

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

The quarry sites where we source our raw materials are not within or adjacent to protected areas and areas of high biodiversity value. However, we recognize that two of these quarry sites are close to rivers downstream that feed into the sea. Hence, we coordinate with our third-party suppliers to take all precautions designed to ensure that there be no harm in the biodiversity in these aquatic ecosystems. As discussed in earlier sections, siltation ponds are in place to contain silt and prevent them from entering the water bodies.

Note: Quarry sites are owned or controlled by our suppliers. They are only presented here to show our approach in managing our impact to biodiversity.

Management Approach for Impacts and Risks

We promote measures seeking that our third-party suppliers allocate resources to restore and rehabilitate mined-out areas. For instance, our third-party suppliers have allocated a total of PhP 35 million to turn two mined-out sites into agroforestry sites. As of October 2019, a total of 560 forest trees and fruit bearing trees have been planted, while more than 2,500 Napier grass stalks have been planted to stabilize the slopes. Before biological rehabilitation, the sites were physically rehabilitated first including 1) stabilization of safety berm and bench slope, 2) installation of silt ponds and silt traps, and 3) installation of comprehensive drainage system at site. We continue to monitor the progress of various projects until biodiversity is restored. We coordinate with our third-party suppliers to make sure that the trees planted are suited to attract and host indigenous flora and fauna in the area.

Note: Quarry sites are owned or controlled by our third-party suppliers. They are only presented here to show our approach in managing our impact to biodiversity.

Opportunities and Management Approach

We continue to explore ways we can contribute to restoration of biodiversity within or adjacent to our spheres of operation. Every two years, we will conduct a biodiversity assessment to measure our progress in bringing back biodiversity in the rehabilitation sites.

Note: Quarry sites are owned or controlled by our third-party suppliers. They are only presented here to show our approach in managing our impact to biodiversity.

RESOURCE MANAGEMENT – WATER

Water Consumption Within the Organization

Table 13

DISCLOSURE	QUANTITY	UNITS
Water Withdrawal	1,498,368	Cubic meters
Water Consumption	1,487,810	Cubic meters
Water Recycled and Reused	20,493	Cubic meters

Effluents

Table 14

DISCLOSURE	QUANTITY	UNITS
Total Volume of Water Discharged	10,588	Cubic meters
Percent of Wastewater Recycled[6]	1.4	%

WATER CONSUMPTION AND EFFLUENTS
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Water is critical primarily in temperature regulation in the various stages of cement production. Water is injected into the coal mill, raw mill, and finish mill to lower the outlet temperature and attain mills stability. Water is also used in the cooling tower and the close circuit water cooling of the bearings of the kilns.

Water is also important in the Waste Heat Recovery Facility (WHR Facility) in our Solid Plant. The facility recovers excess heat from the cement kiln to convert the same to electricity with the use of a turbine generator. Water is used for steam generation in the boiler and in the cooling tower of the WHR Facility. Water is also used in offices, employees housing or staff houses, fire hydrants, housekeeping, and other ancillary facilities necessary to keep the operations of the plant running.

Our Solid Plant obtains its water from the water utility serving the location, who also sources surface water from Angat Dam. Our Apo Cement Plant (Apo Plant) sources water from five deep wells through a permit granted by the National Water Resources Board (NWRB).

When Manila Water's supply for our industrial use cannot meet our requirements, we may need to extract water from the Tagbac river. We recognize this that this river is also nearby communities such as those in Sitio Tagbac. In our Apo Plant in Cebu, the five deep wells stay within its maximum extraction volume. To meet our communities' needs, we sponsored projects to provide them deep wells as part of our Social Development and Management Programs. For the past 20 years, we have maintained 8.36 hectares of forest around the deep wells to ensure optimal water recharge and water quality.

To reduce our water requirement, we set-up a closed-circuit water system which entails investing in two 150,000-gallon water tanks. Used water from cooling flows into a recovery pond, then it is siphoned again into the water tanks to feed into the cement cooling system. In this plant, we can recycle about 1.4 percent of the water we use.

We use reverse osmosis to purify water needed for our industrial use. This process generates wastewater. Instead of discharging this, we use the same in the spray process in our kilns to cool the clinker before grinding.

[6] *Number is based on Apo Cement plant only as it is the only plant with a water recycling facility.*

Recently, we have invested in recycling of water discharged from the WHR Facility in our Solid Plant. Discharged water rate is quite significant at 6 cubic meter per hour. This water is now being reused in cement mill operations. At the end of 2019, in a matter of 2 months, we have saved about 8,640 cubic meters.

Our effluents account for less than 1% of our total water withdrawal. Since our process do not yield water pollutants like Biochemical Oxygen Demand (BOD), we do not have a problem meeting the regulatory requirements for effluent discharges. Even so, our effluents performance is part of the parameters being monitored by the Multi-partite Monitoring Team (MMT) who monitors our overall environmental performance.

Opportunities and Management Approach

Moving forward, we intend to invest in our Apo Cement Plant's rainwater catchment basin which can store a significant amount of water to augment our water needs and reduce our dependence from our deep wells. Reduction of deep well operations saves both electricity and ground water withdrawal.

AIR EMISSION - GREENHOUSE GASES (GHG)

Table 15

DISCLOSURE	QUANTITY	UNITS
Direct (Scope 1) GHG Emissions	3,350,904	tCO_2e
Energy indirect (Scope 2) GHG Emissions[7]	398,182	tCO_2e

On Ozone Depleting Substances. We do not use any refrigerant with Ozone Depleting Potential.

Table 16

DISCLOSURE	USAGE QUANTITY FOR THE YEAR			GHG (tCO_2e)
	Quantity	Units	Emission factor	
Energy Consumption (Bunker Fuel)	4,396	K li	77.4 kg CO_2/GJ	13,477
Energy Consumption (Diesel)	312	K li	74.1 kg CO_2/GJ	832
Energy Consumption (Special Fuel Oil)	6,423	K li	77.4 kg CO_2/GJ	19,276
Energy Consumption (Primary Fuel)	474,408	t	96 kg CO_2/GJ	1,211,872
Energy Consumption (Alternative Fuel)	41,319	t	47.8[8] kg CO_2/GJ	52,609
Energy Consumption (Electricity)	492,447	MWh	Apo: 0.889 tCO_2e/MWh Solid: 0.853 tCO_2e/MWh	398,182[9]
HFCs Leaked (measured as tap-up volume in AC/chiller systems)	581.3	kg		1,023

GHG EMISSIONS

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

According to the International Energy Agency, the cement industry is responsible for about 7% of global CO_2 emissions. CHP recognizes the scientific evidence that anthropogenic GHG emissions increase the average global temperature which results in extreme climatic conditions that affects all stakeholders. For many years now, CHP has committed to managing its share while also recognizing that GHG emissions is inherent to cement production and cement as it is today cannot be produced without liberating CO_2 from limestone during the calcination process.

Management Approach for Impacts and Risks

CHP considers Climate Change mitigation as a priority and one of our biggest challenges of our time. CHP is fully committed to supporting the transition to a low-carbon circular economy. We believe this transition

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[7] *This is based on external power consumption of Apo Cement plant and Solid Cement plant.*
[8] *The figure excludes the CO_2 from biomass as this is considered as carbon neutral by the definitions of the CO_2 Protocol. CO_2 from biomass is reported as "memo item" and therefore do not contribute to the total CO_2 emissions of the plants.*
[9] *CO_2 emissions stated only includes Scope 2, that is, the CO_2 of the external power consumption.*

requires a combination of different pathways. In 2018, CEMEX developed a CO2 reduction roadmap to assess the carbon mitigation potential for each plant while considering local challenges, regulations, materials supply, technical limitations, and market dynamics, among other factors. This roadmap considers seven levers to deliver impact at scale, as follows:

1. New types of clinker and novel cements
2. Energy efficiency
3. Increasing the use of alternative fuels to substitute fossil fuels
4. Maximizing the use of renewable energy as power source
5. Clinker substitutes
6. Expanding and protecting natural carbon sinks
7. Implementing Carbon Capture, Utilization and Storage (CCUS) and other carbon initiative technologies

In the Philippines, we have adopted four out of seven approaches:

1. **Use of Alternative Fuels (AF).** CHP optimizes its fuel mix with available alternative fuels, such as waste rubber tires, waste plastics, rice husk, among others. The use of AF displaces a portion of primary fuels needed to fire its kilns. In 2019, about 19% of the fuel used in Solid Cement Plant kilns is sourced from AF, while in APO, AF used accounts for 2%. On the average, AF use is at 8%. This reduces both cost of fuel as well as the GHG emissions, from the displacement of primary fuels. In 2019, about 53,467 tCO2e have been avoided as a result of AF. This also helped manage 41,319 t of municipal wastes which otherwise would end up in landfills.

2. **Raw Meal Composition Innovation with the Use of Mineralizers**. The use of mineralizer in our Raw Meal composition in Solid Plant lowers the temperature needed to produce clinker. This reduces the fuel required to heat a batch of product which results to energy savings. In addition, mineralizers also increase clinker reactivity which allows us to reduce our clinker factor and able to produce more cement with lower energy and carbon intensity. Through these we were able to save a total of 97,384 GJ of energy and avoided 13,328 tCO2e.

3. **Clinker Substitutes.** We continue to use admixtures to reduce the amount of clinker we use per metric ton of cement we produce. Lowering clinker factor will also reduce the energy and carbon footprint of producing a metric ton of cement. In 2019, we reduced our clinker factor due to the use of our CEMEX-patented admixtures. This resulted to avoidance of 24,322 tCO2e.

4. **Novel Cement**. We developed specialty cements suited for certain applications such as APO Type 1P Cement and Masonry Cement. Because of the nature of the application we increased the clinker substitution by 25-30%. This leads to a significant reduction in energy and carbon emissions needed to produce a metric ton of this type of cement. In 2019, our production of these cement types had an equivalent GHG avoidance of 6,748 tCO2e.

Table 17 provides a summary of GHG avoidance from the initiatives above and those discussed under energy section:

Table 17

ENERGY REDUCTION INITIATIVES	SAVINGS (in MWh)	SAVINGS (in Million PhP)	EQUIVALENT GHG REDUCTION (in tCO2e)
Monitoring to Address Energy Deviation (Fuel)	22,888	20	16,301
Monitoring to Address Energy Deviation (Electricity)	8,421	42	5,998

Replacement of the Raw Mill Grinding Table (Solid Plant)	1,236	2.6	880
Replacement of Finish Mills Liner and Diaphragms Replacement (Solid Plant)	675	1.4	481
Use of Alternative Fuels (AF)	n/a	64.9	53,467
Raw Meal Composition Innovation with the Use of Mineralizers	97,384 GJ	9.6	13,328
Clinker Substitutes	103,504 GJ	38.6	24,322
Novel Cements	27,221 GJ	11.6	6,748

Opportunities and Management Approach

One of the challenges we face to increase the production of lower-carbon cement is the demand for and specification of such product by the market. We will continue to work with our customers to offer them better and lower-carbon cement that will meet their requirements at a much lower environmental impact. We aim to produce and sell more than 60% in lower-carbon cement in 2020. We will also continue to increase our use of alternative fuels that are sourced mostly from biomass to displace more primary fuels in our fuel mix.

AIR EMISSION – POLLUTANTS

Table 18

DISCLOSURE	QUANTITY (Concentration)	UNITS	ABSOLUTE QUANTITY	UNITS
NO_x	336	mg/Nm^3	2,248.35	t
SO_x	47.64	mg/ Nm^3	406.34	t
Persistent organic pollutants (POPs) – Dioxins and Furans	0.0008	mg/ Nm^3	0.00	t
Volatile organic compounds (VOCs)	29.61	mg/ Nm^3	2.21	t
Hazardous air pollutants (HAPs) - Benzenes	0.1736	mg/ Nm^3	0.00	t
Particulate matter (PM)	45	mg/ Nm^3	325.73	t

Note: The values provided are the average of 3 cement kilns.

AIR POLLUTANTS

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

Air pollutants such as NO_X, SO_X, and VOCs are inherent by-products of fuel burning to achieve temperatures necessary for chemical reactions to take place in the production of cement compounds. Fine dust or particulate matter is also emitted from our grinding and storage facilities as they tend to be extremely light. We recognize that air pollutants are among our important environmental impacts as they have the potential to affect our people in the plant and those in surrounding communities. Hence, we take this impact very seriously, and we work to make sure our emissions are kept well within the regulatory limits.

Management Approach for Impacts and Risks

Both our plants are fitted with electrostatic precipitators (EPs) and bag house dust collectors to contain these air pollutants. We have also made innovations on converting EPs into hybrid bag filters for the cement kilns to further reduce emission levels of the kilns as additional layer of containment. Baghouses or Fabric Filters are air pollution control devices that work by removing particles from the gas stream of industrial processes by collecting them on the surface of filter bags, in which about USD 6.7 million were invested. We aim for our gas emissions to remain within the regulatory limits through a Continuous Emissions Monitoring System (CEMS) which monitors air pollutant parameters and sends real-time data to government regulatory offices.

There are few approaches that we regularly do to keep air pollutants within acceptable range. These include:

1. Operating the plant efficiently at optimal levels to keep pollutants at the lowest level of concentration

2. Maintaining operational controls such as timely adjustment of operation parameters if readings are approaching the regulatory limits.

3. Conducting routine inspection at the Kiln preheater cyclones and feed end to ensure that there is no material build up that may cause oxygen restriction in the system that could result to poor fuel combustion.

4. Keeping optimal raw meal and clinker burnability as well as stable coating profile to reduce Nitrogen Dioxide and Sulfur content.

5. Consuming low-sulfur primary fuels and ensure enough oxygen in the system for efficient combustion and lower SO_X emission.

The Company targets emission limits lower than those imposed by local regulation as CEMEX as a global company seeks to ensure that the limits are compliant with the most stringent existing regulations across its global operations. The Company observes a protocol to shut-down operations and immediately implement corrective action in cases of exceedance.

Opportunities and Management Approach

We continue to strengthen our commitment to better our environmental performance. Maintaining operational efficiency is key and continuous monitoring and immediate action are vital to ensure this impact is effectively managed. We also keep an eye for better technologies and systems that will further improve our ability to contain air pollutants.

SOLID AND HAZARDOUS WASTE

Solid Waste

Table 19

DISCLOSURE	QUANTITY	UNITS	% SHARE
Total solid waste generated	**1,693,916**	**kg**	**100%**
• Reusable / Recyclable	774,657	kg	45.7%
• Composted	2,259	kg	0.1%
• Co-processed	113,000	kg	6.7%
• Residuals/Landfilled	804,000	kg	47.5%

Hazardous Waste

Table 20

DISCLOSURE		QUANTITY (in kg)		
HW No.	**Hazardous Waste Generated in 2019**	**APO**	**SOLID**	**TOTAL**
I101	Used Oil	42,544	96,243	138,787
I101	Sludge (Oil/Water Mixture)	38,222	20,296	58,518
I102	Used Vegetable Oil	5,003	-	5,003
I104	Oily Rags	582	3,000	3,582
D402	LED Fluorescent Bulbs / Tubes	241	-	241
D406	Used Lead Acid Batteries	711	90	801
D407	Fluorescent Bulbs / Tubes	216	128	344
F601	Solvent	-	335	335
G704	Free Lime Washings / Filter Paper from Free Lime	1,043	-	1,043
H802	Used Grease	6,720	1,500	8,220
J201	Contaminated Containers (Empty IBCs/ Empty Chemical Gallons / Paint Cans)	11,229	30,118	41,347
M501	Pathological Waste (Clinic Waste)	16	3	19
M506	Waste Electrical/Electronic Equipment	-	1,000	1,000
Total weight of Hazardous Waste Generated		**106,527**	**152,713**	**259,240**
Total weight of Hazardous Waste Transported[10]		**12,397**	**232,603**	**245,000**
Total weight of Hazardous Waste Co-processed		**94,114**	**0**	**94,114**
Total weight of Hazardous Waste on Storage		**16**	**0**	**16**

SOLID AND HAZARDOUS WASTE

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

Solid Wastes. Most of our solid wastes are generated during annual shutdown and periodic maintenance activities. Solid wastes generated include scrap metals, wood, and packaging materials of large spare parts. Other wastes are generated from day-to-day activities of employees and contractors, such as in canteens, offices, and plant premises. These includes food wastes, packaging wastes, cutleries, food trays and boxes, and used paper. In our packhouses, cement bag wastes are also being generated, though we have made sure the waste volume stays within 0.2% of the total cement bags used.

[10] *Some of the hazardous wastes that have not yet been transported are stored in a storage facility in accordance to regulatory standards provided in DENR Administrative Order No. 2013-22. Inventory, storage, transport, and treatment followed the procedural manual of the DAO 2013-22.*

Hazardous Wastes. Operating massive equipment in cement plants require large volumes of lubricants such as oils and grease, as well as electrical equipment and batteries. During maintenance schedules, these are replaced hence hazardous wastes are generated.

We are fully aware of the risks to the people and environment if these materials are poorly managed and end up in nature. Hence, we take all precautions to ensure that they are properly handled, stored, transported, and treated.

Management Approach for Impacts and Risks

In compliance with RA 9003, RA 6969, and subsequent LGU ordinances, our solid and hazardous wastes are disposed of through third-party DENR accredited haulers.

Solid Waste Management. We employ several approaches to effectively manage different types of wastes generated in our facilities, as follows:

Table 21

SOURCE	WASTE TYPES	MANAGEMENT APPROACH
Periodic Maintenance and Annual Shutdown	• Scrap Metals • Scrap Wood • Packaging Materials • Paper • Cardboards • Plastic Wrappers	• Paper, cardboards, and plastics are used as alternative fuel • The rest are being recovered by accredited scrap buyers for recycling and further use
Offices and Canteen	• Food Wastes • Packaging Wastes • Cutleries • Food Trays and Boxes • Used Paper • Other office-related wastes	• "Green Days" program was implemented among employees and contractors where they use their own personal food containers and drinking bottles and other reusable containers to reduce the use of disposables • Shifted to online and digital platforms to reduce use of paper in offices • Recyclables are sold to junk shops while residuals are sent to landfills
Packhouses	• Cement Bags	• Used as alternative fuels for our kilns

Transport and Treatment of Hazardous Wastes. We have a system which requires transporters and treatment facilities we engage to obtain a Transporters Registration and Treatment, Storage, and Disposal (TSD) permits by the Environmental Management Bureau (EMB) of DENR. Upon accreditation of Transporters and treaters, our teams conduct Environmental, Safety, Health Management System Audit which includes site inspections of their facilities.

Once a year, the Audit Team conducts random site inspection to check the treatment facilities to ensure our wastes are being treated. Our system requires that a Certificate of Treatment (COT) is submitted to Environmental Management Bureau while a copy is being furnished to us as proof that our wastes are treated and disposed within a prescribed duration, in accordance with DENR Administrative Order No.2013 -22.

Some hazardous wastes are permitted to be used as alternative fuel in our cement kilns. These are listed in the TSD permits issued by EMB to our cement plants. These includes, used oil, grease, oil sludge, contaminated materials, vegetable oil from canteen, filter papers from free lime and free lime washings. Generated wastes in our facilities under this category are co-processed in our kilns.

Opportunities and Management Approach

We see an opportunity for the reduction and better management of our solid wastes particularly those produced in offices and in our canteens. We will continue to encourage our employees to use more reusable items and stay away from disposables. We will also study how to shift to recyclable packaging to reduce the residual component of our wastes that end up in landfills. Increasing use of recyclables will be coupled with ensuring that these recyclables are being collected and recovered by junk shops and recycling value chains.

ENVIRONMENTAL COMPLIANCE

Non-compliance with Environmental Laws and Regulations

Table 22

DISCLOSURE	QUANTITY	UNITS
Total Amount of Monetary Fines for Non-compliance with Environmental Laws and/or Regulations	0	PhP
Number of Non-Monetary Sanctions for Non-compliance with Environmental Laws and/or Regulations	0	Sanctions
Number of Cases Resolved through Dispute Resolution Mechanism	0	Cases

In 2019, no Notice of Violation (NOV) was received from regulating agencies. We also checked our matrix of compliance obligations and permit conditions which show that all compliance obligations have been met.

ENVIRONMENTAL COMPLIANCE
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Compliance is fundamental to our operations. We are fully aware of the financial implications to our company for failure to comply with these requirements. Non-compliance could also lead to significant harm to our employees, communities, and the environment. Hence, we have put in place a set of procedures covering different areas of our operations designed to ensure that our practices are in accordance with the applicable laws and regulations. These procedures are designed to ensure conformity to conditions contained in leases, pollution control permits and licenses, planning and development approvals and consents, agreements, official notices and orders, correspondence and other documents issued by regulatory authorities.

The company's Integrated Management System provides for a code of practice that makes compliance activities a regular aspect of the company's operations. The code of practice provides for:

1. A Matrix of Compliance Obligations. This covers all sections of the applicable laws and regulations to the company which is reviewed and updated every May and November of the year.

2. A Matrix of Permit Conditions. This covers all conditions provided in permits which are reviewed twice a year along with the matrix of compliance obligations.

3. Compliance Monitoring Report and Self-Monitoring Report. These are mandatory reports that cover compliance to conditions of the company's Environmental Compliance Certificate. Review is being done quarterly seeking to ensure compliance.

4. Incidence, Non-Conformity and Corrective Actions Procedure. During the compliance reviews, the reviewer will issue a Non-Conformity report if any incidence of non-compliance is found. The report contains a list of corrective actions, specific time frames, and responsible persons. Once corrected, the matrix related to the nonconformity will be updated.

5. Integrated Management Systems Internal Audit. The company has an internal audit team that monitors the compliance to legal and other requirements twice a year.

Compliance is an important function of the Quality, Environment, Energy, Health and Safety (QEEHS) team, which is composed of Pollution Control Officer, Safety Officer, Energy Manager, Quality Assurance Manager. The Legal Department also provides support in identifying and evaluating legal requirements including the interpretation of the applicable laws.

Opportunities and Management Approach

Moving forward, we continue to strengthen our compliance procedures, seeking that all new personnel receive appropriate training on the subject. We also continue to monitor new regulations that affect our operations. We will also work towards making compliance an integral part of the company culture not just for the compliance teams but for everyone else in the Company.

SOCIAL

EMPLOYEE HIRING AND BENEFITS, DIVERSITY AND EQUAL OPPORTUNITY

Employee Data

Table 23

DISCLOSURE	QUANTITY	UNITS
Total Number of Employees	717	Employees
• Number of Female Employees (20%)	147	Employees
• Number of Male Employees (80%)	570	Employees
Attrition Rate[11]	10.74%	Rate
Ratio of Lowest Paid Employee Against Minimum Wage[12] • Antipolo • Cebu • Metro Manila	 154% 142% 135%	Rate

Employee Benefits

Table 24

LIST OF BENEFITS	Y/N	AVAILMENT Female Employees	AVAILMENT Male Employees	REMARKS
Social Security System (SSS)	Y			All employees are covered as provided by law
Sickness Availment		0.00%	0.53%	SSS sick leave credits can only be availed of when company sick leave credits have been exhausted. Low availment shows that sick leave credits provided by company is sufficient to cover sick days.
Maternity Availment		6.12%	n/a	Female employees are covered by this benefit upon pregnancy regardless of type of delivery (miscarriage, normal or caesarian).
Calamity Loans Availment		0.68%	0.88%	Only employees whose barangay has been declared under calamity can apply for this type of loan. The number indicates that only few employees were affected by a calamity.
Loans Availment		28.57%	33.16%	
PhilHealth	Y	12.93%	18.25%	All employees are covered as provided by law. Only employees who undergo a procedure or gets admitted can avail of this benefit.

[11] *Attrition rate = no of turnover for the year / total headcount at the end of the year*

[12] *The lowest paid employees account for an exceedingly small fraction of the total employee population. Antipolo = 1/129; Cebu = 2/250; Metro Manila: 1/182*

				The number indicates only few employees and/or dependents underwent a procedure or were admitted in 2019.
Pag-IBIG Contribution	Y	100.00%	98.77%	Certain employees are exempted from paying Pag-IBIG Premium.
Loans Availment		14.97%	25.09%	
Parental Leaves	Y			All relevant employees are covered.
Solo Parent Leave		0.00%	0.00%	This is on top of vacation and sick leaves. There is no availment because vacation leave credits were sufficient to cover leaves pertaining to childcare.
Maternity Leave		6.12%	n/a	Female employees can apply for this benefit upon pregnancy regardless of type of delivery (miscarriage, normal or caesarian).
Paternity Leave		n/a	0.35%	Male employees whose spouse has given birth can apply for this benefit.
Vacation Leaves	Y	73.47%	84.56%	Unutilized vacation leave credits at the end of the year can be carried over up to the 1st quarter of the following year.
Sick Leaves Availment	Y	55.78%	25.09%	Cash conversion is provided for those who do not need to avail of sick leaves.
Medical Benefits (aside from PhilHealth)	Y			
HMO		89.80%	73.51%	All employees are enrolled upon hiring; their dependents are enrolled upon regularization.
Critical Illness		0.00%	0.18%	All employees and their dependents are enrolled upon regularization. The number indicates that only a small percentage contracted a critical illness.
Housing Assistance (aside from Pag-ibig)	Y	10.88%	42.46%	Housing are offered for Luzon and Visayas-Mindanao -based employees.
Retirement Benefit Availment (aside from SSS)	Y	1.36%	3.33%	This covers voluntary separation beginning 10 years of service, early retirement for employees who are at least 55 years old with 10 years of service and normal retirement for employees at least 60 years old. The number indicates that only a small percentage of the population has left the company under this scheme.
Further Education Support	N	n/a	n/a	
Company Stock Options Granted	N	n/a	n/a	
Telecommuting	Y	53.74%	11.05%	This is available to all Makati office-based employees (except for Sales).
Flexible-Working Hours	Y	100.00%	100.00%	Makati-based employees have the option to choose their work schedule, while

				Luzon and Visayas-Mindanao employees are on a compressed work week.
Group Life, Accident and Disability Insurance Availment	Y	0.00%	0.18%	All employees are enrolled upon hiring. The number indicates minimal availment.
Transportation Benefit	Y	30.61%	25.61%	This is available for certain employee levels.
Meal Allowance	Y	100.00%	98.77%	Certain employees are not covered.
Rice Allowance	Y	100.00%	98.77%	Certain employees are not covered.
Medicine Allowance	Y	100.00%	98.77%	Certain employees are not covered.
Uniform Allowance	Y	91.84%	93.33%	Managerial level and up are not covered.

Diversity and Equal Opportunity

Table 25

DISCLOSURE	QUANTITY	UNITS
% of Female Workers in the Workforce[13]	21	%
% of Male Workers in the Workforce	79	%
Employees from Indigenous Communities and/or Vulnerable Sectors	6	Employees

EMPLOYEE HIRING AND BENEFITS, DIVERSITY AND EQUAL OPPORTUNITY

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

As an employer, we recognize our ability and influence to contribute to addressing inequality and discrimination in our society. We see that inequality and discrimination drive conflicts in society which could disrupt our business activities and create an environment that is less conducive for business to thrive. Hence, we remain committed to provide equal opportunities to workers regardless of their orientation, age, gender, ethnicity, and social standing. Our hiring policies are designed to ensure that we hire based on skills, capabilities, and compatibility to the requirements of the job and workplace conditions. In 2019, we employed six individuals coming from a vulnerable sector.

We also recognize that workforce diversity fosters broader perspectives and richer exchange of ideas, which are critical to our ability to meet our customer's diverse expectations. While overall female headcount is only 21%, females make up 49% in our main offices and support areas. In our cement plants, there is an observed lower number of women who prefer to work in such workplace environments.

We compensate our employees sufficiently aiming to ensure they meet at least their basic needs. Internally, we conduct a compensation analysis to compare rates per department and per level seeking that rates are fair and appropriate for everyone. Externally, we participate in Mercer's Total Remuneration survey annually to help set the benchmarks for compensation and to gauge how our compensation compares with the industry benchmarks.

Our lowest paid employees are receiving much higher rate than minimum wage at 154% in Antipolo, 142% in Cebu, and 135% in Metro Manila. We also compare our rates with the family living wage published by Ibon Foundation, Inc., a development institution that undertakes the study of socio-economic issues in the

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[13] *This percent is based on total headcount covering plant-based employees and corporate office employees. For corporate office and support areas, females comprise 49%.*

Philippines. In 2019, living wage for a family of five in NCR is Php 26,271 per month. Overall, the compensation of 632 of 717 employees or 88% is at par or above this family living wage.

We also seek that our benefit structure responds to the individual and collective needs of our employees by conducting periodic sessions with employee representatives. We recognize the importance of providing social safeguards in case of health emergencies as this affects the overall financial wellness and productivity of our employees. Hence, we aim to ensure that upon hiring, all employees are provided an HMO coverage and their dependents are also enrolled upon regularization. We also provide them opportunities to acquire their own home, which is fundamental to their family's security.

In 2019, we launched the Employee Net Promoter Score (eNPS) to assess the engagement level of the employees on matters such as work environment and empowerment.

We fully understand the importance of competitive compensation and benefits packages in improving employee experience, and in managing attrition and its relevant costs.

Opportunities and Management Approach

Moving forward, we aim to improve our approach in evaluating the effectiveness of our benefit structure. We will relaunch our Employee Benefits Pulse Survey, to regularly monitor the availment of benefits, evaluate its compatibility to our employees' needs, and identify other benefits that may matter more to them.

EMPLOYEE TRAINING AND DEVELOPMENT

Table 26

DISCLOSURE	QUANTITY	UNITS
Total Training Hours Provided to Employees		
• Female Employees	3,740	Hours
• Male Employees	20,515	Hours
Average Training Hours Provided to Employees		
• Female Employees[14]	25.44	Hours/employee
• Male Employees	35.99	Hours/employee

EMPLOYEE TRAINING AND DEVELOPMENT

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Training and development are fundamental to our employee management. It seeks that our people are competent to perform their tasks and able to progress through their career paths. Trainings are also provided to strengthen our culture, values, and general organizational capabilities which are critical in our success. We understand the risks relevant to poorly trained employees, especially in operations like ours where small deviations to standard processes could have significant financial implications, pose risks to our people, and cause damage to property. Hence, we seek to ensure that all employees receive the training that they need.

Training needs are assessed based on carefully laid out competency-based development plan for each employee. Employee development plans are built through a consultative process looking at strengths of individual employees, their career aspirations, and the areas where they can build additional competencies. The immediate supervisor evaluates the performance and current competencies of their staff and discuss the findings with them to co-develop the training plan for the year. The individualized approach to training plan development is designed to ensure that training is made available to everyone regardless of gender, age, orientation, and other diversity parameters.

Training plans are implemented in three ways: classroom training, learning from colleagues, and on-the-job training. Monitoring of progress is being done by HR and the immediate supervisor. Digital learning, either self-paced or in virtual learning groups from different locations are also available for all employees. Training programs available for employees include Safety, Health & Wellness, Company Values & Code of Ethics, a whole range of technical & functional topics, as well as soft skills such as leadership, customer focus, innovation, among others.

After every training, feedback is collected and analyzed to determine its effectiveness and define areas for improvement. Consultations are also conducted at least twice per year per department to gather the feedback of employees on training effectiveness and assess the learning progress of the employees.

Opportunities and Management Approach

In the coming year, we expect to build more opportunities for experiential learning since recent studies indicate that this approach is more effective. This will be complemented by cross-learning or by allowing our

[14] *At the head office, average training hours for male and female employees is at 27.48 and 27.55, respectively. We recognize the challenges in delivering a gender-balanced training hours for employees at the Cement Plant, Terminals, and Warehouses. This is work in progress and we will continue to improve our performance on this area in the coming years.*

employees to learn from each other. We also aim to continuously improve our performance on providing equal training opportunities for all employees.

LABOR-MANAGEMENT RELATIONS

Table 27

DISCLOSURE	QUANTITY	UNITS
% of Employees Covered with Collective Bargaining Agreements	29%	%
Number of Consultations Conducted with Employees Concerning Employee-related Policies	17	#

LABOR-MANAGEMENT RELATIONS
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

A harmonious and stable relationship between labor and management is key to bringing everyone together towards a common goal. We adhere to fair negotiation practices and proper implementation of the collective bargaining agreement both by the unions and by the management. We aim to ensure that all matters around employment conditions, salary increase, benefits package enhancement, and signing bonuses among others are fair for both parties. This fosters trust and transparent communication which is fundamental to maintaining a harmonious Union-Management relationship.

We understand the risks of possible labor action from any unresolved disputes or delays in resolution of issues especially those arising from differences in interpretation or implementation of CBA provisions. These do not only affect the employees but may also affect the continuity of our operations. Hence, we conduct monthly Labor-Management Council (LMC) meetings with each of the unions. In these meetings, each party is given opportunity to present items they wish to discuss. LMC is attended by union officers, and our plant management team including the VP for Human Capital and Organization (HCO). Normally, discussions revolve around support needed for their work, safety concerns, engagement activities such as sports, CBA benefits, clarifications or policy improvements. Issues that are beyond the authority of the HCO Department are elevated to top management and their decision are discussed in the next LMC. Minor concerns at the plant level are acted upon quickly by the plant management.

Full collective bargaining agreements (CBA) negotiation happens every 5 years. Economic provisions are amended every 3rd year of the CBA.

Opportunities and Management Approach

Given occasional changes in leadership, our work to build trust and strengthen our partnership is a continuing process. We expect to continue to implement the approaches that work and find better approaches on areas that need improvement. We also continue to strengthen our culture and values to align all our stakeholders to a common goal. We will also find ways to better see each other's points of view and resolve problems in a collaborative approach.

WORKPLACE CONDITIONS

Occupational Health and Safety

Table 28

DISCLOSURE	QUANTITY	UNITS
Employee Safe Man-Hours	1.4 M	Man-hours
Number of Employee Work-related Injuries	0	#
Number of Employee Work-related Fatalities	0	#
Number of Employee Work-related Ill-health	0	#
Number of Safety Drills	18	#

OCCUPATIONAL HEALTH AND SAFETY

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Health and safety of our people remains a top priority at CHP. Nothing is more important than the health and safety of our employees, contractors, and the communities around our plants. We recognize that our operations, from sourcing of raw materials, to cement manufacturing, and distribution, have inherent risks to the health and safety of the workers on site. This is the main reason why we continue to seek that health and safety become a way of life for our employees, not just on site but everywhere they go. This is the essence of our commitment to Zero4Life.

Our CEMEX Health & Safety Management System (HSMS) provides the guiding principles and mechanisms for the effective implementation of Safety Programs in all our operations. HSMS has been created in consultation with stakeholders across CEMEX, to provide a practical, risk-based management system. It is used to support sites and businesses across CEMEX to implement, document, maintain and continuously improve healthy, safe, reliable and efficient operations.

HSMS is anchored in the Occupational Health and Safety Management Systems or OHSAS 18001, for better appreciation by both internal and external audiences. Part of the system are regular gap analyses to make sure that all requirements are consistently complied with.

The company has established programs to address key health and safety risks and achieve our overall health and safety objectives towards zero harm for people. These programs include leadership in health and safety, root cause incident investigation, implementation of good practices in driving and contractor safety, health and safety training for leaders, employees and contractors, and consistent implementation of the 14 elements of the HSMS.

In 2019, the following activities and trainings were undertaken:

1. Visible-felt Leadership
2. Health & Safety Academy Training for Managers and Leaders
3. Training on Risk Assessment for Employees and Contractors' Supervisors
4. Health & Safety Awards and Recognition
5. Property Damage Reduction Plan
6. Campaign for Vulnerable Road Users
7. Pro-active Health Programs, like Sports and Recreation Activities
8. Quarterly Health Checks
9. Near-miss and Hazard Alert Reporting

Based on our evaluation, these activities have resulted to increased health and safety-based leadership and accountability. It has also improved the awareness of our people on risk assessment processes including road safety and vulnerabilities of road users. The total number of damages to property were reduced in 2019 compared to 2018. For this good performance, workers were recognized to further motivate them to continue acting safely.

Opportunities and Management Approach

In 2019, we had zero employee work-related injuries. Moving forward, we will continue to improve our hazard detection and near-miss reporting systems to address issues to prevent injury. More education and safety culture building activities will also be implemented. We expect to continue to find opportunities to fulfill our goal of zero injuries to achieve Zero4Life.

LABOR LAWS AND HUMAN RIGHTS

Table 29

DISCLOSURE	QUANTITY	UNITS
Number of Legal Actions or Employee Grievances involving Forced or Child Labor	0	#

We have an ETHOSline which allows any employee to report a violation anonymously. The line is managed by a third-party vendor and reports are classified and escalated accordingly. All reports are acted upon by the assigned committee. Processes are in place to carry out investigations until a decision is made and implemented for disciplinary actions. Based on our records, we do not have any legal actions or employee grievances involving forced or child labor.

Policy on Forced Labor, Child Labor and Human Rights

Table 30

TOPIC	Y/N	IF YES, CITE REFERENCE IN THE COMPANY POLICY
Forced labor	Y	https://www.cemexholdingsphilippines.com/about-us/ethics-and-compliance
Child labor	Y	
Human rights	Y	

LABOR LAWS AND HUMAN RIGHTS
Impacts and Risks: Where it occurs, Company's Involvement, and Stakeholders Affected

Adhering to high ethical standards and complying to regulations in all our business undertakings help strengthen our culture and reputation. By aligning our business practices with a set of core principles, we promote a culture of ethics and compliance based on trust, which is fundamental to our company's ability to succeed.

A focus on ethics and business conduct can aid us in avoiding pitfalls. Misconduct has consequences for our company and third parties that can include serious fines, criminal penalties, and legal and disciplinary action.

Management Approach for Impacts and Risks

Respecting human rights is embedded in the way we do business. We support and respect the protection of international human rights principles, as expressed in the International Bill of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

As a company that believes in the power of acting with integrity, we continue to uphold and respect human rights. We do not tolerate any violation of human rights in our business, our supply chain, or partnerships. We also take seriously any allegations that human rights are not properly respected by us.

We are committed to upholding the fundamental human rights of our people by complying with child and forced labor prohibitions, and never discriminating against others based on their legally protected traits. We are also committed to follow all applicable wage and hour laws that govern our work. We make employment decisions based solely on merit, and not on any legally protected traits such as age, race, ethnicity, religion, disability, marital status or sexual orientation, among other factors.

We have put in place three approaches, designed to ensure compliance to these policies across our operations, that inform our stakeholders and guide them on what to do in cases of violation while at the same inspiring them to adhere to our values and principles.

We Adhere

We understand and always follow our Code, the company policies and applicable laws. While our Code covers many subjects, it cannot address every issue that may arise or every ethical decision that should be made. For situations not specifically covered by this code, we follow other CEMEX policies or the law, and keep our values in mind when making decisions.

We provide our stakeholders copies of our Code and policies and conduct trainings to ensure they understand these topics and they make appropriate decisions. These resources are made available through our intranet and external official websites.

We Report

Our first line of support is our immediate supervisor. Supervisors keep an open-door policy and serve as resource persons to answer questions or provide support and guidance on when and how to report. In case employees do not feel comfortable discussing a concern with their supervisor, we encourage them to use the following channels for asking questions or reporting misbehaviors or suspicions, but always done so in good faith.

- **ETHOSline.** An automated channel managed by a third-party provider. This channel allows for anonymous reporting of ethics violations and/or complaints for all employees.

- **ETHOS Committees.** This country committee serves as the managing committee of all Ethics topics. They support communication efforts, and processes of case management.

- **Audit Committee.** As part of its responsibilities, CHPs Audit Committee assists the Board of Directors in the performance of its oversight responsibility for the company's system of internal control, its audit process, and the monitoring of compliance with applicable laws, rules and regulations.

- **Associated Departments (Legal, Human Resources, Process Assessment, and Internal Control).** These departments are also available to receive employee reports on code of ethics violations or complaints. These departments will submit the report to the correct responsible teams to facilitate the process of cases management and resolution.

When employees contact one of these channels, their report will be treated with confidentiality to the extent possible, and the company will properly and promptly address any questions or issues they raise. CEMEX and the Company has made it a strict policy to prohibit retaliation against anyone for reporting misconduct or unethical activity in good faith.

We Inspire

At the Company, our people are our greatest assets, and we aim to provide a great place to work. We expect employees to work together in an open and respectful manner, contributing to the creation of a safe and healthy working environment. We foster a culture that provides professional stimulation, recognizes personal talent and merit, values diversity, respects privacy, and helps everyone achieve a better balance between their professional and personal life.

We encourage an atmosphere of openness, courage, generosity, and respect, so that all employees feel free to come forward with their questions, ideas, and concerns. We believe this is a lasting way to encourage our personnel and third parties to comply with our Code, our policies, and the law at all times.

Opportunities and Management Approach

Moving forward, we will continue to inspire compliance while seeking that violations are appropriately acted upon. We will also work towards encouraging more transparency and mutual respect inside and outside the workplace. We will also evaluate the effectiveness of our approaches, identify areas of improvement, and understand our stakeholders more to develop creative ways to inspire them to abide by our policies at all times.

SUPPLY CHAIN MANAGEMENT

Supplier Accreditation Policy can be found in Annex B.

Evaluation for Supplier Accreditation

Table 31

CONSIDERATION	Y/N	IF YES, CITE REFERENCE IN THE SUPPLIER POLICY[1]
Environmental Performance	Y	These topics are covered in the GENERAL TERMS AND CONDITIONS which is part of our agreement with our suppliers. The specific provisions are provided below.
Forced Labor	Y	
Child Labor	Y	
Human Rights	Y	
Bribery and Corruption	Y	

The General Terms and Conditions with our suppliers outlines the following provisions:

9. COMPLIANCE OF LAWS
In accepting this P.O., Supplier represents that it has complied and will continue at all time during the performance of this P.O. to comply with the provisions of all applicable laws, regulations, rules, legislation, guidelines and directives (including without limitation, the receipt of any relevant licenses, consents, approvals and permits) in respect of the conduct of its business.

18. ANTI-BRIBERY
Each party represents and warrants that, in connection with this Agreement, it has not (i) paid or received, nor promised or accepted a promise to receive, a bribe or any other type of improper payment; and (ii) made or promised any payment in violation of international anti-bribery laws (including without limitation the United States Foreign Corrupt Practices Act and any applicable implementing legislation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions). Each party agrees that it will not, and shall procure that its affiliates and their respective employees will not, make, cause to be made, or promise or offer to make, in connection with this Agreement, any improper payment, loan, gift or transfer of anything of value, directly or indirectly: (i) to or for the use or benefit of any government official or government employee (including employees of government-owned or –controlled entities or corporations); (ii) to or for the use of any political party, official of a political party or candidate; (iii) to or for the use of any public international organization, or (iv) to an intermediary for payment to any of the foregoing, in order to obtain or retain business or to secure any advantage.

19. HUMAN RIGHTS
Each party represents and warrants that it abides and will continue to abide by all internationally recognized human rights (including without limitation the Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights of Work) and ensures present and future non-complicity in any direct or indirect abuse of any and all human rights, regardless if they are carried out by a government or any other actor, whether the party knew or should have known of its contribution to such abuse. Each party will take the necessary action to assure direct and indirect compliance with the aforesaid.

20. LABOR
Each party represents and warrants that, in connection to this Agreement, it has not and will not directly or indirectly (i) make use of slave, forced or compulsory labor in any form, and/or (ii) engage children under the corresponding minimum age for employment, as defined in all international labor standards and applicable national legislation on child labor, whether the party knew or should have known of its contribution to such behaviors. Each party will take the necessary action to assure direct and indirect compliance with the aforesaid.

21. ENVIRONMENT
In the execution of all activities connected to this Agreement, each party represents and warrants to comply with all applicable laws relating to the environment, the disposal of materials, the discharge of chemicals, gases or other substances or materials into the environment, or the presence of such materials, chemicals, gases or other substances in or on its facilities and/or its affiliates' facilities when having an actual or potential material effect on any activities related

to this Agreement. The parties acknowledge and agree that they will not be in breach of the terms hereof when any such breach can be and is cured within 30 days from the date in which any such breach occurs.

22. HEALTH AND SAFETY
Supplier and all its subcontractors represent and warrant to comply with all applicable laws, CEMEX requirements, approved codes of practice and industry guidance relating to health and safety. A Health and Safety program is in place which sets out arrangements for; the identification, management and control of hazards and risks associated with the activities/services to be provided, training and certification of personnel, formal induction and permit processes before work commences, reporting of all incidents and near misses, periodic auditing for compliance to health and safety rules and the effectiveness of health and safety arrangements.

SUPPLY CHAIN MANAGEMENT

Impacts and Risks: Where it occurs, Company's Involvement, and Stakeholders Affected

More than 18 B PhP or 77% of our 23.6 B PhP Revenue in 2019 was paid to suppliers. Their role in our value creation and distribution is highly significant, which is why it is particularly important that they adhere to the same environmental, social, and governance standards and policies that we observe at CHP. Many of the risk that could compromise our assets and affect our ability to meet our stakeholder's expectations are within the direct control of our suppliers.

For these reasons, we continually work to engage and align our suppliers with our core values, including our enduring emphasis on health and safety, our unwavering pursuit of excellence, and our steadfast focus on integrity. We further integrate sustainability into our supplier engagement and procurement processes, while considering the predicament of local suppliers. Aligned with our company's principles, policies, and values, we are committed to ensuring our suppliers' compliance with the CEMEX Code of Ethics and Business Conduct and Suppliers Code of Conduct.

Management Approach for Impacts and Risks

To seek that the suppliers we engage meet our minimum standards, we have put in place specific procedures, both at the accreditation process for new suppliers and during the monitoring processes for already accredited suppliers. See Annex B for details of accreditation process.

Table 32

RISKS/SUSTAINABILITY TOPICS	MANAGEMENT APPROACH UPON ACCREDITATION	MANAGEMENT APPROACH FOR ACCREDITED SUPPLIERS
Environmental Performance / Pollution Control	Environment performance is currently not part of the current accreditation process. They are assessed once suppliers are accredited.	A third-party assessor evaluates the Sustainability Programs including environmental performance once they have been accredited. A detailed report is provided to CHP and is reviewed and discussed with suppliers for potential areas for improvement.
Forced Labor	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These documents require the company to comply with all existing laws.	Contractors are required to have a CEMEX Passport, which requires holders of this document to commit to comply with policies and provide evidence that they are of legal age, such as Birth Certificate.
Child Labor		
Human Rights		

Bribery and Corruption	Suppliers are required to sign a "Letter of Commitment" for Anti-Bribery.	Tracking of already accredited suppliers is an area of opportunity for the company.
Compliance to Fiscal Policies and Payment of Right Taxes	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These documents require the company to comply with all existing Laws.	Tracking of already accredited suppliers is an area of opportunity for the company.
Workplace Conditions	Contractors / Haulers workplace conditions are evaluated prior to accreditation for large and/or frequent transactions.	Regular visits from various teams to conduct primarily health and safety inspection. A third-party assessor, evaluates the health and safety policies of the vendors and submits to CHP a detailed report of their findings.
Labor Standards, Health and Safety	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These documents require the company to comply with all existing Laws.	
Business Ethics and Governance	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These documents require the company to comply with all existing Laws.	Tracking of already accredited suppliers is an area of opportunity for the company.

Opportunities and Management Approach

This process has enabled us to identify gaps and areas for improvement to seek that our suppliers meet the environmental, social, and governance standards that we adhere to. Moving forward, we plan to set-up more control measures on the following areas, particularly for those suppliers that are already accredited:

1. Environmental Impacts
   a. Resources used (i.e. materials and water) and resource efficiency of their operations
   b. Waste management towards zero waste to landfill

2. Bribery and corruption – trainings provided to their employees and cases filed against their company

3. Business Ethics and Governance – to demonstrate that they have put in place the same standards and monitoring system that we use at CHP

We also expect look into our suppliers' ability to build capacity to prepare their own sustainability scorecards, which can be part of the requirements for the renewal of their accreditation.

RELATIONSHIP WITH THE COMMUNITY

Significant Impacts on Local Communities

OPERATIONS WITH SIGNIFICANT IMPACTS ON LOCAL COMMUNITIES: APO CEMENT PLANT
General Description of our Operations: Apo Cement Corporation produces both the pozzolanic and the Portland cement types operating two (2) cement lines, a jetty and a power plant. It has an installed cement grinding annual capacity of 3.8 million tons and mainly serves our customers in the Visayas and Mindanao regions through our extensive marine and land distribution network. The plant's operations contribute to the economic development of the City of Naga through increased local revenue and employment of its residents. Additionally, APO Cement's operations provide programs on education, health and safety, livelihood and infrastructure which helps improve the general development and sustainability of the city and the people therein. Programs implemented in the community are mainly through the Annual Social Development and Management Program (SDMP) of APO Cement Corporation. This SDMP provides budget and direction for the implementation of various projects to enable the residents to be more self-sufficient. **Location:** City of Naga, Cebu **Vulnerable groups:** There are vulnerable groups in the surrounding areas of our operations, namely residents of Barangays Tina-an, Inoburan, Langtad, Pangdan, Naalad Mainit South Poblacion and Uling. We provide employment opportunities for the women and solo parents, while other vulnerable sectors such as children and the differently abled persons benefit from the programs of the company, among others include: 1. Human or community resource development and institutional building and enhancement. 2. Development of enterprise ability. 3. Educational capability of existing public schools within the host community. 4. Delivery of health services for the host and neighboring communities. **Impact on Indigenous peoples:** There are no indigenous people's communities or ancestral domains within and around our facilities. **Community Rights and Concerns of Communities:** The main concern of the surrounding communities is the occasional dust emission, particularly during equipment start-up. **Mitigating Measures:** Negative impacts, specifically on the dust issues, are being managed by continual improvement of our operational processes. This includes the efforts of our operations team in monitoring processes and equipment, seeking to ensure that these are in perfect working conditions. We provide street sweepers in various areas to help minimize dust. We also engage our stakeholders by providing regular information and education campaigns for our barangay leaders so they better understand our operations and we can directly address their concerns. There is also a multi-sectoral monitoring team that regularly assesses company compliance with government regulations.

OPERATIONS WITH SIGNIFICANT IMPACTS ON LOCAL COMMUNITIES: SOLID CEMENT PLANT
Brief Description of our Operations: Solid Cement plant has an installed annual cement grinding capacity of 1.9 million tons and in the pipeline is a new integrated cement production line that is expected to provide approximately 1.5 million tons of additional annual capacity once completed. **Location:** Sitio Tagbac, Barangay San Jose, Antipolo City, Rizal **Vulnerable Groups:** There are vulnerable groups in Barangay San Jose, the biggest barangay in the country. There are employment opportunities available for some of them, while others benefit from our various programs on education and livelihood training. **Impact on Indigenous peoples:** There are no indigenous people's communities or ancestral domains within and around our facilities. **Community Rights and Concerns of Communities:** Community concerns include road safety which the company addresses through its road safety programs both for drivers and residents. **Mitigating Measures:** Solid Cement closely collaborates with the local government leaders to get feedback on community concerns looking that they are systematically addressed. Additionally, multi-sectoral monitoring teams conducts regular visits and audits seeking to ensure that Solid Cement complies with government policies. Any deviation from the standards are immediately addressed through investments on equipment and process optimization.

Disclosure on Free and Prior Informed Consent (FPIC) is not material given that there are no operations that are within or adjacent to ancestral domains of indigenous peoples.

RELATIONSHIP WITH COMMUNITIES
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Social acceptance to operate is critical to our plants' continued operation. Any concern of the community that remains unaddressed has the potential to cause disruption in our operations. Hence, we have put in place systems to thoroughly track any valid concern from communities regarding our operations in the area. Besides regular meetings with local government officials, our community relations officers are regularly in touch with leaders of the communities to better understand their needs and concerns. These concerns are consolidated and elevated to the right functional heads in our operations for immediate action.

Understanding their needs helps us design better programs that will truly improve their quality of life. These programs are implemented under CEMEX Philippines Foundation, Inc., a foundation in which APO Cement and Solid Cement are among its active members.

In partnership with various socio-civic organizations and the Philippine government, CEMEX Philippines Foundation, Inc. empowers communities and uplifts the lives of its beneficiaries through sustainable programs for society and the environment. A summary of these projects is presented Table 33, and details are provided in Annex C:

Table 33

PROGRAMS	OUTPUTS / OUTCOMES	NUMBER OF BENEFICIARIES
Build Education	Brigada Eskwela – school supplies distribution for community schools in Rizal and Naga Masters of Disaster (MOD) Training of Trainors (TOT) in Cebu Donation for school building in Marawi	Brigada Eskwela Rizal (1,230 students); Brigada Eskwela Naga (682 students) MOD TOT (682 students) GMA Kapuso Foundation (1 institution)
Build Volunteerism	Christmas Wish in Antipolo and Naga (Volunteerism activity in impact communities)	Christmas Wish in Antipolo (152 beneficiaries) and Naga (144 beneficiaries)
Build Environment	TSEK (waste segregation) program implemented in various localities in the Rizal Province Bamboo Tree Planting Initiative in the City of Naga, Cebu	4 Towns in Rizal (Baras, Cardona, Morong, Tanay) City of Naga – 1,250 seedlings
Build Sustainable Partnerships	Ronald McDonald House Charities (RMHC) Bahay Bulilit in Imus, Cavite CSR Mapping with League of Corporate Foundations (LCF)	RMHC Bahay Bulilit Imus (est. 70 children)
Build Communities	Barangay Alerto Disaster Preparedness Workshop for Communities – Naga Charter Day Celebration of the City of Naga (participation in medical and dental mission of City LGU) Brgy. Tibungco, Davao City Medical Mission (medical assistance and medical services)	Barangay Alerto (112 participants) Charter Day Celebration (est. 1000 beneficiaries) Davao City Medical Mission (301) beneficiaries

Opportunities and Management Approach

We remain open to supporting the needs of the communities around us. Given the health crisis we are facing in 2020, our approach to community development could grossly change. We are working on redesigning our strategies to better respond to the needs of our communities.

CUSTOMER MANAGEMENT – CUSTOMER SATISFACTION

DISCLOSURE	SCORE	DID A THIRD PARTY CONDUCT THE CUSTOMER SATISFACTION STUDY (Y/N)?
Customer Satisfaction	56	Yes

Customer satisfaction survey was conducted among all active clients in our contact list. The customer population is divided into two. The first half is surveyed first and third quarter of the year, while the other half is surveyed second and fourth quarter of the year. This is designed to ensure that we capture their overall pulse of our customers throughout the year. Our score in 2019 (56) is a good accomplishment for the team and we aim to achieve a score of 60 moving forward.

CUSTOMER SATISFACTION
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Customer centricity is one of our strategic pillars. We are aiming to become the most customer-oriented building materials solutions company by providing our customers with targeted products and services to stay ahead in this rapidly changing market.

From the findings of our customer surveys, we learned that there are five strongest drivers for customer satisfaction, including (1) Service & support from Sales Team, (2) Truck schedule availability, (3) Technical support, (4) Loading pick-up time and (5) on-time delivery. We continue to innovate to improve our performance on these areas.

In October 2018, we launched the CEMEX Go digital platform, an end-to-end integrated platform, which caters to the full customer journey. It 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, including ordering, delivery, and invoicing. 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, such as ordering and delivery status queries, can all be done anytime.

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. In 2019, more than 90% of orders from on-boarded clients were placed using this digital platform.

In our Net Promoter Score (NPS) evaluation, our customers rate the likelihood of recommending us based on their customer experience. According to the results of this assessment, we improved our customer experience by 21 percentage points in 2019 compared to 2018. We attribute this increase to the successful roll-out of our CEMEX Go digital platform. Our NPS specifically for CEMEX Go is ~80%, which reflects the willingness of our customers to recommend this feature to their friends and colleagues. Our customers specifically mentioned that they appreciate features on order history, invoices, and monitoring of their deliveries.

Key to customer satisfaction is our complaints management. We maintain several channels for customer feedback and complaints through phone, digital and other platforms. All complaints are monitored by our customer service center. Once filed, the complaint is assigned to a department based on the type of complaint. The type of complaints and responsible department/s leads are pre-evaluated based on past experiences. For new types of complaints, the customer experience team determines the responsible department to be assigned to address the complaint. All complaint types have Service Level Agreements for how long a complaint must be resolved. All progress of complaints is monitored on a weekly basis with updates sent to department heads on the progress and duration. This is also discussed in the weekly Executive Committee meetings every Monday.

Complaints are addressed directly to the clients and to the internal parties concerned. A root cause analysis is done and programs and process improvements are implemented ASAP without disruption to other services provided. Full transparency is given to the clients on the progress.

Opportunities and Management Approach

We continue to conduct daily alignment with all departments that have high impact on our Customer Satisfaction, which include the Customer Experience, Supply Chain, Procurement, Commercial, and Business Service Organization back-office teams. These departments continue to collaborate and innovate on ways to improve customer satisfaction, particularly on our performance on (1) Service & Support from Sales Team, (2) Truck schedule availability, (3) Technical support, (4) Loading pick up time and (5) On-time delivery as well as address day-to-day operational and client concerns. Amid the COVID-19 sanitary crisis we are experiencing in 2020, we anticipate changes in the preferences of our customers. We expect to quickly study these changes, and quickly adapt to them. We will also leverage our CEMEX Go digital platform for a more low-touch or low-contact experience for our customers.

CUSTOMER MANAGEMENT – HEALTH AND SAFETY

Table 34

DISCLOSURE	QUANTITY	UNITS
Number of Substantiated Compliant on Products or Service Health and Safety	0	#
Number of Complaints Addressed	0	#

HEALTH & SAFETY

Impacts and Risks: Where it occurs, Company's Involvement, and Stakeholders Affected

There is minimal risk in terms of health and safety in using cement and premix concrete. At the initial mixing of the product with aggregates, small particulate dust may be emitted but it immediately dissipates once water is added. We continue to monitor customer feedback on any health issues of our products through different channels such as service center, sales managers, our landlines, and through digital platforms.

So far, we have not received any complaint regarding the possible negative impact of our products to our customer's health and safety.

Management Approach for Impacts and Risks

CHP takes effort to promote the use of basic personal protective equipment (PPEs), such as dust mask, goggles and gloves to its product users. Compliance and importance of health and safety is emphasized and highly promoted in trainings related to products, technical or health and safety that are conducted to front liners. In 2019, we have conducted 68 training hours to 272 workers.

Opportunities and Management Approach

We expect to assess the level of compliance among our customers and their workers on the use of PPEs and determine opportunities to improve their uptake. We will consider and evaluate factors that prevents workers from using PPEs in their workplaces, determine root causes, and offer solutions to improve adoption of PPEs by the workers.

CUSTOMER MANAGEMENT – MARKETING AND LABELING

Table 35

DISCLOSURE	QUANTITY	UNITS
Number of Substantiated Complaints on Products or Service Marketing and Labelling	0	#
Number of Complaints Addressed	0	#

MARKETING & LABELING
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Using the wrong cement for a specific structure or type of structure can pose an extremely high risk to safety. It can lead to litigation which has potentially high financial impact to our business and our reputation. It may also result to potential loss of life of anyone exposed to structures built with the wrong cement type.

Hence, our system is built and designed to ensure correct labelling of our products. All cement bags we use strictly complies to the requirements of the Department of Trade and Industry (DTI) for Cement Bag Markings which includes the Type of Cement in the bag and where it can be used. Bag markings such as logos, pantones, trademarks, Philippine Standard license numbers, product descriptions, manufacturing details, and product use-related marks are reviewed by Marketing, Legal, and Procurement teams to ensure they are complete and accurate. Bags deemed as non-compliant are rejected. We also print traceability codes in our cement bags. This is a 11-digit number to trace each bag to provide details, such as when cement was packed at the plant and which line. The 11 digit is printed on each bag as it runs on the conveyor belt prior to truck loading.

Looking into our customer feedback channels, we did not receive any complaints in 2019 relating to faulty or inaccurate labels or non-compliant labels based on standards set by DTI.

Opportunities and Management Approach

Moving forward, we will continue to monitor any future regulations on labelling to comply with required standards. We will also evaluate and consider new and better technology that will help improve tracking of labels of our different products.

CUSTOMER PRIVACY

Table 36

DISCLOSURE	QUANTITY	UNITS
Number of Substantiated Complaints on Customer Privacy	0	#
Number of Complaints Addressed	0	#
Number of Customers, Users and Account Holders whose Information is Used for Secondary Purposes	0	#

DATA SECURITY

Table 37

DISCLOSURE	QUANTITY	UNITS
Number of Data Breaches, including Leaks, Thefts and Losses of Data	0	#

Customer Privacy and Data Security

Impacts and Risks: Where it occurs, Company's Involvement, and Stakeholders Affected

With the transition to digital economy, risks relevant to privacy of personal information and data security has emerged to be among the most important risks. This is consistent with the data presented in the Global risk report, published in 2020 by the World Economic Forum.

At CHP, we increasingly rely on a variety of information technology and automated operating systems to manage and support our operations, as well as to offer our products to our customers. Our systems and technology, 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. In particular, the use of digital platform CEMEX Go has inherent risks on potential breach in confidential information relevant to our transactions with our clients.

Any significant disruption to our systems, information leakages or theft of information could affect our compliance with data privacy laws, damage our relationships with employees, customers, and suppliers, and have a material adverse impact on our financial condition, operations and reputation.

Hence, we take this matter very seriously which is why we have put in place the best available security measures and frequently test its vulnerability to any potential cyberattacks. Furthermore, 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. As of December 31, 2019, our 13-month insurance program, which expires on June 25, 2020, includes insurance coverage that, subject to its terms and conditions, is intended to address certain costs associated with cyber incidents, network failures and data privacy-related concerns.

So far, we have not had any incidence of breaches, thefts and losses of data, as well as customer complaints as a result of these.

Management Approach for Impacts and Risks

Data Privacy and Security at CHP Policies and Measures

1. Appointment of a Data Protection Officer (DPO) by the Board of Directors

   The DPO is the officer of the Company who is concurrently serving as the Legal Director of the Company.

2. Functions of DPO unit and how accountability is established

   Among the functions and responsibilities of the DPO are:

   a. Monitor the organization's compliance with the Data Privacy Act (DPA), its implementing rules and regulations, issuances by the National Privacy Commission (NPC) and other applicable laws and policies. For this purpose, he or she may:
      - collect information to identify the processing operations, activities, measures, projects, programs, or systems, and maintain a record thereof;
      - analyze and check the compliance of processing activities, including the issuance of security clearances to and compliance by third-party service providers;
      - ascertain renewal of accreditations or certifications necessary to maintain the required standards in personal data processing; and
      - advice management as regards to the necessity of executing a data sharing agreement with third parties, and seeking to ensure its compliance with the law;

   b. Monitor the conduct of internal audits and review adequate implementation of the Company's data privacy policies;

   c. Advice the Company regarding complaints and/or the exercise by Data Subjects of their rights (e.g., requests for information, clarifications, rectification or deletion of Personal Data);

   d. Preparation and submission to the NPC of required reports on Personal data breach and Security incident management within the prescribed period;

   e. Inform and cultivate awareness on privacy and data protection within the organization, including all relevant laws, rules and regulations and issuances of the NPC;

   f. Advocate for the development, review and/or revision of policies, guidelines, projects and/or programs relating to information privacy and data protection;

   g. Serve as the contact person of the Company vis-à-vis Data Subjects, the NPC and other authorities in all matters concerning data privacy or security issues or concerns;

   h. Cooperate, coordinate and seek advice of the NPC regarding matters concerning data privacy and security; and

   i. Perform other duties and tasks that will further the interest of data privacy and security and uphold the rights of the Data Subjects.

3. Independence of DPO

The DPO shall act independently in the performance of his or her functions and shall enjoy sufficient degree of autonomy. For this purpose, he or she must not receive instructions from the Personal Information Controller or Personal Information Processor regarding the exercise of his or her tasks.

4. Protocols to prevent breach, during breach, after breach

   A data breach response team comprising of representatives of key departments of the organization (including, but need not be limited to, human resources, legal, process and information technology departments) shall be responsible for coordinating immediate action in the event of a Personal data breach or Security incident. The team shall conduct an initial assessment of the incident or breach in order to ascertain the nature and extent thereof. It shall also execute measures to mitigate the adverse effects of the incident or breach.

At CHP, we have put in place the following measures to manage risks around Customer Privacy and Data Security.

1. Enforce Information Security Policy and culture

   All IT devices specially user workstations have installed anti-virus programs and tools to protect from viruses, malwares and other malicious codes. Security devices like Intrusion prevention systems, firewalls, etc. are in place to ensure information are protected and secure. End user computers have installed Multi Factor Authentication (MFA) and Drive encryption tools making it difficult for intruders to take control of devices.

2. Have cybersecurity controls and monitoring services in place

   We conduct regular check on the capability and preparedness of 3rd party IT partners ensuring that vulnerabilities are identified and addressed. Our systems and electronic information are protected through a set of cyber- security controls, processes and proactive monitoring service to attend to potential breaches

3. Have disaster recovery plans and rapid response teams in place

   Disaster recovery plans are regularly reviewed and updated to reflect and adjust to ever changing situations. Regular drills are also performed on critical systems as part of compliance and to guarantee prompt recovery in case needed.

4. Insurance coverage

   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. Our systems and technology, 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, cata-strophic events, power outages, natural disasters, computer system or network failures, viruses or malware, unauthorized access, and cyber-attacks. Any significant disruption to our systems, information leakages or theft of information could affect our compliance with data privacy laws, damage our relationships with employees, customers, and suppliers, and have a material adverse impact on our business, financial condition, results of operations and reputation.

   Among the measures taken by the Company which are designed to mitigate risks are the enforcement of the Information Security Policy and culture, the maintenance of cybersecurity controls and monitoring services and process for the mobilization of an internal rapid response team, and the enhancement of insurance coverage to include cyber liability insurance. Provided under the Company's cyber liability insurance policy is, depending on the circumstances, the deployment of an independent third-party service provider to assist the Company in case of a breach of data privacy or cybersecurity controls.

Opportunities and Management Approach

To strengthen our management system, we will continue to learn from the security lapses of other companies who experienced security breach. We will also conduct regular trainings, briefings, and information campaign among direct or indirect workers on the importance of keeping corporate information secure and protected. We will take needed steps to keep ourselves apprised on advancements in cybersecurity technologies and methods.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Product: Gray Ordinary Portland
Brand: APO Portland Cement
Description: 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. This meets PNS 07:2018 and ASTM C150:2018 standards.

Table 38

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED
• Higher early days strength (3 and 7 days) vs Type IP or Blended Cements • Complies to two Portland Types I/II. • High Compatibility to most Chemical Admixture in the market. • Longer workability retention allowing for ease of transport, pumping and placement of Concrete	This product reduces the use of virgin materials, and increased use of recycled materials such as Fly-Ash, Slag, and Silica Fume. Reduction of use of clinker also reduces energy and GHG intensity per quantity of product used in the market. When used in concrete hollow blocks, more can be produced per bag, contributing to materials efficiency and cost savings for consumers. Infrastructure built with this cement that are exposed to aggressive chemical environments also last better, improving the life span of structures.	SDG 12 SDG 13

Potential Negative Impact of Contribution
We noted no negative impact to any SDG resulting from the use of this product.

Product: Gray Ordinary Portland
Brand: Island Portland Cement
Description: General-purpose Portland cement made for high performance applications. Achieves higher compressive strength in less time compared to other Portland cement. This meets PNS 07:2018 ASTM C150:2018 standards.

Table 39

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED
• Higher early days strength (3 and 7 days) vs Type IP or Blended Cements • High Compatibility to most Chemical Admixture in the market. • Highly Suitable for Pre-Cast Concrete structures	This product reduces the use of virgin materials, and increased use of recycled materials such as Fly-Ash, Slag, and Silica Fume. Reduction of use of clinker also reduces energy and GHG intensity per quantity of product used in the market. When used in concrete hollow blocks, more can be produced per bag, contributing to materials efficiency and cost savings for consumers.	SDG 12 SDG 13

Potential Negative Impact of Contribution
We noted no negative impact to any SDG resulting from the use of this product.

Product: Masonry Cement
Brands: Rizal Masonry Cement and APO Masonry Cement
Description: Type M masonry cements. It allows better moisture retention and adhesion strength. This meets PNS ASTM C91/C91M:2019 standards.

Table 40

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED
• Better workability retention versus Type I OPC and Blended Cement. • Lower shrinkage rate versus Portland Cement and Blended Cements, reducing risks of delamination and cracking of Mortar/Plastering or Topping	This has lower product energy and carbon intensity by about one-third when compared to Portland cement due to lower clinker factor. Because of its properties, use of this product requires less cement per square meter coverage compared to Portland and Blended Cements, resulting to savings in material use.	SDG 12 SDG 13

Potential Negative Impact of Contribution
We noted no negative impact to any SDG resulting from the use of this product.

Product: Blended Cement
Brand: Rizal Portland Super:
Description: All-purpose Type 1P cement formulated with 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. This meets PNS 63:2019 and ASTM C595:2018 standards.

Table 41

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED
• Higher later days strengths • Requires less water to hydrate all cement particles o Better workability vs Portland Cement. o More cohesive concrete mix. o Less Risk of Segregation	This has lower clinker factor compared to Portland cements hence has lower energy and carbon intensity. This has longer-term durability versus Portland Cements as it yields a denser concrete.	SDG 12 SDG 13

Potential Negative Impact of Contribution
We noted no negative impact to any SDG resulting from the use of this product.

Annex A. Stakeholder Concerns and Actions Taken

The following stakeholder concerns and management approaches are presented below as supplementary information to this report. These concerns served as important basis for defining the material sustainability topics that are being disclosed in this report.

EMPLOYEES

We engage with our employees through the following channels:

1. Internal surveys
2. Townhall Sessions
3. Labor-Management Council meetings
4. Health and Safety meetings
5. Continuous Improvement meetings

Table 42 shows their concerns and the corresponding actions we have taken to address them.

Table 42

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Training Opportunities	Improved training courses and programs	Increase in training completions
Facilities Improvement	CAPEX projects and budgeted repairs	Investments on new plant equipment, plant facilities repairs
Benefits Improvement	Review of Retirement packages and benchmarking	On-going review

COMMUNITY

We engage with our community through the following channels:

1. Regular meetings of our community relations officers with barangay captains
2. Annual stakeholders meeting
3. Quarterly multi-partite monitoring meetings
4. Social media

Table 43 shows their concerns and the corresponding actions we have taken to address them.

Table 43

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Request for Assistance through Livelihood Programs	Conduct Livelihood and Skills Training (food processing and traffic enforcers training)	Increased employability and business opportunities among community stakeholders
Plant-related Concerns	Improvement in operations, additional housekeeping measures, regular sprinkling of water on the roads	Improvements in the monitoring plant operations and its impacts, with strengthened coordination efforts with local government offices

CUSTOMERS

We obtain feedback from our customers through the following channels:

1. Net Promoter Score surveys (quarterly)
2. Service Centers
3. Customer Journey Experiences by Managers (customer visits)
4. Sales Team Activities

Table 44 shows their concerns and the corresponding actions we have taken to address them.

Table 44

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Rating on the question: *"How likely is that you would recommend <Brand Name> to a colleague or business partner"*	Close the Loop Process with Detractor Clients	Action plan from responsible unit on issues/concerns raised by said Detractors. Can be process improvement or a project/initiative
Comments on the question "What can we improve?"	Comments are addressed by concerned departments	Action plan from responsible unit on issues/concerns raised by said Detractors. Can be process improvement or a project/initiative
Rating from 1-10 on the different Customer Centric Action Drivers	Comments are addressed by concerned departments	Action plan from responsible unit on issues/concerns raised by said Detractors. Can be process improvement or a project/initiative
Various complaints (price, delivery, documentation, payment, etc)	Get details of complaint from client and send to the concerned Department for appropriate action.	Root Cause Analysis Report. Monitor complaint resolution identified. Call client if complaint has been sufficiently addressed.
Other "Customer Pains" - issues not addressed and still affecting customer's way of doing business with the Company. Look for best practices and process improvements	Comments are addressed by concerned departments	Action plan from responsible unit on issues/concerns raised by said Detractors. Can be process improvement or a project/initiative

INVESTORS

We obtain feedback from our investors through the following channels:

1. Regular meetings, webcasts, and conference calls
2. Quarterly financial updates and guidance
3. Annual report, and mandatory filings
4. Sustainability Report
5. Ongoing website updates and press releases

Table 45 shows their concerns and the corresponding actions we have taken to address them.

Table 45

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Company's capital structure, expansion project funding, balance sheet	Stock rights offering	Improved capital structure Additional funding for expansion project Healthier balance sheet
Company's economic performance in mid and long term	Communications through abovementioned channels	Understanding of the Company's financial position, performance, business perspectives, and risks
Corporate Governance	Communications through abovementioned channels	Understanding of management and corporate ESG practices Golden Arrow Recognition by the Institute of Corporate Directors (ICD) under the ASEAN[15] Corporate Governance Scorecard (ACGS) based on the results of the 2018 assessment of the corporate governance practices of listed companies.
Environmental, Social, and Governance (ESG) disclosure and performance	Communications through abovementioned channels	Understanding of management and corporate ESG practices

[15] *Association of Southeast Asian Nations*

REGULATORS

We obtain feedback from our regulators through the following channels:

1. Government websites and publications
2. Formal notices and letters via mail
3. Meetings, both face-to-face and via telephone calls
4. Public hearings

Table 46 shows their concerns and the corresponding actions we have taken to address them.

Table 46

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Compliance with environmental laws and regulations on air emissions, clean water, and waste	Implementation of the Online Transmission of Data from Continuous Emission Monitoring System (CEMS) and Closed-Circuit Television (CCTV) to monitor compliance with emission standards	Compliance with air emission standards
	Work together with local and national government on clean-up and rehabilitation of rivers	Adopt-a-River Program
	Endorse and implement waste management solutions	TSeK or Tamang Segregasyon Para Sa Kalikasan program
	Co-processing method to recover or reuse waste materials to manufacture cement	Reduction of waste diverted from landfills and to the environment
Compliance with competition laws	Company-wide information and education campaign on antitrust policies and Philippine competition laws	Annual Antitrust Training
Participation in the government's infrastructure development program	Capacity expansion to increase production volume	Solid Expansion Project
Tax assessment results	Confirmation of information through meeting. Settlement in the form of payment or refund	Compliance and sustainability of permit

Annex B. Procedure for Accreditation of Suppliers and Contractors *(Extract of SOLID's IMS Procedures Manual indicated below; similar procedure observed by the other corporate members of the Company)*

SOLID CEMENT CORPORATION **Tagbac, Antipolo City**	**IMS PROCEDURES MANUAL**		
	Doc. Title	**PROCEDURE FOR ACCREDITATION OF SUPPLIERS & CONTRACTORS**	
	Doc. No.	**IMS-PM-PRC-001**	
	Effectivity	**June 25, 2018**	
	Revision	**4** Page **1 of 4**	
	Revision Date	**May 24, 2019**	

Page(s) revised	*Details of Revision*	
	From	To
Rev2 06-13-17		
Page 2	1.1.8.1 DOLE Certificate of Registration	1.1.8.1 DOLE Certificate of Registration/***PCAB License (Philippine Contractor's Accreditation Board)***
Page 3	3. Responsibility: EHS Assessment Team	3. Responsibility: ***CEHSM AUDIT TEAM***
Rev3 06-20-18		
Page 1	Name of Approval from Procurement Manager – Leo Andrei Cruz	Ronald Ponce
Page 2		Includes ***Letter of Commitment for Anti-Bribery Compliance Laws*** as additional requirement on accreditation
Page 4	4. Responsibility: Accounts Payable Team	**4.** Responsibility: ***Asia-Vendor Master Team***

Distribution Index	Approval
Office of the Plant Director	*Prepared By*
EHS	
Mechanical	
Procurement	
KILN	***Shaira Joy Pingol***
Finishmill	Deputy Management Representative
Electrical & Instrumentation	
Human Resources	Reviewed By
Packhouse	
Powerhouse	
Quality Assurance	
Motorpool	***Alejandro John Eraldo/ Gerard Gem Gamelong/Joseph Jurado / Rochelle Vicencio*** IMS Management Representative
	Approved By
	Ronald Ponce Procurement Manager

F-SCC-246 Document Cover Page, Rev. 0 Effective: December 21, 2015

Note: Prior to perform activity, accomplished Work Safe Pre-Job Assessment form. Refer to F-SCC-211

DETAILS:

NO.	ACTIVITY	RESPONSIBILITY
2.	Conduct inspection and evaluate prospective suppliers 2.1 Whenever practical or upon instruction of the Procurement Manager, Concerned negotiator and end-user will conduct an ocular inspection of the prospective supplier's business establishment (only supplier of goods and services with direct impact to Plant performance and product quality) through the following: 1.1.1 Take pictures of facilities, stocks, and office. Conduct personnel interviews. Review pertinent policies, and documents related to quality products and services supplied. After the actual visit, prepare report of the inspection and make recommendation, refer to Quality & Capability Evaluation Form Document No. F-PRC-008	Negotiator/End Users/ ***CEHSM AUDIT TEAM***
3.	Health and Safety Requirements for Suppliers of Services (Contractors) Service Suppliers must provide the following documents for EHS Assessment Audit 3.1 A copy of your Environmental and/or Health & Safety policies. 3.2 Statistics on safety performance (fatalities/work injuries/property damage/near-misses/etc) 3.3 A copy of your Organizational chart (Updated resume of Field Key Personnel, such as, Site Engineer, Safety Officer, Foreman, etc.) 3.4 Details of your insurance policies 3.5 A copy of your management system or plan that covers health & safety 3.6 Safety meeting minutes 3.7 Registers/records that you maintain of: 3.7.1. Equipment / tools 3.7.2. Employees / Working Personnel (names/age/length of service/qualifications, license expiry dates) 3.7.3. Employee training (required/received) 3.8 Equipment maintenance checklist (completed only) 3.9 Emergency Response Plan related to industrial incidents 3.10 Employee handbook or similar documents 3.11 Employee Training syllabus 3.12 A sample of Accident reports and the related investigation documents 3.13 Any reports of Audits similar to this by others that you wish to share with the Team 3.14 Other documentation related to EHS regulatory compliance New service suppliers will only be accredited upon adherence to above safety requirements and assessment by EHS team	CEHSM AUDIT TEAM
4.	Evaluate and determine if all requirements are met and endorse to Tax Team as supplier evaluator responsible 4.1 After passing all the tax requirements criteria for accreditation, Tax evaluator will advice in writing the Accounts Payable department, Asia-Vendor Master team and the Negotiator. 4.1.1. For Service Supplier/Contractor, endorsement from Safety department regarding submitted safety documents is necessary. 4.2. Negotiator will seek also the approval of accreditation from the Procurement Manager	Negotiator/Tax Department/***Asia-Vendor Master Team***

OBJECTIVE : To assure the Company of the performance and reliability of prospective supplier of parts, materials and services which have a direct impact to plant performance and product quality.

SCOPE : All prospective suppliers.

REQUIRED PPE : Hard Hat, Safety Shoes, Safety Gloves, Visibility Vest

DEFINITION OF TERMS :

1. Negotiator - Refers to buyer.
2. Goods and Services with Direct Impact to Plant Performance and Product Quality – Bulk Materials (raw materials, Kraft/WPP/Black Bottom empty bags major plant equipment (unit, parts, services) calibration equipment and instruments (unit, spares, services), heavy equipment (unit, spares, services), fabrication of replaceable parts of plant equipment, laboratory equipment and instruments (unit, spares, services), mill supplies and office equipment.
3. Supplier/Contractors – with recurrent transactions with have a direct impact to plant performance and quality of the final product.

Note: Prior to perform activity, accomplished Work Safe Pre-Job Assessment form. Refer to F-SCC-211

DETAILS:

NO.	ACTIVITY	RESPONSIBILITY
1.	Acquire necessary information from prospective suppliers 1.1 Require all prospective suppliers of goods and services which have direct impact to the plant performance and quality of the final product to submit an accomplished "Supplier Application Form for Registration" Document No. F-PRC-001, ***Letter of Commitment for Anti-Bribery Compliance Laws, and CEMEX Credit Policy*** together with the following documents: 1.1.1 Latest audited financial statement. 1.1.2 Certificate of Distributorship of a particular brand. 1.1.3 VAT certificate/Tax Identification Number BIR Form 2303. 1.1.4 Photocopy of Blank Official Receipt & Sales Invoice/ ***SOA*** 1.1.5 Updated Business Permit/ ***Mayor's Permit*** 1.1.6 For Single Proprietorship: 1.1.6.1 Certificate of Registration of business name with the Bureau of Domestic Trade. 1.1.7 For Partnership/Corporation: 1.1.7.1 Certificate of Registration with SEC. 1.1.7.2 Articles of Incorporation/Partnership. 1.1.8 For Contractors: 1.1.8.1 DOLE Certificate of Registration/PCAB License (Philippine Contractor's Accreditation Board) ***1.1.9 Proof of Address – Utility Bill (no more than three months old and show the current fiscal address of the supplier)***	Negotiator

Note: Prior to perform activity, accomplished Work Safe Pre-Job Assessment form. Refer to F-SCC-211

DETAILS:

NO.	ACTIVITY	RESPONSIBILITY
	4.2.1 Negotiator will seek approval of accreditation from the Procurement Department Head if the payment terms is in 30/60 days 4.3. After passing all the criteria, the applicant will be accredited and may now be included in the SAP Vendor's Master List. 4.4. Suppliers will be informed in writing	

F-PRC-001 – Supplier Application Form for Registration
F-PRC-008 – Quality & Capability Evaluation Form

FORM

Annex C. Community Programs of CEMEX Philippines Foundation, Inc. (“Foundation”)

Build Education
The Foundation supports the Department of Education (DepEd) in building a bright future for the next leaders and changemakers of the country. We have an on-going Adopt-a-School program nationwide, particularly in Antipolo and Cebu. In 2019, we again participated in DepEd’s Brigada Eskwela events in Naga, Cebu and Antipolo, Rizal.

Build Volunteerism
The Foundation enjoys putting its collective efforts to get involved. H.E.R.O. (Help. Engage. Reach. Out.) is the banner program of all our employee volunteerism activities. Some of our supported groups and initiatives are the Futkalero Project (“Football sa Kalye”), STEP Kids, DepEd’s Brigada Eskwela, and other relief and rehabilitation mission. In 2019, employee-volunteers from CEMEX Philippines participated in various government-led social programs such as DepEd’s *Brigada Eskwela* and the *Isang Milyong Sipilyo* dental health program of the Department of Health. Likewise, in December 2019, CEMEX held a ‘Christmas Wish’ gift-giving activity for young kids in Naga City in Cebu and Antipolo City in Rizal.

Build Environment
The Foundation strives to maintain our strong multi-sectoral resolve to keep a cleaner land, ocean, and air. Our Adopt-a-Species is a science-based and community-focused framework for long-term conservation of the ecology. Our adopted species are the Butanding (whale shark), Philippine tarsier, Negros bleeding heart pigeon, and Philippine eagle. We also conduct regular coastal clean-up and tree planting. We also promote proper waste segregation among our chosen communities through Tamang Segregasyon para sa Kalikasan or TSEK. In 2019, to do our part in saving crucial water systems that are essential to life, CEMEX Philippines participated in the “Manila BAYanihan para sa Kalikasan” – a multi-stakeholder initiative that promotes the Filipino tradition of “bayanihan” in working towards the simultaneous cleanup and restoration of waterways in Metro Manila.

Build Sustainable Partnerships
The Foundation taps into the vast knowledge and capability of both government and non-government organizations to widen the impact of its programs. Our collaboration with different agencies such as the Department of Environment and Natural Resources (DENR), Department of Trade and Industry (DTI), Department of Public Works and Highways (DPWH), and Department of Education (DepEd) helps us in our grassroots implementation of our sustainability projects.

In 2019, the Foundation partnered with reputable institutions such as Ronald McDonald House Charities, GMA Kapuso Foundation, Unilever and City Government of Manila. CEMEX helped build two Ronald McDonald Bahay Bulilit Learning Centers in Imus City, Cavite and in Lapu-Lapu City, Cebu. Likewise, the Foundation helped GMA Kapuso Foundation build a 50-meter cable-suspended steel bridge in the remote district of Paquibato in Davao City. The Foundation also partnered with Unilever and the City Government of Manila in the collection and recycling of plastic wastes in the City of Manila.

Build Communities
Our goal is not only to be the efficient global builder of future cities but also to be the builder of self-sustaining communities. Our efforts to help the communities on livelihood and skills development in San Jose, Antipolo and Naga, Cebu have seen a promising move towards sustainability by enabling every individual to succeed. Our community programs are named as “Lingap San Jose” for Antipolo, Rizal and “Amoma Naga” for City of Naga, Cebu.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which reflect our expectations. 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 report 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:

- the impact of pandemics, epidemics or outbreaks of infectious diseases and the response of governments and other third parties, including with respect to COVID-19, which have affected and may continue to adversely affect, among other matters, supply chains, international operations, availability of liquidity, investor confidence and consumer spending, as well as availability of, and demand for, our products and services;

- 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 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; and

- our ability to satisfy our obligations related to our indebtedness owed to BDO.

EXHIBIT A

Audited Consolidated Financial Statements
as at and for year ended December 31, 2019 and as at
December 31, 2018
(with Supplementary Schedules)

CEMEX HOLDINGS PHILIPPINES, INC.
SEC FORM 17-A

C O V E R   S H E E T

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
	8849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
26 (as of 31 Dec 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) 8849 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 SUBSDIARIES

Consolidated Financial Statements
December 31, 2019 and 2018

With Independent Auditors’ Report

CEMEX
PHILIPPINES

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, 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 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 **SERGIO MAURICIO MENÉNDEZ MEDINA**
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 2020

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
Email ph-inquiry@kpmg.com

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the years in the period ended December 31, 2019, 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.

PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

Emphasis of Matter

We draw attention to Note 32 of the consolidated financial statements, which describes the effects of the enhanced community quarantine implemented by the Philippine government in response to Coronavirus disease 2019 (COVID-19) pandemic on the Group's operations. Our opinion is not modified in respect of this matter.

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, 2019 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, 2019.

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.

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, 2019, 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, 2019 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.

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-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 8116753
Issued January 2, 2020 at Makati City

April 7, 2020
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	**December 31, 2019**	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*	**P1,399,180**	P1,813,665	P1,058,267
Trade receivables - net	*12, 22*	**892,951**	708,906	818,847
Due from related parties	*13, 22*	**27,749**	30,326	26,386
Insurance claims and premiums receivable	*15, 22*	**445,535**	949,983	-
Other current accounts receivable	*15, 22*	**65,244**	73,070	74,616
Inventories	*16*	**3,013,444**	3,488,178	3,258,252
Derivative asset	*22*	**-**	12,875	-
Prepayments and other current assets	*17*	**1,672,392**	1,677,671	1,401,133
Total Current Assets		**7,516,495**	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*	**1,606,397**	2,069,601	-
Other assets and noncurrent accounts receivable	*15, 22*	**837,151**	818,247	716,700
Property, machinery and equipment and assets for the right-of-use - net	*18*	**19,937,723**	17,768,023	17,749,909
Deferred income tax assets - net	*25*	**1,034,620**	774,434	1,067,565
Goodwill	*19*	**27,859,694**	27,859,694	27,859,694
Total Noncurrent Assets		**51,289,682**	49,304,096	47,409,275
		P58,806,177	P58,058,770	P54,046,776
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payables	*22*	**P4,795,817**	P4,934,535	P2,318,979
Due to related parties	*13, 22*	**2,733,214**	2,683,051	2,273,404
Unearned income, other accounts payable and accrued expenses	*20, 22*	**1,657,724**	1,882,169	1,681,768
Current portion of:				
Lease liabilities	*21, 22*	**525,411**	453,661	263,995
Long-term bank loan	*22, 24*	**140,123**	140,123	140,123
Contract liabilities	*6*	**267,787**	375,224	426,999
Income tax payable		**16,736**	65,283	32,279
Total Current Liabilities		**10,136,812**	10,534,046	7,137,547

Forward

	Note	December 31, 2019	December 31, 2018 (As restated - see Note 3)	January 1, 2018 (As restated - see Note 3)
Noncurrent Liabilities				
Long-term bank loan - net of current portion	*22, 24*	**P11,180,802**	P13,488,728	P13,600,475
Long-term payable to a related party	*13, 22*	**5,368,838**	2,520,914	1,073,635
Lease liabilities - net of current portion	*21, 22*	**1,637,840**	1,905,935	2,054,304
Retirement benefit liability	*23*	**794,201**	715,184	761,008
Deferred income tax liabilities - net	*25*	**1,587**	147,387	92,674
Other noncurrent liabilities		**20,610**	20,610	20,610
Total Noncurrent Liabilities		**19,003,878**	18,798,758	17,602,706
Total Liabilities		**29,140,690**	29,332,804	24,740,253
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*	**249,852**	589,907	199,929
Retained earnings	*26E*	**2,260,911**	981,312	1,951,819
Total controlling interest		**29,665,317**	28,725,773	29,306,302
Non-controlling interest	*26C*	**170**	193	221
Total Equity		**29,665,487**	28,725,966	29,306,523
		P58,806,177	P58,058,770	P54,046,776

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

			Years Ended December 31	
	Note	**2019**	2018 (As restated - see Note 3)	2017 (As restated - see Note 3)
REVENUE	*6*	**P23,595,877**	P23,417,697	P21,784,450
COST OF SALES	*7*	**(13,913,316)**	(14,227,211)	(12,325,087)
GROSS PROFIT		**9,682,561**	9,190,486	9,459,363
OPERATING EXPENSES				
Distribution expenses	*8*	**(4,229,410)**	(4,670,626)	(4,274,106)
Administrative and selling expenses	7	**(3,111,531)**	(2,999,236)	(3,070,941)
TOTAL OPERATING EXPENSES		**(7,340,941)**	(7,669,862)	(7,345,047)
OPERATING INCOME BEFORE OTHER INCOME (EXPENSES) - Net		**2,341,620**	1,520,624	2,114,316
Other income (expenses) - net	*9*	**8,544**	(42,653)	(226,179)
OPERATING INCOME AFTER OTHER INCOME (EXPENSES) - Net		**2,350,164**	1,477,971	1,888,137
Financial expenses	*13, 18, 21, 24*	**(1,252,483)**	(1,081,418)	(1,011,332)
Foreign exchange gain (loss) - net		**453,125**	(381,443)	(70,852)
Other financial expenses - net	*10*	**(52,056)**	(32,093)	(36,846)
EARNINGS (LOSS) BEFORE INCOME TAX		**1,498,750**	(16,983)	769,107
Income tax expense	*25*	**(219,174)**	(953,704)	(130,770)
PROFIT (LOSS)		**1,279,576**	(970,687)	638,337
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurement on retirement benefit liability	*23*	**(165,755)**	196,092	106,474
Tax effect	*25*	**49,726**	(58,782)	(31,942)
		(116,029)	137,310	74,532
Items that will be reclassified subsequently to profit or loss				
Currency translation gain (loss) of foreign subsidiaries		**(242,977)**	238,945	(13,525)
Cash flow hedges - effective portion of changes in fair value	*22*	**-**	(6,458)	-
Cash flow hedges - reclassified to profit or loss	*22*	**6,458**	-	(6,805)
		(236,519)	232,487	(20,330)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**(352,548)**	369,797	54,202
TOTAL COMPREHENSIVE INCOME (LOSS)		**927,028**	(600,890)	692,539
Non-controlling interest in comprehensive loss		**23**	28	25
CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)		**P927,051**	(P600,862)	P692,564
Basic/Diluted Earnings (Loss) Per Share	*27*	**P0.25**	(P0.19)	P0.12

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Note	Common Stock (see Note 26)	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings	Total Controlling Interest	Non-controlling Interest	Total Stockholders' Equity
								Years Ended December 31
As at January 1, 2017		P5,195,395	P21,959,159	P120,556	P1,408,856	P28,683,966	P246	P28,684,212
Adjustment on initial application of PFRS 16	*3*	-	-	-	(85,311)	(85,311)	-	(85,311)
As at January 1, 2017, as restated		5,195,395	21,959,159	120,556	1,323,545	28,598,655	246	28,598,901
Transactions with owners of the Company								
Share-based compensation	*26D*	-	-	25,171	-	25,171	-	25,171
Total comprehensive income								
Profit for the year		-	-	-	638,362	638,362	(25)	638,337
Other comprehensive income for the year		-	-	54,202	-	54,202	-	54,202
As at December 31, 2017, as adjusted by retrospective application of PFRS 16		5,195,395	21,959,159	199,929	1,961,907	29,316,390	221	29,316,611
Adjustment on initial application of PFRS 9		-	-	-	(10,088)	(10,088)	-	(10,088)
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
Transactions with owners of the Company								
Share-based compensation	*26D*	-	-	20,333	-	20,333	-	20,333
Total comprehensive loss								
Loss for the year		-	-	-	(970,659)	(970,659)	(28)	(970,687)
Other comprehensive income for the year		-	-	369,797	-	369,797	-	369,797
Other adjustment		-	-	(152)	152	-	-	-
As at December 31, 2018, as restated		5,195,395	21,959,159	589,907	981,312	28,725,773	193	28,725,966
Transactions with owners of the Company								
Share-based compensation	*26D*	-	-	12,493	-	12,493	-	12,493
Total comprehensive income								
Profit for the year		-	-	-	1,279,599	1,279,599	(23)	1,279,576
Other comprehensive loss for the year		-	-	(352,548)	-	(352,548)	-	(352,548)
As at December 31, 2019		P5,195,395	P21,959,159	P249,852	P2,260,911	P29,665,317	P170	P29,665,487

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		For the Years Ended December 31		
	Note	**2019**	2018 (As restated - see Note 3)	2017 (As restated - see Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss)		**P1,279,576**	(P970,687)	P638,337
Adjustments for:				
Depreciation and amortization of property, machinery and equipment and assets for the right-of-use	*5*	**1,885,513**	1,855,675	1,537,856
Financial expenses, other financial expenses and unrealized foreign exchange result		**794,704**	1,226,006	1,153,245
Income tax expense	*25*	**219,174**	953,704	130,770
Retirement benefit expense	*23*	**103,722**	113,996	124,156
Impairment loss on trade receivables, inventory write-down and provisions during the year	*16, 20, 22*	**31,084**	30,539	55,007
Loss (gain) on disposal of assets	*9*	**19,713**	(18,254)	4,602
Stock-based compensation expense	*26*	**12,493**	20,333	25,171
Gain on remeasurement of lease liability and asset for the right-of-use from lease termination	*9, 18*	**(7,032)**	-	-
Impairment loss on property, machinery and equipment	*9*	**-**	3,670	175,230
Loss on early extinguishment of debt	*9*	**-**	-	64,603
Operating profit before working capital changes		**4,338,947**	3,214,982	3,908,977
Changes in working capital:				
Decrease (increase) in:				
Trade receivables		**(184,379)**	99,415	50,005
Due from related parties		**8,937**	(3,940)	164,187
Insurance claims and premiums receivable		**487,660**	(949,983)	-
Other current accounts receivable		**8,775**	33,003	53,679
Inventories		**524,645**	(267,275)	(722,775)
Derivative asset		**12,875**	-	-
Prepayments and other current assets		**(171,014)**	(432,593)	(18,820)
Increase (decrease) in:				
Trade payables		**(772,944)**	2,432,061	(29,250)
Due to related parties		**695,431**	(464,182)	471,769
Unearned income, other accounts payable and accrued expenses		**(215,110)**	130,873	66,859
Contract liabilities		**(107,437)**	(51,775)	-

Forward

		For the Years Ended December 31		
	Note	**2019**	2018 (As restated - see Note 3)	2017 (As restated - see Note 3)
Cash generated from operations		**P4,626,386**	P3,740,586	P3,944,631
Interest received		**40,621**	24,145	3,034
Interest paid	*13, 21, 24*	**(1,124,978)**	(965,279)	(1,013,669)
Income taxes paid		**(352,070)**	(500,196)	(553,370)
Pension plan contribution	*23*	**(105,000)**	-	-
Benefits paid to employees	*23*	**(73,964)**	(45,720)	(21,561)
Retirement payment received from transferred benefit liability	*23*	**-**	88,525	-
Net cash provided by operating activities		**3,010,995**	2,342,061	2,359,065
CASH FLOWS FROM INVESTING ACTIVITIES				
Collection from sale of:				
Property, machinery and equipment		**10,413**	-	15,280
Investment in shares of stock	*14*	**-**	17,832	-
Assets held for sale		**-**	73,083	-
Additions to:				
Property, machinery and equipment		**(3,121,889)**	(1,254,527)	(1,148,213)
Other investments	*14*	**-**	(790)	(134)
Increase in other assets and noncurrent accounts receivable		**(18,905)**	(101,547)	(396,211)
Advances to contractors	*18*	**-**	(2,069,601)	-
Net cash used in investing activities		**(3,130,381)**	(3,335,550)	(1,529,278)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Long-term loan from related parties, net of issuance cost	*13*	**2,611,429**	2,279,121	849,900
Bank loan drawdown			-	13,831,596
Payments of:				
Bank loan	*24*	**(2,340,123)**	(140,123)	(105,092)
Lease liabilities	*21*	**(473,046)**	(417,097)	(241,258)
Share issuance cost	*17*	**(68,339)**	-	-
Long-term payable to a related party		**-**	-	(15,458,475)
Net cash provided by (used in) financing activities		**(270,079)**	1,721,901	(1,123,329)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(389,465)**	728,412	(293,542)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(25,020)**	26,986	14,654
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,813,665**	1,058,267	1,337,155
CASH AND CASH EQUIVALENTS AT END OF YEAR	*11*	**P1,399,180**	P1,813,665	P1,058,267

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, 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 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 December 31, 2019 and 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 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.

This is the first set of the Company's annual consolidated financial statements in which PFRS 16, *Leases,* has been applied. The related changes to significant accounting policies are described in Note 3.

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 other investments 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 income (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 transportation service income, 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 2019, 2018 and 2017 as part of the executive's long-term share-based compensation programs for P12,493, P20,333 and P25,171, respectively, as described in Note 26D.

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 P975,234, P163,200 and P180,783, arising from the acquisition of various property, machinery and equipment in 2019, 2018 and 2017, respectively.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on April 2, 2020.

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, 2019 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 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 also introduced.

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. Additionally, the disclosure requirements under PFRS 16 were also provided for the comparative periods. 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 mainly parcels of land, office space, warehouses, terminals 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. Operating lease payments were recognized as an expense in profit or loss on a straight-line basis over the lease term. Under PFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e., these leases are on-balance sheet. Right-of-use assets and lease liabilities are initially measured at the present value of future lease payments together with other specific components of cost for the right-of-use assets. Amortization of the right-of-use assets and interest on lease liabilities are recognized in the consolidated statements of comprehensive income (i.e., profit or loss). On transition to PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease under PFRS 16. Therefore, the definition of a lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

Lease payments pertaining to the principal portion of the lease liability is presented within the financing activities and is separated from the interest which is presented within operating activities in the consolidated statements of cash flows. Right-of-use assets are tested for impairment in accordance with PAS 36, *Impairment of Assets,* which replaces the previous requirement to recognize provision for onerous lease contract.

The Company has elected not to 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 assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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 "Current portion of lease liabilities" and "Lease liabilities - net of current portion" accounts in the consolidated statements of financial position.

Also, as a result of applying PFRS 16, the Company has recognized amortization of the right-of-use of assets 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 and for the year ended December 31, 2019

Consolidated Statement of Financial Position		Adjustments due to adoption of PFRS 16
Increase (decrease) in:		
Prepayments and other current asset	P	(5,094)
Property, machinery and equipment and assets for the right-of-use		1,961,778
Deferred income tax assets - net		52,387
Due to related parties		(43,716)
Unearned income, other accounts payable and accrued expenses		(9,429)
Current portion of lease liabilities		525,411
Lease liabilities - net of current portion		1,637,840
Retained earnings		(101,035)

For the year ended December 31, 2019

Consolidated Statement of Comprehensive Income		Adjustments due to adoption of PFRS 16
Increase (decrease) in:		
Cost of sales	P	(85,017)
Distribution expenses		(79,224)
Administrative and selling expenses		(757)
Financial expenses		138,321
Foreign exchange gain - net		30,973
Other financial expenses - net		(7,032)
Income tax expense		19,404
Decrease in Basic/Diluted EPS (in absolute amount)	P	-

Consolidated Statement of Cash Flows		Adjustments due to adoption of PFRS 16
Increase (decrease) in:		
Net cash provided by operating activities		
Change in:		
Cash generated from operations	P	611,367
Interest paid		(138,321)
		473,046
Net cash provided by financing activities		
Payments of lease liabilities		(473,046)

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

(Amounts in Thousands, Except Number of Shares and Per Share Data)

For the year ended December 31, 2018

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
Cost of sales	P	14,307,126	(79,915)	14,227,211
Distribution expenses		4,735,330	(64,704)	4,670,626
Administrative and selling expenses		3,008,799	(9,563)	2,999,236
Financial expenses		919,852	161,566	1,081,418
Foreign exchange loss - net		331,009	50,434	381,443
Income tax expense		970,993	(17,289)	953,704
Decrease in Basic/Diluted loss per share (in absolute amount)	P	(0.18)	(0.01)	(0.19)

Consolidated Statement of Cash Flows		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
Change in:				
Cash generated from operations	P	3,161,923	578,662	3,740,585
Interest paid		(803,713)	(161,565)	(965,278)
Net cash provided by operating activities		1,924,964	417,097	2,342,061
Payments of lease liabilities		-	(417,097)	(417,097)
Net cash provided by financing activities		2,138,998	(417,097)	1,721,901

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

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
Cost of sales	P	12,400,901	(75,814)	12,325,087
Distribution expenses		4,317,633	(43,527)	4,274,106
Administrative and selling expenses		3,079,349	(8,408)	3,070,941
Financial expenses		858,449	152,883	1,011,332
Foreign exchange loss - net		66,738	4,114	70,852
Income tax expense		139,544	(8,774)	130,770
Decrease in Basic/Diluted loss per share (in absolute amount)	P	0.13	(0.01)	0.12

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Consolidated Statement of Cash Flows		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
Change in:				
Cash generated from operations	P	3,550,490	394,141	3,944,631
Interest paid		(860,786)	(152,883)	(1,013,669)
Net cash provided by operating activities		2,117,807	241,258	2,359,065
Payments of lease liabilities		-	(241,258)	(241,258)
Net cash used in financing activities		(882,071)	(241,258)	(1,123,329)

As at January 1, 2017

Consolidated Statement of Financial Position		As at January 1, 2017	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	-	2,187,292	2,187,292
Lease liabilities - net of current portion		-	2,309,165	2,309,165
Deferred income tax assets - net		444,601	33,509	478,110
Deferred income tax liabilities - net		-	(3,053)	(3,053)
Retained earnings		1,408,856	(85,311)	1,323,545

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 year ended December 31, 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 at fair value through other comprehensive income (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 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 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.

2.2 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.

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.

2.4 PFRS 17, Insurance Contracts. The replaces the interim standard, PFRS 4, Insurance Contracts. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

(a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

(b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

(c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9, *Financial Instruments* and PFRS 15, *Revenue from Contracts with Customers* on or before the date of initial application of PFRS 17.

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 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 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 P170 and P193 non-controlling interest as at December 31, 2019 and 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 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 goods and services (this will often be the currency in which sales prices for its goods 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 determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Company has contracts that include extension option to lease parcels of land. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Company included the complete renewal period as part of the lease term for such leases of parcels of land as this is reasonably certain to be exercised considering the costs and business disruption required to replace the leased asset. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

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 fair value through profit or loss (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 expected credit loss (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 December 31, 2019 and 2018, the carrying amount of trade receivables amounted to P892,951 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 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 main operating 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, 2019 and 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, excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and other deductible temporary differences of the Parent Company and its local subsidiaries (see Note 25B). The Parent Company and its subsidiaries have incurred tax losses and excess MCIT over RCIT. The carried forward tax losses and excess MCIT over RCIT have an expiration of three years from the taxable year when such tax losses were incurred. However, the Company has concluded that they will only benefit from a portion of the said tax losses and excess MCIT over RCIT before they eventually expire. Deferred income tax assets were recognized only up to the extent of forecasted taxable income in subsequent periods. Each forecast was based on each of the Parent Company and the subsidiaries' past results and future expectations of revenue and expenses. As at December 31, 2019 and 2018, net deferred income tax assets amounted to P1,034,620 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 MCIT over RCIT and other deductible temporary differences amounting to P2,154,169 and P4,383,832 as at December 31, 2019 and 2018, respectively. For the year ended December 31, 2019, 2018 and 2017, the Company has income tax expense (benefit) amounting to (P256,792), P606,954 and P129,615, respectively, resulting from the write-down of previously recognized deferred income tax assets and reversal of previously unrecognized deferred tax assets. 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 the Incremental Borrowing Rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). Lease liabilities as at December 31, 2019 and 2018 amounted to P2,163,251 and P2,359,596, respectively (see Note 21).

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 December 31, 2019 and 2018, the balance of the provisions amounted to nil and P15,000, respectively and is recognized under "Unearned income, other accounts payable and accrued expenses" account in the consolidated 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 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 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, 2019 and 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 premiums receivable, 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 (see policy on cash flow hedges for derivatives designated as hedging instruments). 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, held-to-maturity (HTM) investments, available-for-sale (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 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 statements of financial position within "Unearned income, other accounts payable and accrued expenses" and "Due to related parties" against financial expenses. As at December 31, 2019 and 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. Financial liabilities are classified as current liabilities if the liability is due to be paid within 12 months from the reporting date and the Company has no unconditional right to defer settlement of the liability for at least 12 months after the reporting date, otherwise, these are classified as noncurrent liabilities.

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 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 within equity. 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) lease contracts; iii) the invoicing of administrative services, royalties and other services rendered between related parties; and iv) loans and advances between related parties, among others.

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, including attributable non-production overheads. 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 "Cost 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 taxes represent creditable withholding taxes which are deducted from income tax payable. Prepaid insurance is subsequently amortized over the terms of the contract to which the payment applies. Advances to suppliers of clinker and raw materials and prepaid freight cost are subsequently recognized as inventories or expense when the goods are received or services are rendered. Advances to employees pertain to advance payments made by the Company for its revolving fund which is used to defray immediate Company expenses and is subsequently recognized as an expense when incurred.

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 “Cost 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 December 31, 2019 and 2018, the Company’s maximum estimated useful lives by category of property, machinery and equipment are as follows:

	Years
Buildings and improvements	3 - 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 is 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 “Advances to contractors” 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) 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

(Policy applicable from January 1, 2018 upon adoption of PFRS 9)
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 premiums 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 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. Financial assets written-off are no longer subject to enforcement activities of the Company.

(Policy Applicable before adoption of PFRS 9)
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, Assets for the Right-of-Use and Investment in an Associate

Property, machinery and equipment, assets for the right-of-use 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 (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 and amortization, 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 (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 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 an interest expense.

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 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 "Cost of sales" 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 "Cost of sales" 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 "Cost of sales" 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 MCIT over 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 over RCIT 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. Deferred income tax asset is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. 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.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The income tax effects from an uncertain tax position are recognized when it is not probable that the position will be accepted based on its technical merits and assuming that the tax authorities will examine the uncertain tax treatments and have full knowledge of all relevant information. They are measured by either determining the single most likely amount or the sum of the probability-weighted amounts in a range of possible outcomes depending on which method the Company expects to better predict the resolution of the uncertainty. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 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. Costs that are related directly to a probable future equity transaction is recognized as “Deferred share issuance costs” under “Prepayments and other current assets” in the statements of financial position. The cost is transferred to equity when the equity transaction is recognized, or recognized in profit or loss if the issue is no longer expected to be completed. 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, 2019 and 2018, 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 upon adoption of PFRS 15)
Customers obtain control of the cement or cement products when these goods are delivered to and have been accepted by customers at their premises. Hence, revenue is recognized at that point in time. Invoices are usually payable within 30 to 60 days. The transaction price is therefore not adjusted for the effects of a significant financing component. 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 adoption of PFRS 15)
Revenue is 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 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.

(Policy Applicable from January 1, 2018 upon adoption of PFRS 15)
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 adoption of PFRS 15)
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 upon adoption of PFRS 15)
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 adoption of PFRS 15)
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 are recognized when the goods are delivered and 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 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) 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 and amortization of property, machinery and equipment and assets for the right-of-use 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. Administrative expenses are costs incurred in the direction and general administration of day-to-day operation of the Company. Administrative, selling and distribution expenses 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 earlier of the end of the useful life of the right-of-use asset or 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, machinery 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 or if there is a revised in-substance fixed lease payment. 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.

For lease contracts that contains a non-lease component, where such non-lease component has no variable considerations, such non-lease component is considered as part of the lease component as a single lease component.

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 (if the underlying asset is office or computer equipment) and short-term leases (leases with a term of 12 months or less). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Variable Lease Payments
Variable lease payments that varies each period and is linked to or based on a per unit fee over the use of an asset is excluded from initial recognition of the right-of-use assets and lease liability and is recognized in profit or loss in the period in which the performance or use occurs.

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. 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 (expenses) - net" account.

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 date the consolidated financial statements are authorized for issue, 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, 2019, 2018 and 2017, the cement sector represented approximately 89.3%, 86.2% and 84.5%, respectively, of total net revenues before eliminations resulting from consolidation, and 134.1%, 142.3% and 130.5%, respectively, of Operating EBITDA.

The main indicator used by the Company's management to evaluate performance is "Operating EBITDA", representing operating earnings before other income - 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 AND AMORTIZATION

Depreciation and amortization charges related to property, machinery and equipment and assets for the right-of-use for the years ended December 31, 2019, 2018 and 2017 are detailed as follows:

		2019	2018 (As restated - see Note 3)	2017 (As restated - see Note 3)
Depreciation and amortization related to assets used in the production process	P	**1,403,532**	1,442,776	1,211,045
Depreciation and amortization related to assets used in operating activities		**481,981**	412,899	326,811
	P	**1,885,513**	1,855,675	1,537,856

NOTE 6 - REVENUE

Disaggregation of Revenue from Contracts with Customers

Revenue for the years ended December 31, 2019, 2018 and 2017 are detailed by major product lines and timing of revenue recognition as follows:

	Timing of revenue recognition		2019	2018	2017
Sale of goods					
Cement	At a point in time	P	**23,587,948**	23,399,750	21,571,211
Admixtures	At a point in time		**6,195**	6,345	16,824
Ready-mix concrete	At a point in time		**-**	11,169	175,711
			23,594,143	23,417,264	21,763,746
Construction services	Over time		**1,734**	433	20,704
		P	**23,595,877**	23,417,697	21,784,450

Breakdown of cement sales per customer is as follows:

		2019	2018	2017
Retailers	P	**18,647,019**	18,746,316	17,359,547
Institutional		**4,830,840**	4,540,657	4,048,021
Others		**110,089**	112,777	163,643
Total	P	**23,587,948**	23,399,750	21,571,211

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 P88,613 , P95,576 and P84,785 for the years ended December 31, 2019, 2018 and 2017, respectively.

Contract Balances

The following table provides information about the opening and closing balances of receivables and contract liabilities from contracts with customers:

		December 31, 2019	December 31, 2018	January 1, 2018
Trade receivables	P	**892,951**	708,906	818,847
Contract liabilities				
Advances from customers		**223,035**	309,012	352,831
Customer loyalty program		**44,752**	66,212	74,168

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. Contract liabilities as at December 31, 2018 and January 1, 2018 were recognized as revenue in 2019 and 2018, respectively. The amount recognized in contract liabilities as at December 31, 2019 and 2018 are expected to be recognized as revenue within 12 months from the reporting date. 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 years ended December 31, 2019, 2018 and 2017 are detailed as follows:

		Cost of Sales		
		2019	2018 (As restated - see Note 3)	2017 (As restated - see Note 3)
Power, fuels, raw materials and production supplies	P	**8,803,388**	9,699,937	8,298,147
Cement purchases		**1,529,704**	807,799	710,481
Depreciation and amortization		**1,403,532**	1,442,776	1,211,045
Repairs and maintenance		**633,296**	633,594	549,769
Outside services		**464,397**	513,389	545,245
Salaries and wages [1]		**447,392**	487,509	466,936
Rental		**328,716**	350,758	207,685
Others [2]		**302,891**	291,449	335,779
	P	**13,913,316**	14,227,211	12,325,087

[1] Includes retirement benefit expense amounting to P28,695, P40,670 and P39,192 in 2019, 2018 and 2017, 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 (As restated - see Note 3)	2017 (As restated - see Note 3)
Salaries and wages [1]	P	**634,077**	538,464	434,081
Administrative fees		**493,427**	424,957	625,833
Insurance		**189,798**	220,268	143,506
Travel expenses		**39,418**	70,123	40,397
Depreciation and amortization		**33,507**	32,045	43,861
Utilities and supplies		**33,456**	36,662	30,208
Taxes and licenses		**18,764**	11,790	8,542
Others		**63,526**	68,227	20,660
	P	**1,505,973**	1,402,536	1,347,088

[1] Includes retirement benefit expense amounting to P19,526, P20,122 and P44,832 in 2019, 2018 and 2017, respectively (see Note 23).

		Selling Expenses		
		2019	2018 (As restated - see Note 3)	2017 (As restated - see Note 3)
License fees	P	**865,373**	883,458	827,829
Administrative fees		**250,742**	231,902	252,756
Utilities and supplies		**143,166**	139,101	79,888
Salaries and wages		**132,757**	114,518	156,814
Depreciation and amortization		**83,680**	78,772	119,353
Advertising and travel		**54,720**	50,792	137,865
Taxes and licenses		**39,336**	35,535	38,582
Insurance		**5,997**	6,574	10,608
Impairment losses on receivables (Note 22)		**334**	10,526	26,403
Others [1]		**29,453**	45,522	73,755
	P	**1,605,558**	1,596,700	1,723,853

[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 years ended December 31, 2019, 2018 and 2017 are detailed as follows:

		2019	2018 (As restated - see Note 3)	2017 (As restated - see Note 3)
Trucks, barge and charter hire	P	**3,264,311**	3,764,038	3,602,780
Handling expenses		**510,364**	518,573	418,259
Depreciation and amortization		**364,794**	302,082	163,597
Harbor services		**72,530**	76,737	74,880
Others		**17,411**	9,196	14,590
	P	**4,229,410**	4,670,626	4,274,106

NOTE 9 - OTHER INCOME (EXPENSES) - Net

Net other income (expenses) for the years ended December 31, 2019, 2018 and 2017 are detailed as follows:

		2019	2018	2017
Transportation service income	P	**11,920**	-	-
Gain on sale of scraps		**8,120**	12,052	20,625
Gain on remeasurement of lease liability and asset for the right-of-use from lease termination[7]		**7,032**	-	-
Loss (gain) on disposal of property, machinery and equipment and assets held for sale		**(19,713)**	2,522	(4,602)
Gain on sale of golf club shares[6]		**-**	15,732	-
Impairment loss on property, machinery and equipment[1]		**-**	(3,670)	(175,230)
Other losses related to the landslide[2]		**-**	(71,716)	-
Back office and other support service[3]		**-**	-	136,647
Loss from early extinguishment of debt[4]		**-**	-	(64,603)
Reorganization expenses[5]		**-**	-	(139,409)
Miscellaneous income - net		**1,185**	2,427	393
	P	**8,544**	(42,653)	(226,179)

[1] Refer to Note 18 to the consolidated financial statements.
[2] Refer to Note 31 to the consolidated financial statements.
[3] Income generated by Solid for the back office and other support service provided to related parties (see Note 13).
[4] Unamortized portion of documentary stamp tax arising from the Parent Company's loan with New Sunward Holding B.V. (NSH), and entity under common control of CEMEX, written-off due to early settlement.
[5] Reorganization costs consists of severance and other post-termination benefit costs resulting from the cost reduction efforts of the Company.
[6] Refer to Note 14 to the consolidated financial statements.
[7] Refer to Note 18 to the consolidated financial statements.

NOTE 10 - OTHER FINANCIAL EXPENSES - Net

Net other financial expenses for the years ended December 31, 2019, 2018 and 2017 are detailed as follows:

		2019	2018	2017
Interest expense on retirement benefit plan (Note 23)	P	**55,501**	53,204	40,132
Financing cost		**29,685**	-	-
Bank charges and others		**8,439**	3,982	3,606
Interest income		**(41,569)**	(25,093)	(6,892)
	P	**52,056**	32,093	36,846

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2019 and 2018 consisted of:

		2019	2018
Cash on hand and in banks	P	**1,184,026**	1,747,453
Short-term investments (Note 13)		**215,154**	66,212
	P	**1,399,180**	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 1.6% to 2.4% and 1.3% to 2.4% in 2019 and 2018, respectively

In 2019, 2018 and 2017, interest income on cash and cash equivalents amounted to P40,606, P16,444 and P3,034 respectively.

As at December 31, 2019 and 2018, short-term investments include deposits of the Company with local banks and a related party, which are considered highly liquid investments readily convertible to cash, as follows:

		2019	2018
Local banks	P	**150,000**	-
Lomez International B.V. (Lomez) (Note 13)		**65,154**	66,212
	P	**215,154**	66,212

The short term investments with Lomez bears 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 financial statements.

NOTE 12 - TRADE RECEIVABLES - Net

Trade receivables as at December 31, 2019 and 2018 consisted of:

		2019	2018
Trade receivables - gross	P	**916,708**	733,054
Allowance for impairment losses		**(23,757)**	(24,148)
	P	**892,951**	708,906

The Company's exposure to credit risk related to trade receivables and the movements in the allowance for impairment losses on trade receivables are disclosed in Note 22 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).

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2019 and 2018, balances of related party receivables and payables which are generally expected to be settled in cash, are detailed as follows:

Short-term investments		**2019**	2018
Other related party [22]			
Lomez (Note 11)	P	**65,154**	66,212

Receivables - current		**2019**	2018
Ultimate Parent			
CEMEX [1]	P	**803**	-
Other related parties [22]			
APO Land & Quarry Corporation (ALQC) [2]		**13,048**	886
Island Quarry and Aggregates Corporation (IQAC) [3]		**10,210**	203
Beijing CXP Import & Export Co. [4]		**1,699**	7,277
CEMEX Operaciones México, S.A. de C.V. [5]		**1,363**	-
CASEC [6]		**626**	-
CEMEX Central, S.A. de C.V. [5]		**-**	3,424
Topmix LLC [7]		**-**	14,738
CEMEX International Trading LLC [8]		**-**	1,126
CRG [9]		**-**	2,593
Others		**-**	79
	P	**27,749**	30,326

Payables - current		**2019**	2018
Ultimate Parent			
CEMEX [1]	P	**35,474**	26,290
Other related parties [22]			
CEMEX Asia B.V. (CABV) [10]		**1,079,560**	1,074,083
Transenergy, Inc. [11]		**621,352**	674,721
CEMEX Operaciones México, S.A. de C.V. [5]		**463,948**	-
CRG [9]		**397,808**	42
Sunbulk Shipping, N.V. [12]		**47,903**	37,810
IQAC [13]		**43,049**	17,443
CEMEX International Trading LLC [14]		**35,229**	-
Beijing CXP Import & Export Co. [15]		**4,370**	2,837
Torino Re. [16]		**3,783**	-
CEMEX Internacional, S.A. de C.V. [17]		**688**	715
CEMEX Asia Pte., Ltd. - Philippine Headquarters (CAPL - PHQ) [18]		**50**	15,506
CEMEX Central, S.A. de C.V. [5]		**-**	198,108
CEMEX Construction Materials South, LLC (CCM) [19]		**-**	599,881
ALQC [20]		**-**	25,553
CEMEX Mexico, S.A. de C.V. [1]		**-**	9,772
Others		**-**	290
	P	**2,733,214**	2,683,051

Payables - non-current		**2019**	2018
Other related party [22]			
CABV [10]	P	**5,368,838**	2,520,914

Lease liabilities on land [21]			
ALQC	P	**785,865**	783,344
IQAC		**390,946**	387,420
	P	**1,176,811**	1,170,764

[1] Effective December 1, 2019, CEMEX Mexico, S.A. de C.V has merged with CEMEX. The receivable balance refers to the hedge settlement received by Cemex on behalf of the Company which payable on demand and unimpaired; while the balance payable pertains to a) purchase of equipment amounting to P9,414 as at December 31, 2019 which is unsecured, noninterest-bearing and payable on demand and b) P26,060 and P26,290 as at December 31, 2019 and 2018, respectively, 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 territories.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

[2] The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes a) receivables from service agreement amounting to P359 and P713 as at December 31, 2019 and 2018, respectively; and b) others amounting to P31 and P173 as at December 31, 2019 and 2018, respectively; and c) receivable from US dollar conversion amounting to P12,658 as at December 31, 2019. In 2016, each of Solid and APO entered a service agreement with ALQC wherein Solid and APO provides back-office and other support services to the latter. Fees are calculated at cost incurred plus fixed mark-up.

[3] The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes a) reimbursable expenses amounting to P44 as at December 31, 2019 ; b) receivable from US dollar conversion amounting to P10,166 as at December 31, 2019; and c) receivables from service agreement amounting to P177 and others amounting to P26 as at December 31, 2018. Solid has entered into a service agreement with IQAC wherein the former provides back office and other support services to the latter. Fees are calculated at cost incurred plus fixed mark-up.

[4] The unimpaired receivable balance pertains to advances which are unsecured, noninterest-bearing and due on demand.

[5] The receivable balance, amounting to P1,363 and P3,424 as at December 31, 2019 and 2018, respectively, 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 payable 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. CEMEX Operaciones, S.A. de C.V., a CEMEX subsidiary organized and existing under the laws of Mexico, was merged with CEMEX Central, whereby CEMEX Operaciones was the surviving entity pursuant to an agreement with respect to such merger dated August 1, 2019. As at December 31, 2019 and 2018, payable balance amounted to P463,948 and P198,108, respectively.

[6] The balance pertains to reimbursable expenses, which is unsecured, noninterest-bearing and due on demand.

[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, which is unimpaired, unsecured, noninterest-bearing and has 30-days term pertains to advances for international freight services.

[9] 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 payable on demand.

[10] The balance includes a) interest on the loan of APO (short-term loan) and the loan of Solid (long-term loan) amounting to a total of P5,925 and P448 as at December 31, 2019 and 2018, respectively; b) principal on said short-term loan amounting to P1,073,635,which bears 8.4% and 7.7% interest per annum, before tax, as at December 31, 2019 and 2018, respectively. The long-term loan, which bears 8.2% 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. On, November 28, 2019, further amendments were made to increase the facility to U.S.$160,000. The principal amount shall bear a fixed interest based on the Company's consolidated leverage ratio to be revalued semi-annually. As at December 31, 2019 and 2018, loan principal amounted to P5.4 billion and P2.5 billion, respectively. The foregoing loans are unsecured. The loan of Solid with CABV is due to be paid in 2024. The loan of APO with CABV is due to be paid in 2020, as amended on October 1, 2019.

[11] The balance pertains to purchase of coal with a term of 30 days, noninterest-bearing and unsecured.

[12] The payable balance, which is unsecured, noninterest-bearing and has 30-days term pertains to international freight services.

[13] The balance includes a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P26,471 and P14,967 as at December 31, 2019 and 2018, respectively; b) reimbursable expenses amounting to nil and P38 as at December 31, 2019 2018, respectively; and c) collections from housing loan owned by IQAC amounting to P16,578 and P2,438 in December 31, 2019 and 2018, respectively, which are unsecured, noninterest-bearing and payable on demand. Solid purchases the majority of its limestone, pozzolan and clay requirements from IQAC pursuant to a long-term supply agreement.

[14] The balance pertains to purchase of raw materials with a 30-day term which is unsecured and noninterest-bearing.

[15] 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.

[16] The payable balance, which is unsecured, noninterest-bearing pertains to insurance premiums.

[17] 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.

[18] The balance, which is unsecured, noninterest-bearing and payable on demand includes overpayment on transferred pension liabilities with remaining amounts of P49 and P15,506 as at December 31, 2019 and 2018, respectively.

[19] The balance, which is unsecured, noninterest-bearing and due on demand, pertains to the purchase of equipment for the expansion of Solid plant.

[20] The balance includes a) purchase of raw materials which is payable upon demand amounting to nil and P25,510 as at December 31, 2019 and 2018, respectively; b) reimbursable expenses amounting to nil and P43 as at December 31, 2019 and 2018, respectively. 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.

[21] The balances are recognized under "Lease liabilities" account in the consolidated statements of financial position. These land rentals are billed annually with a 30-day term and are both noninterest-bearing and unsecured. Both lease agreements have term of 25 years with the option to renew for another 25 years at the option of the Company. The principal manufacturing installations of APO and Solid are located on land owned by IQAC or ALQC, under long-term lease agreements.

[22] 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 follows:

		2019	2018
Balance as at January 1	P	**3,594,997**	1,288,859
Proceeds from drawdowns (net of issuance cost)		**2,611,429**	2,279,121
Interest expense (including amortization of debt issue cost)		**574,947**	145,786
Payments of interest		**(170,433)**	(113,024)
Effect of exchange rate changes		**(162,542)**	(5,745)
Balance as at December 31	P	**6,448,398**	3,594,997

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The main transactions entered by the Company with related parties for the years ended December 31, 2019, 2018 and 2017 are shown below:

Transactions with ultimate parent

		2019	2018	2017
Royalties and trademarks				
CEMEX[1]	P	**29,567**	30,427	30,509

Transactions with other related parties [9]

		2019	2018	2017
Purchases of raw materials and supplies				
Transenergy, Inc.[1]	P	**1,908,801**	2,022,607	2,709,300
ALQC[1]		**285,107**	263,004	253,483
IQAC[1]		**305,137**	242,042	306,812
Cemex International Trading, LLC[1]		**107,163**	163,777	-
Beijing CXP Import & Export Co.[1]		**19,389**	26,340	29,848
CEMEX Internacional, S.A. de C.V.[1]		**688**	1,432	662
	P	**2,626,285**	2,719,202	3,300,105
Loan drawdown				
CABV[1]	P	**2,611,429**	2,295,194	849,900
Royalties and trademarks				
CRG[1]	P	**835,806**	853,031	797,320
Interest expense				
CABV[1]				
Short-term	P	**100,748**	98,353	84,085
Long-term		**474,199**	47,433	18,797
NSH[5]				
Long-term		**-**	-	149,945
	P	**574,947**	145,786	252,827
Corporate services and administrative expenses				
CEMEX Central, S.A. de C.V.[1]	P	**189,159**	287,306	258,861
CEMEX Operaciones Mexico, S.A. de C.V[1].		**125,263**	-	-
CAPL - PHQ[1]		**-**	-	145,124
CEMEX Strategic Philippines, Inc.[6]		**-**	-	57,346
	P	**314,422**	287,306	461,331
Purchase of equipment				
CEMEX Mexico, S.A de CV[1]	P	**416,927**	-	9,413
Freight services				
Sunbulk Shipping, N.V.[1]	P	**159,415**	334,469	-
Gross premiums written				
Torino Re Ltd [8]	P	**97,338**	98,014	-
Mustang Re Limited [8]		**-**	-	111,479
	P	**97,338**	98,014	111,479

(Amounts in Thousands, Except Number of Shares and Per Share Data)

		2019	2018	2017
Reimbursements				
CASEC [1]	P	**7,586**	3	3
CEMEX Concrete (Malaysia) Sdn Bhd.[4]	P	**-**	-	136,647
	P	**7,586**	3	136,650
Corporate services and administrative income				
ALQC[1]	P	**5,209**	7,779	5,639
IQAC[1]		**425**	7,719	5,708
	P	**5,634**	15,498	11,347
Interest income				
LOMEZ[2]	P	**1,415**	7,199	-
NSH[2]		**-**	502	2,913
	P	**1,415**	7,701	2,913
Sale of equipment				
Topmix LLC[1]	P	**-**	30,753	-
CEMEX Paving Solutions Ltd.[7]		**-**	-	13,682
	P	**-**	30,753	13,682
Sales of goods				
ALQC[3]	P	**-**	242	115
IQAC[3]		**-**	159	64,832
	P	**-**	401	64,947
Transactions with Key Management Personnel				
Short-term employee benefits	P	**172,103**	210,439	138,788
Post-employment and other long-term employee benefits (Note 23)		**104,013**	46,768	33,775
Share-based compensation (Noted 26D)		**12,493**	20,333	25,171
	P	**288,609**	277,540	197,734

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.
[2] The amount pertains to the interest income on short-term investments (see Note 11).
[3] These sale transactions have a 30-day term and are both noninterest bearing and unsecured.
[4] The amount pertains to income generated by Solid for the back office and support services (see Note 9) and reimbursement of expenses.
[5] The amount refers to interest expense from long-term loan payable which bears interest at 7.54% per annum. The long-term loan was fully paid during the first quarter of 2017.
[6] The amount refers to corporate and administrative services received by the Company.
[7] The amount pertains to the sale of paving equipment of the Company.
[8] The amount refers to gross premiums written on property insurance.
[9] Other related parties pertain to entities under common control to CEMEX, except 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 contributions to the retirement fund amounting to P105,000 and nil for the years ended December 31, 2019 and 2018, respectively. There are also no other transactions entered into by the Company with the plan in 2019 and 2018. As at December 31, 2019 and 2018, the fund's unfunded status amounted to P794,201 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 28%, 3%, 3% and 66%, 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).

(Amounts in Thousands, 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		2019	2018
Parent Company [10]	CAR	P	**4,480,670**	3,741,492
Parent Company [10]	Falcon		**1,581,056**	852,967
Solid [1]	APO		**502,749**	29,862
APO [2]	CAR		**235,605**	327,578
Solid [14]	CAR		**229,646**	192,313
Sandstone Strategic Holdings, Inc. [4]	Bedrock Holdings, Inc.		**109,817**	109,817
Ecocast Builders, Inc. [5]	Ecopavements, Inc.		**48,326**	46,766
Ecocrete, Inc. [6]	Solid		**46,011**	44,202
APO [7]	Solid		**32,308**	17,053
APO [8]	Parent Company		**24,582**	15,628
Solid [9]	Ecocast Builders, Inc.		**15,458**	14,865
Solid [11]	Parent Company		**11,691**	10,862
Solid [12]	Ecocrete, Inc.		**414**	81
Parent Company [3]	Solid		**168**	424
Ecocrete, Inc.[13]	Parent Company		**48**	290
		P	**7,318,549**	5,404,200

[1] Amount includes a) P50,739 and P29,602 as at December 31, 2019 and 2018, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) reimbursable expenses amounting to nil and P260 as at December 31, 2019 and December 31, 2018, respectively, which are due on demand, noninterest-bearing and unsecured c) intercompany loan amounting P450,000 which bears an interest of 9.5% per annum as at December 31, 2019; and d) interest payable amounting to P2,010 as at December 31, 2019.

[2] Amounts were related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

[3] Amounts pertain to a) service agreement of Solid with the Parent Company amounting to nil and P100 as at December 31, 2019 and 2018, respectively; b) reimbursements of nil and P324 as at December 31, 2019 and 2018, respectively, which has a 30-day term, noninterest-bearing, and unsecured and c) transfer of pension amounting to P168 as at December 31, 2019 which is unsecured, noninterest-bearing, unimpaired and due on demand.

[4] Amounts are from cash advances or reimbursable expenses, which are due on demand, noninterest-bearing and unsecured.

[5] Amount includes a) P45,000 loan as at December 31, 2019 and 2018, respectively, which is due in one year, with interest at 2.6% per annum and unsecured; and b) interest on loan amounting to P3,326 and P1,766 as at December 31, 2019 and 2018, respectively, which is due on demand, noninterest-bearing and unsecured.

[6] Amount includes a) nil and P3 as at December 31, 2019 and 2018, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) P526 and P8 as at December 31, 2019 and 2018, respectively from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured; c) loan and interest amounting to P45,244 and P44,041 as at December 31, 2019 and 2018, respectively, which is due in one year, with interest at 3.63% per annum and unsecured; d) advances amounting to nil and P150 as at December 31, 2019 and 2018, respectively; and e) pension liability amounting to P241 as at December 31, 2019 related to transferred employees to the Company.

[7] Amount includes a) P14,196 and P7,613 as at December 31, 2019 and 2018, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) reimbursable expenses amounting to P7,881 and P9,440 as at December 31, 2019 and 2018, respectively, which are due on demand, noninterest-bearing and unsecured; c) from sale of admixture equipment amounting P7,094 as at December 31, 2019; d) pension and other employee benefits settled by Solid on behalf of the Company amounting to P518 as at December 31, 2019, which is unsecured, noninterest-bearing, unimpaired and due on demand; and e) hedge settlement collected by APO on behalf of Solid amounting to P2,619 as at December 31, 2019.

[8] Amounts pertain to a) advisory services in connection with various areas, including general administration and management amounting to P22,959 and 15,520 as at December 31, 2019 and 2018, respectively, which has a 60-day term, noninterest-bearing, and unsecured; b) reimbursements of P474 and P108 as at December 31, 2019 and 2018, respectively, which are payable on demand and noninterest-bearing; and c) pension and other employee benefits to be settled by the Parent Company on behalf of APO amounting to P1,149 as at December 31, 2019, which is unsecured, noninterest-bearing, unimpaired and due on demand.

[9] Amount pertains to a) construction services amounting to P14,732 and P14,865 as at December 31, 2019 and 2018, respectively, which has a 30-day term, noninterest-bearing and unsecured; and b) P726 as at December 31, 2019 transportation allowance transferred Solid.

[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 a) advisory services in connection with various areas, including general administration and management amounting to P11,257 and P9,776 as at December 31, 2019 and 2018, respectively, which has a 60-day term, noninterest-bearing, and unsecured; b) reimbursements of P434 and P1,086 as at December 31, 2019 and 2018, respectively, which are payable on demand and noninterest-bearing.

[12] Amount pertains to service fees, which has 30-60 day term, noninterest-bearing and unsecured.

[13] Amount pertains to reimbursable expenses which is payable on demand and noninterest-bearing.

[14] Amount is related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Royalties and technical assistance	Selling and administrative expenses		2019	2018	2017
CAR	APO	P	**1,179,697**	1,779,924	1,769,562
CAR	Solid		**586,655**	948,415	955,371
		P	**1,766,352**	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		2019	2018	2017
Falcon	Parent Company	P	**611,640**	1,568,700	-
CARG	Parent Company		**253,700**	330,687	-
		P	**865,340**	1,899,387	-

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Sales	Purchases		2019	2018	2017
APO	Solid	P	**595,001**	611,149	359,165
Solid	APO		**72,002**	220,739	319,545
Solid	Ecocast Builders, Inc.		**-**	-	3,451
Ecocast Builders, Inc.	Solid		**-**	-	951
		P	**667,003**	831,888	683,112

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	2017
Parent Company	APO	P	**321,566**	262,479	36,495
Parent Company	Solid		**155,930**	138,948	19,703
		P	**477,496**	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		2019	2018	2017
CAR	Parent Company	P	**141,993**	107,411	59,130
Solid	APO		**48,403**	-	-
Falcon	Parent Company		**33,515**	30,753	20,636
APO	Solid		**2,051**	-	110
Ecopavements	Ecocast Builders, Inc.		**1,597**	1,560	1,223
Solid	Ecocrete, Inc.		**1,232**	1,232	1,224
		P	**228,791**	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, 2019 and 2018 are detailed as follows:

	Activity	Country	% Owned		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

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Amounts as at December 31, 2019 and 2018 included in "Others" pertain to golf club shares amounting to P924, shares in United Pulp and Paper Co., Inc. and Philippine Cement Corporation amounting to P887 and P10, respectively, and other investment in shares amounting to P304. In 2018, the Company sold its golf club shares with carrying amount of P2,100 for P17,832 and made additional investment amounting to P790. Such investment was classified at FVTPL at the date of transition to PFRS 9 on January 1, 2018. The Company's investment in Greencrete, Inc., golf club shares and others as at December 31, 2019 and 2018 are classified as equity investments at FVOCI.

NOTE 15 - OTHER ACCOUNTS RECEIVABLE

15A) INSURANCE CLAIMS AND PREMIUMS RECEIVABLE

Insurance claims and premiums receivable as at December 31, 2019 and 2018 consisted of:

		2019	2018
Insurance premiums receivable	P	**437,045**	604,933
Claims from insurance (Note 31)		**8,490**	345,050
	P	**445,535**	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, 2019 and 2018 consisted of:

		2019	2018
Loan receivable [1]	P	**39,088**	38,140
Receivable from contractors		**13,050**	13,032
Short-term deposits		**8,543**	12,920
Receivable from employees		**1,552**	6,807
Others		**3,011**	2,171
	P	**65,244**	73,070

[1] Loan receivable pertains to the amount provided by the Company to CEMEX Philippines Foundation, Inc., with fixed interest at 3.0% per annum and is due on demand.

15C) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE

Other assets and noncurrent accounts receivable as at December 31, 2019 and 2018 consisted of:

		2019	2018
Long-term time deposits [1]	P	**480,788**	601,241
Guaranty deposits [2]		**259,872**	115,664
Long-term prepayments [3]		**27,937**	41,696
Right of way		**16,666**	21,429
Others[4]		**51,888**	38,217
	P	**837,151**	818,247

[1] Long-term time deposits are restricted cash pertaining to: a) debt service reserve account amounting to P375,470 and P506,189 as at December 31, 2019 and 2018, respectively, arising from the Company's supplemental agreement with BDO Unibank, Inc. (BDO) (see Note 24); and b) cash bonds deposited by customers as collateral and cash restricted for related party tax cases amounting to P105,318 and P95,052 as at December 31, 2019 and 2018, respectively.
[2] Guaranty deposits include a) deposits to Meralco amounting to P142,665 as at December 31, 2019, which will be applied to future electricity charges upon commencement of the operation of Solid's new cement manufacturing line; and b) rental guaranty deposits amounting to P117,207 and P115,664 as at December 31, 2019 and 2018, respectively, which are expected to be collected from the lessor upon termination of the lease contracts.
[3] 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, 2019 and 2018; b) option fee to purchase a vessel amounting to nil and P5,292 as at December 31, 2019 and 2018; c) unamortized portion of the SEC filing fee amounting to nil and P8,467 as at December 31, 2019 and 2018, respectively.
[4] Others primarily pertain to prepaid transportation allowance amounting to P35,622 and P38,075 as at December 31, 2019 and 2018, respectively, and other items that are individually immaterial.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 16 - INVENTORIES

Inventories as at December 31, 2019 and 2018 consisted of:

		2019	2018
At NRV:			
Materials and spare parts	P	**1,064,009**	1,693,611
Finished goods		**526,901**	615,141
Work-in-process inventory		**1,071,519**	612,589
Raw materials		**236,062**	212,679
At Cost:			
Inventory in transit		**114,953**	354,158
	P	**3,013,444**	3,488,178

For the years ended December 31, 2019, 2018 and 2017, the Company recognized in the consolidated statements of comprehensive income the cost of inventories sold amounting to P13,913,316, P14,227,211 and P12,325,087 (see Note 7). As at December 31, 2019 and 2018, inventory write-down to NRV amounted to P30,724 and P137,994, respectively. Write-down (reversal of write-down) of inventories to NRV included under "Cost of Sales" account in the consolidated statements of comprehensive income amounted to P30,750 and (P2,053) in 2019 and 2018, respectively. The reversal of write-down in 2018 was due to inventories which were assessed to be useable in the operations. In 2018, the Company recognized provisions for inventory write-down amounting to P83,844 related to loss on materials buried during the landslide, which were eventually written-off in 2019 (see Note 31). Inventories amounting to P54,176 were written-off against allowance as these inventories were disposed in 2019.

NOTE 17 - PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31, 2019 and 2018 consisted of:

		2019	2018
Prepayments:			
Prepaid taxes [1]	P	**645,015**	525,286
Prepaid insurance [2]		**508,796**	529,806
Advances to suppliers [3]		**367,775**	444,862
Prepaid freight cost		**43,830**	152,602
Advances to employees		**1,179**	10,106
Deferred share issuance costs [4]		**95,105**	-
Others		**10,692**	15,009
	P	**1,672,392**	1,677,671

[1] Prepaid taxes include input VAT, property taxes and creditable withholding taxes.
[2] Prepaid insurance pertains to unamortized portion of payments on property, non-damage business interruption and political risks insurance.
[3] Advances to suppliers include advance payments for clinker and other raw materials.
[4] Refer to Note 26A to the consolidated financial statements

NOTE 18 - PROPERTY, MACHINERY AND EQUIPMENT AND ASSETS FOR THE RIGHT-OF-USE

As at December 31, 2019 and 2018, the consolidated balance of this item is broken down as follows:

		2019	2018 (As restated - see Note 3)
Property, machinery and equipment	P	**17,975,945**	15,617,365
Assets for the right-of-use		**1,961,778**	2,150,658
	P	**19,937,723**	17,768,023

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Property, Machinery and Equipment

The movements for each class property, machinery and equipment are as follows:

		Buildings and improvements	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	13,053,684	2,031,337	19,262,750
Additions………………………………….		72,659	396,381	3,389,837	3,858,877
Disposals………………………………….		(2,191)	(110,865)	-	(113,056)
Transfers………………………………….		155,457	455,295	(610,752)	-
December 31, 2019		**4,403,654**	**13,794,495**	**4,810,422**	**23,008,571**
Accumulated depreciation and impairment					
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 year………………..		(296,270)	(1,173,901)	-	(1,470,171)
Disposals………………………………….		1,772	81,158	-	82,930
December 31, 2019		**(923,744)**	**(4,108,882)**	**-**	**(5,032,626)**
Carrying Amounts					
December 31, 2018	P	3,548,483	10,037,545	2,031,337	15,617,365
December 31, 2019	**P**	**3,479,910**	**9,685,613**	**4,810,422**	**17,975,945**

In relation to Solid's construction of new production line, the Company capitalized borrowing cost amounting to P265,066 for the year ended December 31, 2019. The average capitalization rate used to determine the amount of borrowing cost eligible for capitalization during the year ended December 31, 2019 is 10.57%.

The Company has an existing contract with a third party to provide engineering, procurement of construction materials and construction of the new production line. 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 as "Advances to contractors" under noncurrent assets in the consolidated statements of financial position. As at December 31, 2019 and 2018, advances to contractors amounted to P1,606,397 and P2,069,601, respectively. The Company is expected to incur a total proximately P7,937,844 ($156,766) from these contracts until the expected completion of the new production line in the 1st half of 2021.

The Company recognized impairment loss on property, machinery and equipment amounting to nil, P3,670 and P175,230 in 2019, 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 selling price from recent sale of a comparable vessel (the assumption to which the recoverable amount is most sensitive) 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 income (expenses) - net" account in the consolidated statements of comprehensive income.

(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……………………………………………………...		57,839	304,604	362,443
Remeasurement from lease termination…………………………………………………...		(7,416)	(119,069)	(126,485)
December 31, 2019		**1,866,043**	**1,556,379**	**3,422,422**
Accumulated amortization				
January 1, 2018……………………………………………...		(214,022)	(382,532)	(596,554)
Amortization for the year………………………………………		(136,777)	(302,475)	(439,252)
December 31, 2018		(350,799)	(685,007)	(1,035,806)
Amortization for the year………………………………………		(130,816)	(365,186)	(496,002)
Remeasurement from lease termination…………………………………………………...		-	71,164	71,164
December 31, 2019		**(481,615)**	**(979,029)**	**(1,460,644)**
Carrying Amounts				
December 31, 2018	P	1,464,821	685,837	2,150,658
December 31, 2019	P	**1,384,428**	**577,350**	**1,961,778**

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 contracts relating to leases of a vessel and warehouses resulting in derecognition of the right-of-use and lease liability amounting to P55,321 and P62,353, respectively. A gain of P7,032 is recognized under the “Other income (expenses) - net” account in the consolidated statements of comprehensive income.

All of the Company’s property machinery and equipment and leased assets whereby right-of-use assets are recognized are all located in the Philippines.

NOTE 19 - GOODWILL

The goodwill amounting to P27,859,694 arose from the acquisition of interest in the economic benefits of the entities listed in Note 30 (except for CAR and Falcon) in 2016 and 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	**9.2%**	9.6%	**9.1%**	9.4%
Growth rate	**6.5%**	6.5%	**6.5%**	6.5%

In connection with the Company's assumptions as at December 31, 2019 and 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	**5.9**	1.9	**8.6**	6.0
Growth rate	**(8.3)**	(0.3)	**(13.4)**	(4.9)

As at December 31, 2019 and 2018, the estimated recoverable amount of the Company's CGUs exceeds carrying amount by P169,372,764 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 December 31, 2019 and 2018 consisted of:

		2019	2018
Accrued expenses [1]	P	**927,391**	1,004,758
Unearned income from reinsurance premiums [2]		**438,632**	499,539
Taxes payable [3]		**242,365**	336,201
Others		**49,336**	41,671
	P	**1,657,724**	1,882,169

[1] Accrued expenses includes a) interest on loans amounting to P95,000 and P132,907 as at December 31, 2019 and 2018, respectively; b) utilities and supplies amounting to P417,096 and P340,166 as at December 31, 2019 and 2018, respectively; c) salaries and employee benefits amounting to P181,873 and P150,032 as at December 31, 2019 and 2018, respectively; d) freight cost amounting to P157,386 and P157,592 as at December 31, 2019 and 2018, respectively; e) outside services amounting to P52,867 and P40,491 as at December 31, 2019 and 2018, respectively; f) royalty fees amounting to P6,378 as at December 31, 2019 and 2018, respectively; g) payable to suppliers amounting to P5,706 and P149,192 as at December 31, 2019 and 2018, respectively; and h) others amounting to P11,085 and P28,000 as at December 31, 2019 and 2018, respectively.

[2] Unearned income from reinsurance premiums pertain to the portion of reinsurance premiums written by Falcon that relate to unexpired period of the policies.

[3] Taxes payables include net VAT payable, withholding taxes and final taxes payable.

For the years ended December 31, 2019 and 2018, the roll-forward analyses of unearned income from reinsurance premiums are as follows:

		2019	2018
Balance at beginning of year	P	**499,539**	453,555
Policies written during the year		**1,041,186**	1,082,461
Premiums earned during the year		**(1,055,859)**	(1,056,854)
Effect of translation to Philippine peso		**(46,234)**	20,377
Balance at end of year	P	**438,632**	499,539

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2019 and 2018, the Company has provisions amounting to P9,717 which pertains to provision for quarry fees and P24,717 which pertains to provisions for quarry fees and tax assessments, respectively. The provision is expected to be settled in 2020. For the year ended December 31, 2019, the roll-forward analysis of provisions (under "Unearned income, other accounts payable and accrued expenses" account) are as follows:

		Quarry Fees	Tax Liabilities
Balance at beginning of year	P	**9,717**	**15,000**
Provisions during the year		**-**	**30,725**
Payments during the year		**-**	**(30,725)**
Reversals made during the year		**-**	**(15,000)**
Balance at end of year	P	**9,717**	**-**

The provision during the year amounting to P12,901 was recognized in income tax expense (see Note 25) and the remaining portion was recognized in administrative expenses.

NOTE 21 - LEASES

The Company leases vessels, parcels of land, warehouses and office premises with periods ranging from more than 1 to 25 years. Some of these leases have escalation clauses, whereby rental fees increase over the lease term. These lease agreements, except for the lease of parcels of land from IQAC and ALQC (see Note 13), provided renewal options subject to the mutual agreement of both the lessor and the Company.

The roll-forward analyses of opening and closing balances of lease liabilities follow:

		2019	2018
Balance at beginning of year	P	**2,359,596**	2,318,299
Additions		**362,443**	422,733
Accretion of interest		**138,321**	161,566
Payments		**(611,367)**	(578,663)
Remeasurement from termination of lease (see Note 18)		**(62,353)**	-
Effect of changes in exchange rates		**(23,389)**	35,661
Balance at end of year	P	**2,163,251**	2,359,596

The accretion of interest from lease liabilities are recognized as part of "Financial expenses" account in the consolidated statements of comprehensive income. The maturity analysis of the Company's lease liabilities are disclosed in Note 28 to the consolidated financial statements. The movements in the Company's assets for the right-of-use are disclosed in Note 18 to the consolidated financial statements.

Leases that were charged to profit or loss are as follows:

		2019	2018	2017
Expenses relating to variable lease consideration	P	**322,531**	349,674	259,481
Expenses relating to short-term leases		**26,600**	21,725	13,317
	P	**349,131**	371,399	272,798

Total cash outflow for leases amounted to P822,177, P788,496 and P514,056 in 2019, 2018 and 2017, respectively.

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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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, 2019 and 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 cash bonds 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. Cash bonds received from credit customers as at December 31, 2019 and 2018 amounted to P32,624 and P22,359, respectively.

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 without taking into account the effect of collateral and any credit enhancements. The maximum exposure to credit risk as at December 31, 2019 and 2018 is as follows:

		Gross Carrying Amount		Net Carrying Amount	
		2019	2018	**2019**	2018
Financial assets at amortized cost					
Cash and cash equivalents (excluding cash on hand)	P	**1,399,180**	1,813,595	**1,399,180**	1,813,595
Trade receivables		**916,708**	733,054	**892,951**	708,906
Due from related parties		**27,749**	30,326	**27,749**	30,326
Insurance claims and premiums receivable		**445,535**	949,983	**445,535**	949,983
Other current accounts receivable		**65,244**	73,070	**65,244**	73,070
Long-term time and rental guaranty deposits (under other assets and noncurrent accounts receivable)		**597,995**	716,905	**597,995**	716,905
		3,452,411	4,316,933	**3,428,654**	4,292,785
Financial asset at fair value (hedging instrument)					
Derivative asset		**-**	12,875	**-**	12,875
	P	**3,452,411**	4,329,808	**3,428,654**	4,305,660

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 Company does not have trade receivable for which no allowance is recognized because of collateral.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

As at December 31, 2019		**Current**	**1 to 30 days**	**31 to 60 days**	**More than 60 days**	**Total**
Average expected credit loss rates		0.2%	3.8%	68.2%	57.7%	2.6%
Trade receivables - gross carrying amount	P	831,695	50,910	4,538	29,565	916,708
Allowance for impairment losses		1,670	1,934	3,097	17,056	23,757

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 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 premiums 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 December 31, 2019 and 2018, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

The following provides credit risk rating grades of the Company's financial assets:

		2019		2018	
		High grade	**Standard grade**	High grade	Standard grade
Financial assets for which loss allowance is measured equal to 12-month ECL					
Cash and cash equivalents (excluding cash on hand)	P	**1,399,180**	**-**	1,813,595	-
Due from related parties		**27,749**	**-**	30,326	-
Insurance claims and premiums receivable		**445,535**	**-**	949,983	-
Other current accounts receivable		**65,244**	**-**	73,070	-
Derivative asset		**-**	**-**	12,875	-
Long-term time and rental guaranty deposits (under other assets and noncurrent accounts receivable)		**597,995**	**-**	716,905	-
		2,535,703	**-**	3,596,754	-
Financial asset for which loss allowance is measured equal to lifetime ECL					
Trade receivables		**831,695**	**85,013**	630,107	102,947
	P	**3,367,398**	**85,013**	4,226,861	102,947

Cash in banks and cash equivalents, derivative asset and long-term time deposits are based on the credit standing or rating of the counterparty. Cash and cash equivalents and long-term time and rental guaranty deposits are of high grade quality and were assessed as having minimal credit risk as these are deposited in reputable financial entities. Trade receivables, due from related parties, insurance claims and premiums receivable, other current accounts receivable and rental guaranty deposits are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment. High grade quality financial assets are those with no history of payment default and has good credit standing or rating. 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.

Movements in the Allowance for Impairment Losses on Trade Receivables
Changes in the allowance for impairment losses for the years ended December 31, 2019 and 2018 are as follows:

		2019	2018
Balance at beginning of the year	P	**24,148**	50,510
Charged to selling expenses		**334**	10,526
Write-off of trade receivables		**(725)**	(36,888)
Allowance for impairment losses at end of the year	P	**23,757**	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 years ended December 31, 2019 and 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 December 31, 2019 and 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 statements of comprehensive income.

As at December 31, 2019 and 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 December 31, 2019	
Amounts in thousands of dollars	***(in U.S. dollar)***	**(*in EUR*)**
Cash and cash equivalents	**$5,474**	**€ -**
Due from related parties*	**76**	**-**
Due to related parties*	**(130,090)**	**-**
Trade payables	**(29,558)**	**(1,510)**
Lease liabilities	**(14,051)**	**-**
Net liabilities denominated in foreign currency	**($168,149)**	**(€1,510)**

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

Amounts in thousands of dollars	As at December 31, 2018 (in U.S. dollar)	As at December 31, 2018 (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 liabilities denominated in foreign currency	($113,347)	(€1,677)

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

The Company is also exposed to foreign currency risks on eliminated foreign currency denominated intragroup balances as follows (in U.S. dollar):

Amounts owed by	Amounts owed to	**December 31, 2019**	December 31, 2018
Parent Company	CAR	**($88,490)**	($71,158)
Parent Company	Falcon	**(31,225)**	(16,222)
APO	CAR	**(4,653)**	(6,230)
Solid	CAR	**(4,535)**	(3,657)
		($128,903)	($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 financial statements were as follows:

	December 31, 2019		December 31, 2018	
Currency	**Closing**	**Average**	Closing	Average
U.S. dollar	**P50.64**	**P51.57**	P52.58	P52.69
Euro	**56.78**	**57.68**	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 (loss) before income tax and equity for the years ended December 31, 2019 and 2018:

U.S. Dollar	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2019	**+3.7%**	**P315,057**	**P220,540**
	-3.7%	**(315,057)**	**(220,540)**
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	**+5.8%**	**P4,973**	**P3,481**
	-5.8%	**(4,973)**	**(3,481)**
2018	+0.5%	505	354
	-0.5%	(505)	(354)

Sensitivity Analysis Pertaining to Eliminated Intragroup Balances

U.S. Dollar	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2019	**+3.7%**	**P241,523**	**P169,067**
	-3.7%	**(241,523)**	**(169,067)**
2018	+5.3%	271,058	189,740
	-5.3%	(271,058)	(189,740)

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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 December 31, 2019 and 2018, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P5,964,021 and P8,247,970, respectively, of the long-term bank loan with BDO (see Note 24) and short-term investments in Lomez amounting to P65,154 and P66,212 as at December 31, 2019 and 2018, respectively (see Note 13). 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.

Sensitivity analysis on Interest Rate Risk

As at December 31, 2019 and 2018, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the years ended December 31, 2019 and 2018 would have decreased by approximately P41,292 and P57,272, 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 transactions 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 December 31, 2019 and 2018 were as follows:

	December 31, 2019		December 31, 2018	
	Notional amount	**Carrying amount**	Notional amount	Carrying amount
Purchase option contract - Inventory purchases……...	**P-**	**P-**	P385,795	P12,875

For the years ended 2019, 2018 and 2017, changes in fair value of these contracts recognized in OCI amounted to nil, (P6,458) and nil, respectively. The amount reclassified from hedge reserve to profit or loss are P6,458, nil and (P6,805) in 2019, 2018 and 2017, 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 profit 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 consolidated statements of cash flows, amounted to P3,010,995 and P2,342,061 for the years ended December 31, 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 December 31, 2019				
	Carrying Amount	**Contractual Cash Flows**	**12 Months or Less**	**1 to 5 Years**	**More than 5 Years**
Trade payables	**P4,795,817**	**P4,795,817**	**P4,795,817**	**P-**	**P-**
Unearned income, other accounts payable and accrued expenses*………...	**942,855**	**942,855**	**942,855**	**-**	**-**
Due to related parties………..	**8,102,052**	**10,714,797**	**3,289,975**	**7,424,822**	**-**
Bank loan……………………...	**11,320,925**	**13,305,483**	**736,880**	**12,568,603**	**-**
Lease liabilities……………….	**2,163,251**	**5,094,230**	**646,741**	**787,474**	**3,660,015**
Total	**P27,324,900**	**P34,853,182**	**P10,412,268**	**P20,780,899**	**P3,660,015**

**Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P714.9 million.*

	As at December 31, 2018				
	Carrying Amount	Contractual Cash Flows	12 Months or Less	1 to 5 Years	More than 5 Years
Trade payables	P4,934,535	P4,934,535	P4,934,535	P-	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	-
Bank loan………………………	13,628,851	17,481,450	1,000,721	16,480,729	-
Lease liabilities……………….	2,359,596	5,457,483	592,684	1,368,960	3,495,839
Total	P27,107,675	P35,610,679	P10,513,670	P21,601,170	P3,495,839

**Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P901.4 million.*

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.

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, insurance claims and premiums receivable, amounts due from related parties, other current accounts receivable (under financial assets measured at amortized cost), trade payables, due to related parties, other accounts payable and accrued expenses (under financial liabilities measured at amortized cost) reasonably approximate their carrying amounts considering the short-term maturities of these financial instruments.

As at December 31, 2019 and 2018, the carrying amounts of financial assets and liabilities and their respective fair values are as follows:

		December 31, 2019				December 31, 2018		
		Carrying amount	**Fair value**	**Fair value hierarchy level**		Carrying amount	Fair value	Fair value hierarchy level
Financial assets measured at amortized cost								
Long-term time and rental guaranty deposits	P	**597,995**	**597,995**	**Level 2**	P	716,905	716,905	Level 2
Financial asset at fair value (hedging instrument)								
Derivative asset		**-**	**-**	**Level 2**		12,875	12,875	Level 2
	P	**597,995**	**597,995**		P	729,780	729,780	
Financial liabilities measured at amortized cost								
Bank loan	P	**11,320,925**	**12,888,099**	**Level 2**	P	13,628,851	14,089,868	Level 2
Payable to a related party		**6,448,398**	**7,952,786**	**Level 2**		3,594,997	4,178,793	Level 2
	P	**17,769,323**	**20,840,885**		P	17,223,848	18,268,661	

The estimated fair value of the Company's long-term time and rental guaranty deposits, bank loan and long-term payable to a related party 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 in 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. Defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. The Company's latest actuarial valuation date was made on December 31, 2019. 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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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 & Below 26	119% of the plan salary for every year of credited service
26 & Above	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	100% of the plan salary for every year of credited service
Above 20 & Below 26	130% of the plan salary for every year of credited service
26 & Above	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, subject to the consent of 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 less than 16	79% of the plan salary for every year of credited service
16 to less than 21	99% of the plan salary for every year of credited service
21 to less than 26	119% of the plan salary for every year of credited service
26 and above	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 December 31, 2019 and 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 year		**P805,230**	P849,836	**(P90,046)**	(P88,828)	**P715,184**	P761,008
Included in profit or loss							
Service costs:							
Current service cost		**48,221**	60,792	**-**	-	**48,221**	60,792
Interest cost, net		**59,112**	56,716	**(3,611)**	(3,512)	**55,501**	53,204
		107,333	117,508	**(3,611)**	(3,512)	**103,722**	113,996
Included in OCI							
Actuarial loss (gain) from:							
Change in financial assumptions		**175,628**	(75,370)	**-**	-	**175,628**	(75,370)
Change in demographic assumptions		**-**	(6,353)	**-**	-	**-**	(6,353)
Experience adjustments		**(6,321)**	(118,215)	**-**	-	**(6,321)**	(118,215)
Return on plan assets excluding interest income		**-**	-	**(3,552)**	3,846	**(3,552)**	3,846
		169,307	(199,938)	**(3,552)**	3,846	**165,755**	(196,092)
Others							
Benefits paid		**(59,660)**	(41,267)	**-**	-	**(59,660)**	(41,267)
Benefits to be paid		**(25,800)**	(10,986)	**-**	-	**(25,800)**	(10,986)
Actual contributions		**-**	-	**(105,000)**	-	**(105,000)**	-
Net acquired (transferred) obligation	*13*	**-**	90,077	**-**	(1,552)	**-**	88,525
		(85,460)	37,824	**(105,000)**	(1,552)	**(190,460)**	36,272
Balance at end of year		**P996,410**	P805,230	**(202,209)**	(P90,046)	**794,201**	P715,184

b) Plan Assets

Plan assets consisted of the following:

		2019	2018
Deposits	P	**110,131**	26,038
Unit investment trust fund (UITF)			
Equities		**35,133**	21,109
Fixed income		**20,371**	3,754
Money market		**1,244**	6,053
Government securities		**10,223**	426
Debt instruments			
Local currency		**6,612**	7,713
Foreign currency		**-**	5,479
US sovereigns		**6,429**	11,799
Mutual funds		**6,358**	3,150
Exchange -Traded Fund		**4,135**	-
Cash in bank		**1**	1
Receivables		**-**	3,996
Others		**1,572**	528
	P	**202,209**	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 short-term time deposits, and government securities from the BSP and treasury notes with weighted average term to maturity that varies depending on market outlook.

Mutual funds, on the other hand, 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.

The Domestic Fixed Income portfolio of the account holds government securities and corporate bonds. The portfolio is benchmarked against BPI Government Bond Index.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Government securities, categorized under direct securities, are debt obligations from the Philippine government that are denominated in local currency. Such securities are risk free because of extremely low probability that the government will default in its own debt.

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. Local currency deposits and 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 AMTC is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTC, 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	**4.78%**	7.25%	**4.88%**	7.29%	**4.78%**	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 - 29	**10 to <12**	10 to <12
30 - 34	**8 to <10**	8 to <10
35 - 37	**7 to <8**	7 to <8
38 - 41	**5 to <7**	5 to <7
42 - 53	**3 to <5**	3 to <5
54 - 59	**1 to <4**	1 to <4

Mortality rates in 2019 and 2018 are based on the "2017 Philippine Intercompany Mortality Table" 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, 2019 and 2018 by the amounts shown below:

	2019		2018	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(P40,543)**	**P43,399**	(P28,707)	P30,543
Future Salary Increase rate (0.5% movement)	**45,091**	**(42,509)**	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.

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	**P996,410**	**P3,371,042**	**P82,791**	**P310,182**	**P2,978,069**
2018	P805,230	P3,161,610	P80,829	P271,677	P2,809,104

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2019 and 2018, the weighted average duration in years of the defined benefit obligation are as follows:

	2019	2018
Solid	**16.85**	15.93
APO	**14.19**	14.45
CHPI	**14.08**	14.00

In 2019, the Company contributed P105,000 and expects to contribute the same in 2020.

e) Retirement Benefit Expense

Retirement benefit expense for the years ended December 31, 2019 and 2018 is recognized in the following line items in the consolidated statements of comprehensive income:

		2019	2018	2017
Cost of sales	P	**28,695**	40,670	39,192
Administrative expenses		**19,526**	20,122	44,832
Other financial expenses - net.		**55,501**	53,204	40,132
	P	**103,722**	113,996	124,156

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 280,000 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. Short-term portion of the bank loan amounted to P140,123 as at December 31, 2019 and 2018.

The unamortized debt issuance cost of this bank loan amounting to P106,019 and P138,215 as at December 31, 2019 and 2018, respectively, was deducted from the total loan liability. Interest expense incurred in 2019 and 2018, excluding amortization of debt issuance cost, amounted to P774,869 and P719,174, respectively, which is recognized under "Financial expenses" account in the consolidated statements of comprehensive income. 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
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		**25,964**	**774,869**	**800,833**
Payment of:				
Principal		**(2,340,123)**	**-**	**(2,340,123)**
Interest		**-**	**(812,776)**	**(812,776)**
Others		**6,233**	**-**	**6,233**
Balance as at December 31, 2019	P	**11,320,925**	**95,000**	**11,415,925**

Accrued interest from this bank loan amounting to P95,000 and P132,907 as at December 31, 2019 and 2018, respectively, are recognized under "Unearned income, other accounts payable and accrued expenses" account in the consolidated statements of financial position.

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 the aforementioned financial covenants under the Facility Agreement would be in June 2020; (ii) debt service reserve accounts were created (see Note 15C); 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

(Amounts in Thousands, Except Number of Shares and Per Share Data)

EBITDA by the financial expense for the last twelve months as of the calculation date. Operating EBITDA equals operating income before other income, 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.

Debt service reserve account related to the Company's bank loan amounted to P375,470 and P506,189 as at December 31, 2019 and 2018, respectively, and is recognized in "Other assets and noncurrent accounts receivable" in the consolidated statements of financial position (see Note 15C).

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 December 31, 2019, the Parent Company is in compliance with the applicable restrictions and covenants of the Facility Agreement, except for the financial covenants where compliance therein was moved to June 2020.

NOTE 25 - INCOME TAXES

25A) INCOME TAXES FOR THE YEAR

The amounts of income taxes recognized in profit or loss for the years ended December 31, 2019 and 2018 are as follows:

		2019	2018 As restated - see Note 3)	2017 As restated - see Note 3)
Current income tax expense	P	**562,533**	664,643	652,115
Adjustments recognized for current tax of prior period		**12,901**	-	-
Write-down of previously recognized deferred income tax assets (reversal of previously unrecognized deferred income tax assets)		**(256,792)**	606,953	129,615
Deferred income tax benefit arising from origination and reversal of temporary differences		**(99,468)**	(317,892)	(650,960)
	P	**219,174**	953,704	130,770

The Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until		Amount	Addition During the Year	Expired/Utilized During the Year	Ending Balance
2019	2022	P	-	351,802	-	351,802
2018	2021		1,292,034	-	-	1,292,034
2017	2020		2,360,823	-	(136,003)	2,224,820
2016	2019		1,721,215	-	(1,721,215)	-
		P	**5,374,072**	**351,802**	**(1,857,218)**	**3,868,656**

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 Year	Expired/Utilized During the Year	Ending Balance
2019	2022	P	-	219,209	-	219,209
2018	2021		191,905	-	-	191,905
2017	2020		199,459	-	(8)	199,451
2016	2019		69	-	(69)	-
		P	**391,433**	**219,209**	**(77)**	**610,565**

(Amounts in Thousands, Except Number of Shares and Per Share Data)

25B) DEFERRED INCOME TAXES

For the years ended December 31, 2019 and 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** (As restated - see Note 3)	**Recognized in Profit or Loss**	**Recognized in OCI**	**Balance at December 31**
Deferred tax assets (liabilities):					
NOLCO	P	**415,904**	**199,628**	**-**	**615,532**
MCIT		**100**	**278,692**	**-**	**278,792**
Accrued retirement benefit liability and past service cost		**217,778**	**(4,167)**	**49,726**	**263,337**
Write-down of:					
Property, machinery and equipment to recoverable amount		**64,747**	**(290)**	**-**	**64,457**
Inventories to NRV		**40,574**	**(7,028)**	**-**	**33,546**
Lease liability		**62,624**	**(10,237)**		**52,387**
Allowance for impairment losses on receivables		**36,074**	**100**	**-**	**36,174**
Contract liabilities from loyalty points		**19,864**	**(9,570)**	**-**	**10,294**
Provisions		**6,223**	**(3,000)**	**-**	**3,223**
Accrued employee severance pay		**3**	**(3)**	**-**	**-**
Fair value adjustment on property, machinery and equipment		**(302,138)**	**48,607**	**-**	**(253,531)**
Unrealized foreign exchange loss (gain)		**65,369**	**(146,792)**	**-**	**(81,423)**
Accrued documentary stamp tax		**(14,015)**	**3,766**	**-**	**(10,249)**
Other items		**13,940**	**6,554**	**-**	**20,494**
	P	**627,047**	**356,260**	**49,726**	**1,033,033**

2018		Balance at January 1 (As restated - See Note 3)	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31 (As restated - See Note 3)
Deferred tax assets (liabilities):					
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	17,288	-	62,624
Other items		3,966	9,974	-	13,940
	P	974,890	(289,061)	(58,782)	627,047

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Net deferred income tax assets (liabilities) as at December 31, 2019 and 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	**862,623**	607,824
Parent Company		**140,543**	165,996
Solid		**31,009**	-
Ecocast Builders, Inc.		**439**	614
Bedrock Holdings, Inc.		**2**	-
Newcrete Management, Inc.		**2**	-
Enerhiya Central, Inc.		**2**	-
	P	**1,034,620**	774,434

Deferred Income Tax Liabilities		2019	2018
Edgewater Ventures Corporation		**1,516**	1,901
Sandstone Holdings, Inc.		**63**	65
Triple Dime Holdings, Inc.		**8**	13
Solid		**-**	145,407
Bedrock Holdings, Inc.		**-**	1
	P	**1,587**	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	**P1,816,882**	**P545,065**	P3,986,001	P1,195,800
Excess MCIT over RCIT	**331,773**	**331,773**	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
Accrued expenses	**23**	**7**	-	-
Unrealized foreign exchange losses	**3**	**1**	3	1
Accrued retirement benefit liability	**-**	**-**	347	104
Others	**87**	**26**	87	26
	P2,154,184	**P878,497**	P4,383,832	P1,589,534

As at December 31, 2019 and 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 and excess MCIT over RCIT 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.

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 financial statements, and the effective tax rate presented in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018, which are as follows:

	2019	2018	2017
Statutory income tax rate	**30%**	30%	30%
Taxable income eliminated at consolidated level	**17%**	(3355%)	-
Non-deductible expenses	**0%**	(314%)	7%
CAR and FALCON tax rate difference	**(23%)**	2432%	(55%)
Movement in NOLCO	**(9%)**	(2419%)	37%
MCIT	**(4%)**	(2307%)	-
Non-taxable income and other deductible expenses	**(1%)**	204%	(2%)
Others	**5%**	113%	-
Consolidated effective income tax rate	**15%**	(5616%)	17%

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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 December 31, 2019
Solid	2013-2018	Local business tax	On-going
APO	2014-2016	Local business tax	On-going
Ecocrete, Inc.	2013-2015	All internal revenue taxes	The assessment notices issued by 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
	2017-2019	Local business tax	On-going

On January 9, 2020, an assessment notice was issued by the BIR to Ecocast Builders, Inc. This was duly protested on February 7, 2020.

In January 2020, a partial tax credit amounting to P456.0 thousand was granted to the Parent Company.

The Company's assessment on the impact of the above tax proceedings in the consolidated financial statements is disclosed in Note 29 to these consolidated financial statements.

NOTE 26 - STOCKHOLDERS' EQUITY

26A) COMMON STOCK

As at December 31, 2019 and 2018, information on the Parent Company's common stock is summarized as follows:

	December 31, 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.

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).

The BOD and stockholders of the Parent Company approved on April 2, 2019 and October 16, 2019, respectively, the amendment of the Seventh Article of the Amended Articles of Incorporation of the Company, to reflect an increase in the Parent Company's authorized capital stock (ACS) from P5,195,395, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395, consisting of 18,310,395,454 common shares with a par value of P1 per share.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

In connection with the proposed ACS increase, the Company's BOD on September 3, 2019 approved the conduct of a stock rights offer (SRO) of up to US$250,000. The shares subject of the SRO will come from an increase in Parent Company's ACS.

On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Parent Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to the Parent Company having obtained the SEC's approval of the increase in the company's authorized capital stock.

As at December 31, 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. As at December 31, 2019, deferred share issuance costs relating to the stock rights offering amounted to P95,105, which is presented as "Deferred share issuance cost" under "Prepayments and other current assets" account in the consolidated financial statements.

On January 6, 2020, the Parent Company defined the final terms of the SRO which involved 8,293,831,169 common shares which was sourced from the increase in the Parent Company's ACS, offered at an offer price of Php 1.54 per rights share during an offer period from January 20 to 24, 2020. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares. Post-SRO and in view of the approval from the SEC of the Parent Company's application for increase in ACS, the total number of issued and outstanding shares of the Parent Company is 13,489,226,623 common shares. On February 27, 2020, the SEC approved the increase in ACS of the Parent Company to 18,310,395,454 at P1 par value.

26B) OTHER EQUITY RESERVES

The movements on components of Other equity reserves for the years ended December 31, 2019 and 2018 follow:

2019		**Cumulative translation of foreign subsidiaries**	**Remeasurements on retirement benefit liability**	**Share-based compensation reserve**	**Hedge reserve**	**Total**
Balance at January 1	P	**316,283**	**222,923**	**57,159**	**(6,458)**	**589,907**
Currency translation loss of foreign subsidiaries		**(242,977)**	**-**	**-**	**-**	**(242,977)**
Loss on remeasurement on retirement benefit liability		**-**	**(116,029)**	**-**	**-**	**(116,029)**
Share-based compensation		**-**	**-**	**12,493**	**-**	**12,493**
Cash flow hedges - reclassified to profit or loss		**-**	**-**	**-**	**6,458**	**6,458**
Balance at December 31	P	**73,306**	**106,894**	**69,652**	**-**	**249,852**

2018		Cumulative translation of foreign subsidiaries	Remeasurements on retirement benefit liability	Share-based compensation reserve	Hedge reserve	Total
Balance at January 1	P	77,338	85,765	36,826	-	199,929
Currency translation gain of foreign subsidiaries		238,945	-	-	-	238,945
Gain on remeasurement on retirement benefit liability		-	137,310	-	-	137,310
Other adjustment on remeasurement of retirement liability		-	(152)	-	-	(152)
Share-based compensation		-	-	20,333	-	20,333
Cash flow hedges - effective portion of changes in fair value		-	-	-	(6,458)	(6,458)
Balance at December 31	P	316,283	222,923	57,159	(6,458)	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 December 31, 2019 and 2018, non-controlling interest in equity amounted to approximately P170 and P193, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

26D) SHARE - BASED COMPENSATION

As part of CEMEX's share-based compensation 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 purchased net shares to executives of the Company for approximately 95,875 CPOs and issued new shares for approximately 186,256 CPOs and 572,696 CPOs for the year ended December 31, 2019 and 2018, respectively, that were subscribed and pending for payment in the ultimate parent company's treasury. For the years ended December 31, 2019 and 2018, there were approximately nil and 181,223 CPOs, respectively, associated with these annual programs that are expected to be purchased in the succeeding years as the Company's executives render services.

The compensation expense related to these programs for the years ended 2019, 2018 and 2017 for approximately P12,493, P20,333 and P25,171, respectively, 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 11.85, 13.61 and 14.28 Mexican Pesos for the years ended December 31, 2019, 2018 and 2017, respectively. As at December 31, 2019 and 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 December 31, 2019 and 2018, the Company's retained earnings include deficit (after appropriations) of its significant operating subsidiaries, Solid and APO, amounting to P1,156,387 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 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:

		December 31, 2019	December 31, 2018 (As restated - see Note 3)
Total liabilities	P	**29,140,690**	29,332,804
Less cash and cash equivalents		**1,399,180**	1,813,665
Net debt	P	**27,741,510**	27,519,139
Total equity	P	**29,665,487**	28,725,966
Net debt to equity ratio	P	**0.94:1**	0.96:1

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 27 - BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The amounts considered for the calculation of earnings (loss) per share for the years ended December 31, 2019, 2018 and 2017 are as follows:

		2019	2018	2017
Profit (loss) (a)	P	**1,279,576**	(970,687)	638,337
Add: non-controlling interest loss		**23**	28	25
Controlling interest in profit (loss)		**1,279,599**	(970,659)	638,362
Weighted average number of shares outstanding - Basic/Diluted (b)		**5,195,395,454**	5,195,395,454	5,195,395,454
Basic/Diluted earnings (loss) per share (a/b)	P	**0.25**	(0.19)	0.12

As at December 31, 2019, 2018 and 2017, the Company has no dilutive equity instruments. The SRO that occurred after the reporting date (see Note 26A) would have significantly changed the number of ordinary shares outstanding at the end of the year if such transaction had occurred before the reporting date.

NOTE 28 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2019 and 2018, the Company had the following contractual obligations.

		2019			
		Less than 1 year	**1-5 Years**	**More than 5 Years**	**Total**
Bank loan	P	**736,880**	**12,568,603**	**-**	**13,305,483**
Payable to a related party [1]		**1,636,321**	**7,424,822**	**-**	**9,061,143**
Leases [2]		**646,741**	**787,474**	**3,660,015**	**5,094,230**
Retirement plans and other benefits [3]		**82,791**	**310,182**	**2,978,069**	**3,371,042**
Total contractual obligations	P	**3,102,733**	**21,091,081**	**6,638,084**	**30,831,898**

		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 2020 (as amended) for Solid and APO, respectively (see Note 13).

[2] Refer to Note 21 to the consolidated financial statements.

[3] Represents the estimated payments for retirement benefits over the expected maturity of the retirement and other benefit liabilities (see Note 23).

NOTE 29 - CONTINGENCIES FROM LEGAL PROCEEDINGS

As at December 31, 2019 and 2018, the Company is involved in various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) national and local tax assessments; 2) labor claims; and 3) other diverse civil actions. The Company considers that in those instances in which obligations have been incurred, the Company has accrued adequate provisions to cover the related risks. The Company believes these matters will be resolved without any significant effect on its business, consolidated financial position or consolidated financial performance. In addition, in relation to ongoing legal proceedings, the Company is able to make a reasonable estimate of the expected loss or range of possible loss, as well as disclose any provision accrued for such loss. However, for a limited number of ongoing proceedings, the Company may not be able to make a reasonable estimate of the expected loss or range of possible loss or may be able to do so but believes that disclosure of such information on a case-by-case basis would seriously prejudice Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed qualitative information with respect to the nature and characteristics of the contingency, but has not disclosed the estimate of the range of potential loss.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 30 - MAIN SUBSIDIARIES

The Parent Company's direct and indirect subsidiaries as at December 31, 2019 and 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

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 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 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.

In 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 "Cost of sales" account in the consolidated statements of comprehensive income for the year ended December 31, 2019. As at December 31, 2019 and 2018, the outstanding claims amounted to P8,490 and P345,050, respectively.

Lawsuit
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 P4.3 billion, (b) the establishment of a P500 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 Parent Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund.

As at December 31, 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 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. This September 30, 2019 Order is not yet final and may still be appealed further by the parties. A Motion for Reconsideration was filed by plaintiffs which has yet to be heard by the court.

As of the date of this report, 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 and adverse result in this lawsuit and in turn, the Company cannot 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.

NOTE 32 - OTHER SUBSEQUENT EVENTS IN RELATION TO THE IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared a pandemic the outbreak of the novel spread of the Coronavirus COVID-19 (the "COVID-19 Pandemic"), due to its rapid spread throughout the world, having affected as of such date more than 150 countries. In response to that, on March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to the COVID-19 Pandemic which resulted in the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020 until April 12, 2020. The President announced several social distancing measures which were implemented including extension of suspension of classes in all levels in Metro Manila until April 12, 2020, prohibition of mass gatherings or events, imposition of community quarantine measures as necessary, restriction of mass public transport system (MRT, LRT, etc.), and most importantly, suspension of land, domestic air and domestic sea travel to and from the Metro Manila beginning March 15 until April 14, 2020. On March 26, 2020, the Governor of Cebu Province announced the implementation of ECQ measures for the entire island of Cebu, effective March 30.

Considering the implementation of ECQ in Luzon, the Company has temporarily suspended the delivery of all cement products to its customers in Luzon starting March 17, 2020. It has also announced on March 19, 2020 that it started the process that will lead to the temporary stoppage of the production at Solid's plant operations located in Antipolo City. On the other hand, beginning March 20, 2020 the operations at APO's plant continued but with skeletal workforce arrangement.

The various measures imposed to date by the Government and those that will be additionally implemented as a result of the COVID-19 Pandemic have and may further adversely affect the Company's workforce and operations and the operations of the Company's customers, distributors, suppliers and contractors, and may negatively impact the Company's financial condition, results of operations and cash flows. The Company faces significant uncertainties arising from the impacts of the COVID-19 pandemic that may include restrictions on access to the Company's manufacturing facilities, on its operations or workforce, or similar limitations for the Company's customers, distributors, suppliers and contractors, which could limit customer demand and/ or the Company's capacity to meet customer demand, any of which could have a material adverse effect on the Company's financial condition and results of operations. The degree to which COVID-19 affects the Company's financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. As of the date of this report, the Company is not able to make reliable estimates of the impact of COVID-19 due to inadequacy of data and, therefore, the Company is not able to quantify them. The Company will evaluate on a quarterly basis during the year 2020, the impact of these events on its financial condition, results of operations and cash flows.

Even prior to the imposition of ECQ, the Company implemented, and has continued to implement, strict hygiene protocols in all its operations and modified its manufacturing, sales, and delivery processes to implement physical distancing, so as to protect the health and safety of its employees and their families, customers and suppliers; and drastically reduce the possibility of contagion of COVID-19. The Company is undertaking and continues to explore temporary measures to address the adverse impact of COVID-19 on its workforce and operations with the objective of re-aligning the organization's resources with the evolving conditions in the different markets in which the Company operates. These immediate measures include (but are not limited to) the reduction of plant production and inventory levels, the suspension, deferment or reduction in capital expenditures and budgeted operating expenses (including sales and administration expenses) and the implementation of changes in work-deployment schedules. During the following months, the Company plans to focus its efforts on managing the impact of the COVID-19 pandemic on its production, commercial, and financial activities. It will continue to carefully monitor this overall situation and expects to take additional steps, as could be required.

The Company considers that, as the implementation of ECQ or the duration of the COVID-19 situation may extend, the potential risk factors that could result in significant and material impact to the Company are, among others: (i) increases in estimated credit losses on trade accounts receivable; (ii) impairment of long-lived assets including goodwill; (iii) further disruption in supply chains; and (iv) liquidity issues affecting the Company's ability to meet short-term obligations. At the date of issuance of the consolidated annual accounts, it is not possible to make a reliable estimate of the potential adverse effects arising from the COVID-19 Pandemic due to the uncertainty associated to the duration and consequences in the different markets in which the Company operates. Nonetheless, as events evolve during the year 2020 and there will be increased visibility to measure such effects, the Company will evaluate and recognize the possible adverse effects in its financial condition, results of operations and cash flows.

The Company considers the events surrounding COVID-19 as non-adjusting subsequent events which do not impact its financial position and performance as at and for the year ended December 31, 2019. Furthermore, given the measures implemented by the Company to lower down costs and expenditures and the financial condition of the Company's related party that would be providing the Company with financial support, the Company will have sufficient liquidity to continue to meet its obligations as they fall due. Hence, the Company assessed that the current and expected impact of these events will not cast any significant doubt on the Company's ability to continue as a going concern.

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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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated April 7, 2020.

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:

- Reconciliation of Retained Earnings Available for Dividend Declaration;
- Map of Group of Companies within which the Group belongs; and
- Supplementary Schedules of Annex 68-J.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68 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 8116753
Issued January 2, 2020 at Makati City

April 7, 2020
Makati City, Metro Manila

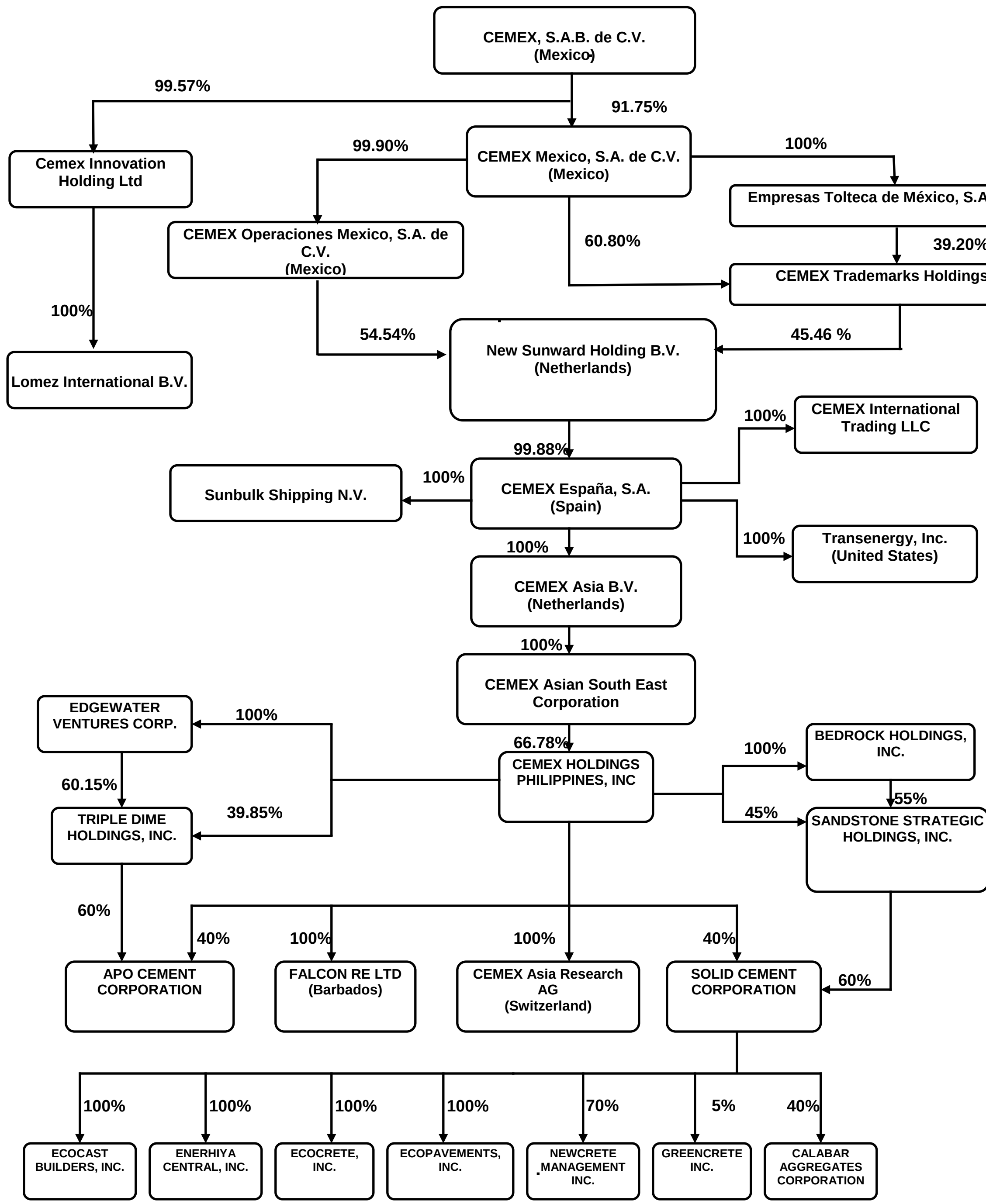
CEMEX HOLDINGS PHILIPPINES, INC.
34th Floor, Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue, Makati City

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, January 1, 2019		**P3,809,282,716**
Adjustments:		
Adjustments in previous years' reconciliation		**(114,496,218)**
Unappropriated Retained Earnings, as adjusted, January 1, 2019		**3,694,786,498**
Add: Net income actually earned/realized during the year		
Net loss during the period closed to Retained Earnings	(P67,781,642)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - (after tax) except those attributable to cash and cash equivalents	165,065,203	
Unrealized actuarial gain	-	
Fair value adjustment (mark-to-market gains)	-	
Fair value adjustment of Investment Property resulting in gain	-	
Adjustment due to deviation from PFRS - 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 - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned/realized during the year		**97,283,561**
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, 2019		**P3,792,070,059**

CEMEX Holdings Philippines, Inc. and Subsidiaries

Map of the Group of Companies Within which the Company Belongs
As at December 31, 2019



Note: The corporate chart provides the organizational and ownership structure as at December 31, 2019 and has been simplified to show the relevant intermediate holding companies of CEMEX, S.A.B. de C.V. ("CEMEX"). The chart shows, for each company, CEMEX's approximate direct, indirect and/or consolidated percentage equity ownership or economic interest.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIALS ASSETS
December 31, 2019
(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, 2019
(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

NOT APPLICABLE

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, 2019
(Amounts in Thousands)

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.	P26,780	P1,343,985	(P1,334,444)	P-	P36,321	P-	P36,321
Solid Cement Corporation	61,679	132,037	(115,229)	-	78,487	-	78,487
APO Cement Corporation	29,862	1,047,052	(574,165)	-	52,749	450,000	502,749
Bedrock Holdings, Inc.	109,817	-	-	-	109,817	-	109,817
Ecocast Builders, Inc.	14,865	1,203	(610)	-	15,458	-	15,458
Ecopavements, Inc.	46,766	1,597	(37)	-	48,326	-	48,326
Ecocrete, Inc.	81	340	(7)	-	414	-	414
Cemex Asia Research AG	4,261,383	3,026,904	(2,342,366)	-	4,945,921	-	4,945,921
Falcon Re Ltd.	852,967	1,386,170	(658,081)	-	1,581,056	-	1,581,056
	P5,404,200	P6,939,288	(P5,024,939)	P-	P6,868,549	P450,000	P7,318,549

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE D. LONG TERM DEBT
December 31, 2019
(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.	P11,320,925	P140,123	P11,180,802	P774,869 (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 E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)
December 31, 2019
(Amounts in Thousands)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
CEMEX Asia B.V.	P3,594,549	P6,442,473

The long-term loan, which bears 8.2% 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. On, November 28, 2019, further amendments were made to increase the facility to U.S.$160,000. The increase pertains to the additional drawdown made by the Company.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2019
(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 G CAPITAL STOCK
December 31, 2019

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees[(b)]	Others
Common shares	5,195,395,454	5,195,395,454	Not applicable	3,469,412,498[(a)]	3,744,613	1,722,238,343

(a) As of 31 December 2019, each of the following members of the Board of Directors held in his name one (1) share (qualifying share) which is beneficially owned by CEMEX ASIAN SOUTH EAST CORPORATION: Messrs. Joaquin Estrada, Ignacio Mijares, Alejandro Garcia, Ivan Sanchez and Larry Zea
(b) Employee shares only include shares of CHP held by employees of CHP or its subsidiaries and affiliates which are held pursuant to incentive compensation programs of the company

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REPORT OF INDEPENDENT AUDITORS
COMPONENTS OF FINANCIAL SOUNDENESS INDICATORS

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. and Subsidiaries (the “Group”) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated April 7, 2020.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation and their appropriateness or usefulness to the intended users, are the responsibility of the Group’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

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 8116753
Issued January 2, 2020 at Makati City

April 7, 2020
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

Ratio	Formula	**2019**	2018 (As restated)*
Current ratio	Current assets/current liabilities	**0.74:1**	0.83:1
Acid test ratio	(Current assets - inventories)/current liabilities	**0.44:1**	0.50:1
Solvency ratio	(Profit + depreciation and amortization)/total liabilities	**0.11:1**	0.03:1
Debt-to-equity ratio	Total liabilities/total equity	**0.98:1**	1.02:1
Asset-to-equity ratio	Total assets/total equity	**1.98:1**	2.02:1
Interest rate coverage ratio	Operating income before other expenses/interest expense	**1.87:1**	1.41:1
Return on equity	Profit/total equity	**0.04:1**	-0.03:1
Return on assets	Profit/average total assets	**0.02:1**	-0.02:1
Net profit margin	Profit/net sales	**0.05:1**	-0.04:1

**Restated due to retrospective application of PFRS 16, Leases*

Audited *Separate* Financial Statements
as at and for year ended December 31, 2019 and as at
December 31, 2018

CEMEX HOLDINGS PHILIPPINES, INC.

C O V E R S H E E T

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	5	1	8	8	1	5

COMPANY NAME

CEMEX HOLDINGS PHILIPPINES, INC.

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
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
26 (as of 31 Dec 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) 8849 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 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.

SEPARATE FINANCIAL STATEMENTS
December 31, 2019 and 2018

With Independent Auditors' Report

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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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of CEMEX Holdings Philippines, Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2019 and 2018, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2019 and 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended 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 Separate Financial Statements* section of our report. We are independent of the Company 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 separate 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.

PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

Emphasis of Matter

We draw attention to Note 18 of the separate financial statements, which describes the effects of the enhanced community quarantine implemented by the Philippine government in response to the Coronavirus disease 2019 (COVID-19) pandemic on the Company's operations. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 19 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's 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 8116753
Issued January 2, 2020 at Makati City

April 7, 2020
Makati City, Metro Manila

CEMEX
PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE SEPARATE FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc.** (the "Company") is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, as at and for the years ended December 31, 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 separate financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the separate 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 separate 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 separate 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 **SERGIO MAURICIO MENÉNDEZ MEDINA**
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 2020

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2019**	2018
ASSETS			
Current Assets			
Cash	*4, 16*	**P37,973,737**	P856,144,081
Due from related parties	*5, 16*	**38,300,978**	54,702,161
Other current accounts receivable	*16*	**2,289,010**	6,624,504
Prepaid expenses and other current assets	*6*	**126,998,285**	63,849,198
Total Current Assets		**205,562,010**	981,319,944
Noncurrent Assets			
Investments in shares of stock	*7*	**47,971,178,835**	47,971,178,835
Long-term time deposit	*9, 16*	**375,470,146**	506,188,660
Deferred income tax assets - net	*15*	**140,543,079**	165,996,524
Other noncurrent asset	*6*	**34,931,530**	25,486,904
Total Noncurrent Assets		**48,522,123,590**	48,668,850,923
		P48,727,685,600	P49,650,170,867
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	*16*	**P32,323,874**	P4,332,445
Due to related parties	*5, 16*	**6,045,891,961**	4,635,718,552
Accrued expenses and other payables	*8, 9,16*	**206,986,250**	213,130,400
Current portion of long-term bank loan	*9, 16*	**140,122,810**	140,122,810
Total Current Liabilities		**6,425,324,895**	4,993,304,207
Noncurrent Liabilities			
Long-term bank loan - net of current portion	*9, 16*	**11,180,801,151**	13,488,728,304
Retirement benefit liability	*10*	**189,860,418**	157,284,083
Total Noncurrent Liabilities		**11,370,661,569**	13,646,012,387
Total Liabilities		**17,795,986,464**	18,639,316,594
Equity			
Common stock	*11*	**5,195,395,454**	5,195,395,454
Additional paid-in capital	*11*	**21,959,159,068**	21,959,159,068
Share-based compensation reserve	*5*	**28,848,986**	18,129,885
Remeasurement on retirement benefit liability	*10*	**6,794,554**	28,887,150
Retained earnings		**3,741,501,074**	3,809,282,716
Total Equity		**30,931,699,136**	31,010,854,273
		P48,727,685,600	P49,650,170,867

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

		Years Ended December 31	
	Note	**2019**	2018
SERVICE FEES	*5*	**P477,495,793**	P401,427,322
COST OF SERVICES	*12*	**434,087,084**	364,933,929
GROSS PROFIT		**43,408,709**	36,493,393
OPERATING EXPENSES			
Outside services		**22,378,780**	3,603,591
Professional fees		**16,297,533**	10,531,795
Advertising and travel expenses		**12,947,297**	-
Taxes and licenses		**4,493,423**	15,881,774
Insurance		**2,854,779**	-
Utilities		**2,284,432**	1,237,182
Meetings		**2,005,649**	-
Personnel cost	*10, 13*	**1,381,294**	25,294,144
Miscellaneous		**2,724,109**	1,683,874
		67,367,296	58,232,360
LOSS FROM OPERATIONS		**(23,958,587)**	(21,738,967)
OTHER INCOME (CHARGES)			
Dividend income	*5*	**865,340,000**	1,899,387,000
Foreign exchange gain (loss) - net	*16*	**196,959,100**	(245,710,822)
Financial expense	*5, 9, 16*	**(981,418,386)**	(885,714,280)
Financial expense on retirement benefits	*10*	**(12,228,972)**	(12,532,480)
Other expenses - net	*14*	**(5,371,202)**	(17,073,317)
		63,280,540	738,356,101
INCOME BEFORE INCOME TAX		**39,321,953**	716,617,134
INCOME TAX EXPENSE	*15*	**107,103,595**	360,608,369
PROFIT (LOSS)		**(67,781,642)**	356,008,765
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss			
Gain (loss) on remeasurement on retirement benefit liability, net of tax	*10*	**(22,092,596)**	28,887,150
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P89,874,238)**	P384,895,915

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	**Common Stock** (see Note 11)	**Additional Paid-in Capital**	**Share-based Compensation Reserve**	**Remeasurement on Retirement Benefit Liability**	**Retained Earnings**	**Total Equity**
Balance at January 1, 2018		P5,195,395,454	P21,959,159,068	P1,235,778	P -	P3,453,273,951	P30,609,064,251
Transactions with owners of the Company							
Share-based compensation	*5*	-	-	16,894,107	-	-	16,894,107
Total comprehensive income for the year							
Profit		-	-	-	-	356,008,765	356,008,765
Other comprehensive income for the year							
Gain on remeasurement on retirement benefit liability, net of tax		-	-	-	28,887,150	-	28,887,150
Total Comprehensive Income		-	-	-	28,887,150	356,008,765	384,895,915
Balance at December 31, 2018		5,195,395,454	21,959,159,068	18,129,885	28,887,150	3,809,282,716	31,010,854,273
Transactions with owners of the Company							
Share-based compensation	*5*	-	-	10,719,101	-	-	10,719,101
Total comprehensive loss for the year							
Loss		-	-	-	-	(67,781,642)	(67,781,642)
Other comprehensive loss for the year							
Loss on remeasurements on retirement benefit liability, net of tax		-	-	-	(22,092,596)	-	(22,092,596)
Total Comprehensive Loss		-	-	-	(22,092,596)	(67,781,642)	(89,874,238)
Balance at December 31, 2019		**P5,195,395,454**	**P21,959,159,068**	**P28,848,986**	**P6,794,554**	**P3,741,501,074**	**P30,931,699,136**

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P39,321,953**	P716,617,134
Adjustments for:			
Interest expense	*5, 9, 16*	**981,418,386**	885,714,280
Retirement benefit expense	*10*	**23,620,357**	26,998,092
Amortization of transportation allowance		**13,160,747**	882,339
Share-based compensation expense	*5*	**10,719,101**	16,894,107
Dividend income	*5*	**(865,340,000)**	(1,899,387,000)
Net unrealized foreign exchange loss (gain)	*16*	**(234,905,709)**	86,456,344
Interest income	*14*	**(12,604,236)**	(9,114,894)
Operating loss before working capital changes		**(44,609,401)**	(174,939,598)
Decrease (increase) in:			
Due from related parties		**17,550,292**	65,860,822
Other current accounts receivable		**4,335,494**	2,855,710
Prepaid expenses and other current assets		**(62,831,746)**	(5,944,968)
Increase (decrease) in:			
Trade payables		**1,226,136**	1,392,776
Due to related parties		**(41,109,014)**	142,514,481
Accrued expenses and other payables		**85,546,654**	37,515,092
Cash generated from (absorbed by) operations		**(39,891,585)**	69,254,315
Interest received		**12,604,236**	7,204,606
Interest paid	*5, 9*	**(833,678,166)**	(701,237,616)
Benefits paid	*10*	**(26,869,736)**	(14,040,859)
Dividends received	*5*	**-**	367,640,000
Payment received from transferred retirement benefit liability		**-**	163,418,361
Net cash used in operating activities		**(887,835,251)**	(107,761,193)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Long-term time deposit		**130,718,514**	(115,765,156)
Investments in shares of stock		**-**	(790,000)
Net cash provided by (used in) investing activities		**130,718,514**	(116,555,156)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans from related parties	*5*	**2,458,256,289**	1,213,671,127
Payment of:			
Bank loan	*9*	**(2,340,122,810)**	(140,122,810)
Loans from related parties	*5*	**(109,946,048)**	(267,400,000)
Share issuance cost	*6, 11*	**(68,339,314)**	-
Net cash provided by (used in) financing activities		**(60,151,883)**	806,148,317
NET INCREASE (DECREASE) IN CASH		**(817,268,620)**	581,831,968
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(901,724)**	4,578,448
CASH AT BEGINNING OF YEAR		**856,144,081**	269,733,665
BALANCE AT END OF YEAR	*4*	**P37,973,737**	P856,144,081

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

CEMEX Holdings Philippines, Inc. (the “Company” or “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 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 (RA) 2629, *Investment Company Act*.

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

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

On June 30, 2016, the Philippine Securities and Exchange Commission (SEC) resolved to render effective the Registration Statement of the Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Company. On July 18, 2016, the 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 subsidiaries under the Main Board of the Philippine Stock Exchange, resulting in an increase in capital stock of P2,337,927,954 and additional paid-in capital of P21,959,159,068 net of P835,638,484 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 has 26 and 20 stockholders as at December 31, 2019 and 2018, respectively, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

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

2. Basis of Preparation

Statement of Compliance

The separate 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.

In accordance with Paragraph 4 of PFRS 10, *Consolidated Financial Statements,* the Company prepares consolidated financial statements in which the Company consolidates the financial statements accounts of its subsidiaries. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries, with the Company as the parent entity. The consolidated financial statements, which have been prepared in accordance with PFRSs, are available through the Philippine SEC.

The separate financial statements were approved and authorized for issue by the Company's Board of Directors (the "Board") on April 2, 2020.

Basis of Measurement

The separate financial statements have been prepared on a 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.

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

Use of Judgments and Estimates

The preparation of separate financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the separate financial statements. The estimates and assumptions used in the accompanying separate financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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 separate financial statements:

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the operations of the Company.

Determining Whether the Company has Control over its Investee Companies
The Company uses judgment in determining control over its investee companies. The 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 Company assessed that it has control over its investee companies and accounts for this investee companies as subsidiaries.

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 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 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 separate 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 fair value through other comprehensive income (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 fair value through profit or loss (FVTPL), debt investment 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.

Estimate
The key assumption concerning the future and other key sources of estimation uncertainty as at reporting date that has the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year is as follows:

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 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, excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and other deductible temporary differences to the Company. The Company has incurred tax losses. The carriyforward tax losses and excess MCIT over RCIT have an expiration of three years from the taxable year when such tax losses were incurred. However, the Company has concluded that they will only benefit from a portion of the said tax losses and excess MCIT over RCIT before they eventually expire. Deferred income tax assets were recognized only up to the extent of forecasted taxable income in subsequent periods. Each forecast was based on the Company's past results and future expectations of revenue and expenses. As at December 31, 2019 and 2018, net deferred income tax assets amounted to P140,543,079 and P165,996,524, respectively. As at December 31, 2019 and 2018, the Company has unused tax losses in which deferred income tax assets have not been recognized amounting to P1,790,540,776 and P3,275,563,043, respectively (see Note 15).

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 3) are met, then the liability is recognized in the separate 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 in Note 17.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements:

Adoption of Amendments to Standards and Interpretation

The Company has adopted the following relevant amendments to standards and interpretation starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's separate financial statements.

- 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 judgments 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.

- Prepayment Features with Negative Compensation (Amendments to PFRS 9, *Financial Instruments*). 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 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.

- 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).

Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Company has not applied the following amendments to standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

The Company will adopt the following relevant amendments to standards on their respective effective dates.

- 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.

- 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.

Financial Instruments

Recognition and Initial Measurement

Financial instruments within the scope of PFRS 9 are recognized in the separate 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 or 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, 2019 and 2018, the Company has no debt investments at FVOCI and at FVTPL.

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 financial assets are recognized under operating 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, due from related parties, other current accounts receivable and long-term time deposit are included in this category.

Cash is stated at face value which includes accrued interest. Interest income accruing from cash is recognized as part of “Other expenses - net” account in the separate statements of comprehensive income (loss).

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 as 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 Measurement - Financial Liabilities
Trade payables, due to related parties, accrued expenses and other payables (excluding liabilities covered by other PFRSs, such as statutory liabilities) 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 separate statements of financial position within "Accrued expenses and other payables" account against financial expense. As at December 31, 2019 and 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. Financial liabilities are classified as current liabilities if the liability is due to be paid within 12 months from the reporting date and the Company has no unconditional right to defer settlement of the liability for at least 12 months after the reporting date, otherwise these are classified under noncurrent liabilities.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount presented in the separate 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 separate 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.

'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.

Fair Value Measurement
A number of the Company's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities. Fair value is measured as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company uses valuation technique that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair values are categorized into different levels of the fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the changes has occurred.

Investments in Subsidiaries
A subsidiary is an entity in which the Company has control. The Company has control over an investee when it is exposed, or has rights, to variable returns from its involvement with that investee; when it has the ability to affect those returns through its power over its investee; and where there is link between power and returns. An investment in a subsidiary is accounted for at cost less impairment losses, if any. The Company recognizes income from the investments when its right to receive dividend is established. The Company accounts for its investments in subsidiaries at cost. When the Company loses control over a subsidiary, any interest retained in the former subsidiary is measured at fair value.

Impairment of Financial Assets
The Company recognizes loss allowances for expected credit losses (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 that are determined to have low credit risk at the reporting date; and
- other debt securities 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 Separate Statement of Financial Position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

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.

Impairment of Investments in Subsidiaries
The carrying amount of the Company's investments in subsidiaries is reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an investment in a subsidiary is the greater of its fair value less costs of disposal and its value in use. The fair value is the price that would be received to sell the investment or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is the present value of the future cash flows expected to be derived from the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of the asset, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

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. Costs that are related directly to a probable future equity transaction is recognized as "Deferred share issuance costs" under "Prepaid expenses and other current assets" account in the separate statements of financial position. The cost is transferred to equity when the equity transaction is recognized, or recognized in profit or loss if the issue is no longer expected to be completed. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the separate statements of financial position.

Retained Earnings
Retained Earnings represents the accumulated balance of periodic income (loss), net of any dividends declared to stockholders.

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's separate financial statements in the period in which the dividends are approved by the Company's Board.

Revenue from Contracts with Customers
Revenue is recognized to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured based on the consideration specified in the contract with the customer. The Company recognizes revenue when it transfers control over a service to a customer.

The Company's revenue (i.e., service fees) mainly pertains to advisory services provided by the Company to its related parties under mark-up based contracts. Revenue from such services is recognized based on the work performed for a particular customer and is calculated based on the actual costs incurred plus mark-up. The mark-up is calculated in accordance with the service agreement. Revenue from such services are also recognized overtime as the services are received and the benefits are consumed by the customer simultaneously.

If the services rendered by the Company exceed payment, a contract asset if recognized. If payments exceeded the services rendered, a contract liability is recognized.

Receivables arising from the Company's revenue contracts recognized in "Due from related parties" account in the separate statements of financial position represent the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Dividend Income

Dividend income is recognized when the Company's right to receive the payment is established. Dividends received are classified as part of cash flows from operating activities.

Interest

Interest is recognized as it accrues, taking into account the effective yield on the asset, net of final tax.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity other than those relating to distributions to equity participants. Expenses are generally recognized when the services are rendered or the expenses are incurred.

Cost of Services

Cost of services includes direct salaries and wages and travel expense directly attributable to the services rendered. This is recognized when the services are rendered or the expenses are incurred.

Operating Expenses

Expenses incurred in the direction and general administration of day-to-day operation of the Company and are generally recognized when the services are rendered or the expenses are incurred.

Employee Benefits

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.

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 as part of "Cost of Services" and "Operating Expenses" accounts in the separate statements of comprehensive income (loss). The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss under "Financial expense on retirement benefits" account in the separate statements of comprehensive income.

The effects from modifications to the pension plans that affect the cost of past services are recognized as part of "Cost of Services" and "Operating Expenses" accounts in the separate statements of comprehensive income (loss) 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 "Cost of Services" and "Operating Expenses" accounts in the separate statements of comprehensive income (loss).

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.

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 "Prepaid expenses and other current assets" account while the noncurrent portion is part of "Other noncurrent asset" account in the separate statements of financial position) and subsequently amortized as an expense over the term of the contract.

Foreign Currency Transactions
Foreign currency transactions are recorded in Philippine peso based on exchange rates prevailing at transaction dates. Outstanding foreign currency denominated monetary assets is translated to Philippine peso using the prevailing rates at the reporting date. Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in profit or loss in the period in which they arise. Foreign currency gains and losses are reported on a net basis.

Income Taxes
Income tax expense is composed of current income tax and deferred income tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in OCI, in which case it is recognized in equity or in OCI.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefit of unused net operating loss carryover (NOLCO).

Deferred income tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The carrying amounts of deferred income tax assets are reviewed at each reporting date. A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward benefit of unused NOLCO 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 plan of the Company. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred income tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax assets to be recognized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The income tax effects from an uncertain tax position are recognized when it is not probable that the position will be accepted based on its technical merits and assuming that the tax authorities will examine the uncertain tax treatments and have full knowledge of all relevant information. They are measured by either determining the single most likely amount or the sum of the probability-weighted amounts in a range of possible outcomes depending on which method the Company expects to better predict the resolution of the uncertainty. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to set-off current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, and they intend to settle current income tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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 "Prepaid expenses and other current assets" or "Accrued expenses and other payables" accounts, respectively, in the separate statements of financial position and are carried at cost.

Provisions and Contingencies

Provisions

A provision is a liability of uncertain timing or amount. It is recognized when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent liabilities are not recognized in the separate financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events up to the separate financial statements are authorized for issuance by the Board that provide additional information about the Company's unconsolidated financial position as at the reporting date (adjusting events) are recognized in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Cash

The Company's cash comprises cash in bank amounting to P37,973,737 and P856,144,081 as at December 31, 2019 and 2018, respectively.

Cash in banks earns annual interest at the prevailing bank deposit rates (see Note 14).

The Company's exposures to credit and foreign currency risks related to cash are disclosed in Note 16 to the separate financial statements.

5. Related Party Transactions

Related party relationship exists when the other party (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party relationship is deemed to exist when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and/or operating decisions. Another criteria recognizes a related party relationship, whether or not the ability to control exists, if any of the following conditions applies to an entity: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others, (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member), (iii) both entities are joint ventures of the same third party, (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity, or (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).

As at December 31, 2019 and 2018, balances of due from/to related parties are detailed as follows:

Receivables - current	**2019**	2018
Parent:		
CASEC[4]	**P614,191**	P -
Subsidiaries:		
APO Cement Corporation (APO)[5]	**24,584,517**	15,627,598
Solid Cement Corporation (Solid)[6]	**11,690,847**	36,322,756
Ecocrete, Inc. (Ecocrete)[4]	**48,197**	48,197
Other related parties[9]:		
CEMEX Operaciones México, S.A. de C.V. [7]	**1,363,226**	-
CEMEX Central, S.A. de C.V. (CEMEX Central)[7]	**-**	2,624,880
CEMEX Asia Pte., Ltd. Philippine Headquarters (CAPL-PHQ)[4]	**-**	78,730
	P38,300,978	P54,702,161

Payables - current	**2019**	2018
Subsidiaries:		
CEMEX Asia Research AG (CAR)[2]	**P4,471,950,684**	P3,741,492,379
Falcon Re Ltd. (Falcon)[1]	**1,573,723,051**	852,967,046
Solid[3]	**168,281**	424,158
Apo[4]	**2,514**	-
Ecocast Builders, Inc. (Ecocast)[4]	**-**	1,279,955
Other related parties[9]		
CAPL-PHQ[8]	**47,431**	39,445,036
New Sunward Holding B.V. (NSH)[4]	**-**	109,978
	P6,045,891,961	P4,635,718,552

[1]The balance pertains to the deposit agreement between Falcon and the Company, in which Falcon (depositor), upon giving notice, may withdraw the funds. The Company should reimburse any outstanding balance not later than August 2021. The deposits bear interest calculated daily at a rate equal to Western Asset Institutional Liquid Reserve Fund (WAILRF) minus 10 basis points (see Note 16).

[2]The balance pertains to the deposit agreement between CAR and the Company, in which CAR (depositor), upon giving notice, may withdraw the funds. The Company should reimburse any outstanding balance not later than August 2021. The deposits bear interest rate at 2.5% per annum, which increased to 3% per annum starting March 2018.

[3]The balance includes a) cash advances amounting P100,168 as at December 31 2018, respectively; b) reimbursable expenses amounting to P323,990 as at December 31, 2018, which is unsecured, noninterest-bearing, and payable on demand; and c) payable balance of P168,281 as at December 31, 2019 due to the net pension transferred to Solid which is unsecured, noninterest-bearing and due on demand.

[4]Amount pertains to reimbursable expenses which are unimpaired, unsecured, noninterest-bearing and payable on demand.

[5]The balance includes a) advisory services amounting P23,435,408 and P15,520,449 as at December 31, 2019 and 2018, respectively, which have a 60-day term, unimpaired, noninterest-bearing and unsecured. The term of the agreement is two (2) years subject to renewal by mutual agreement of the parties; b) receivable amounting P1,149,109 as at December 31, 2019 due to pension transferred from Apo which is unsecured, noninterest-bearing, unimpaired and due on demand; and c) reimbursable expenses amounting to P107,149 as at December 31, 2018 which is unimpaired, unsecured, noninterest-bearing and payable on demand.

[6]The balance includes a) advisory services amounting to P11,257,033 and P10,862,323 as at December 31, 2019 and 2018, respectively, which have a 60-day term, unimpaired, noninterest-bearing and unsecured. The term of the agreement is two (2) years subject to renewal by mutual agreement of the parties; b) reimbursable expense amounting to P433,814 as at December 31, 2019, which is unimpaired, noninterest-bearing and unsecured; and c) receivable amounting to P25,460,433 as at December 31, 2018 due to pension transferred to Solid which is unsecured, noninterest-bearing, unimpaired and due on demand.

[7]The balance pertains to fringe benefit tax paid by the Company in relation to the share-based compensation that was claimed as reimbursable expense from CEMEX Central, which is unsecured, noninterest-bearing, unimpaired and due on demand. Effective August 1, 2019, CEMEX Central has merged into CEMEX Operaciones Mexico, S.A. de C.V.

[8]The balance includes a) reimbursable expenses amounting to P47,431 as at December 31, 2019, which is unsecured, noninterest-bearing and payable due on demand expenses; and b) P39,445,036 as at December 31, 2018 pertains to overpayment of pension transferred from CAPL-PHQ which is unsecured, noninterest-bearing, unimpaired and due on demand.

[9] Other related parties pertain to entities under common control of CEMEX.

The reconciliation of opening and closing balances of due to related parties that arise from financing activities follows:

	2019	2018
Balance as at January 1	**P4,594,559,592**	P4,775,374,631
Proceeds from drawdowns	**2,458,256,289**	1,213,671,127
Interest expense	**180,585,690**	138,163,748
Effect of exchange rate changes	**(235,834,690)**	251,816,495
Cash advance from Solid	**-**	13,376
Payment of:		
Principal	**(924,759,059)**	(1,767,688,300)
Interest	**(20,902,343)**	(16,891,652)
Others	**(6,231,744)**	-
Balance as at December 31	**P6,045,673,735**	P4,594,459,425

In 2019, Falcon and CAR approved and declared dividends amounting to P611.6 million (US$12.0 million) and P253.7 million (US$5.0 million), respectively, P606.2 million (US$12.0 million) and P208.6 million (US$4.5 million), respectively, of which was paid and settled as a distribution in kind by means of compensation against Falcon's and CAR's account receivable under deposit agreement with the Company dated as of August 24, 2016. This is the Company's non-cash transaction in 2019.

In 2018, Falcon and CAR approved and declared dividends amounting to P1.6 billion (US$30.0 million) and P330.7 million (US$6.30 million), respectively, P1.2 billion (US$23.0 million) and P297.6 million (US$5.7 million), respectively, of which was paid and settled as a distribution in kind by means of compensation against Falcon's and CAR's account receivable under deposit agreement with the Company dated as of August 24, 2016. This is the Company's non-cash transaction in 2018.

The main transactions entered by the Company with related parties for the years ended December 31, 2019 and 2018 are shown below:

Proceeds from Deposits	2019	2018
Subsidiaries:		
Falcon	**P1,346,145,468**	P -
CAR	**1,112,110,821**	1,213,671,127
	P2,458,256,289	P1,213,671,127

Dividend Income Received	2019	2018
Subsidiaries:		
Falcon	**P611,640,000**	P1,568,700,000
CAR	**253,700,000**	330,687,000
	P865,340,000	P1,899,387,000

Service Fees	2019	2018
Subsidiaries:		
APO	**P321,566,173**	P262,478,958
Solid	**155,929,620**	138,948,364
	P477,495,793	P401,427,322

Interest Expense	2019	2018
Subsidiaries:		
CAR	**P144,898,502**	P107,410,990
Falcon	**35,687,188**	30,752,758
	P180,585,690	P138,163,748

Reimbursable Expenses	2019	2018
Parent:		
CASEC	**P5,169,803**	P -
Subsidiaries:		
Solid	**2,529,667**	4,281,177
APO	**458,932**	107,149
Other related parties:		
CEMEX Central	**-**	2,624,880
NSH	**-**	109,978
	P8,158,402	P7,123,184

Advances	2019	2018
Solid	**P -**	P13,376

Transaction with Key Management Personnel	2019	2018
Short-term employee benefits	**P160,265,299**	P198,164,541
Long-term employee benefits	**94,337,274**	40,065,747
Share-based compensation	**10,719,101**	16,894,107

Retirement Liability Transferred from (Receivable Transferred to) Related Parties	**2019**	2018
APO	**P1,149,109**	P19,925,171
Solid	**(168,280)**	104,368,129
CAPL-PHQ	**-**	64,585,494
	P980,829	P188,878,794

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 or purchased 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 186,256 and 512,768 CPOs in 2019 and 2018, respectively, that were subscribed and pending for payment in the ultimate parent company's treasury. For the years ended December 31, 2019 and 2018, there are approximately nil and 181,223 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, 2019 and 2018 for approximately P10,719,101 and P16,894,107 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 share-based compensation reserve. The weighted average fair value, which pertains to the market price of CPOs granted, is 11.85 and 13.61 Mexican Pesos in 2019 and 2018, respectively. As at December 31, 2019 and 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).

Terms and Conditions of Transactions with Related Parties
Outstanding balances as at period-end are unsecured and are expected to be settled in cash. There is no impairment on any related party receivables. There are also no guarantees provided for any related party payables.

The Company's exposures to credit risk, foreign currency risk, interest rate risk and liquidity risk related to the outstanding related party balances are disclosed in Note 16 to the separate financial statements.

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 2019 and 2018.

There are also no other transactions entered into by the Company with the plan for the year. As at December 31, 2019 and 2018, the fund's unfunded status amounted to P189,860,418 and P157,284,083. The retirement plan consists of unit investment trust fund, mutual funds, debt instruments and others (cash, government securities, foreign currency deposits, US treasury bills, receivables and others), which accounted for 28%, 3%, 3%, and 66%, respectively, of the plan assets in 2019 and 34%, 3%, 15%, and 48%, respectively, of the plan assets in 2018 (see Note 10).

6. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Deferred share issuance costs	**P95,104,607**	P -
Transportation allowance	**14,522,132**	12,655,883
Prepaid rent	**9,572,554**	8,741,786
Prepaid taxes	**5,060,828**	42,247,303
Prepaid insurance	**212,650**	93,080
Others	**2,525,514**	111,146
	P126,998,285	P63,849,198

Deferred issuance costs refer to the expenses incurred in relation to the Company's planned stock rights offering. These expenses will be charged against the proceeds once the transaction is completed (see Note 11).

Prepaid rent pertains mostly to advance payments for the rental of residential property for the use of its employees. Prepaid taxes include Input VAT and creditable withholdings taxes.

The noncurrent portion of transportation allowance amounting to P34,931,530 and P25,486,904 as at December 31, 2019 and 2018 is recognized as "Other noncurrent asset" account in the separate statements of financial position.

7. Investments in Shares of Stock

The details of investments in share of stock of subsidiaries, which were incorporated under Philippine Laws, are as follows:

	Effective Percentage of Ownership	**2019**	Effective Percentage of Ownership	2018
Subsidiaries				
Triple Dime Holdings, Inc. (Triple Dime)	**100%**	**P17,898,216,400**	100%	P17,898,216,400
APO	**100%**	**12,409,217,267**	100%	12,409,217,267
Sandstone Strategic Holdings, Inc. (Sandstone)	**100%**	**8,715,027,617**	100%	8,715,027,617
Solid	**100%**	**6,316,382,707**	100%	6,316,382,707
Edgewater Ventures Corporation (Edgewater)	**100%**	**1,726,783,116**	100%	1,726,783,116
Bedrock Holdings Corporation (Bedrock)	**100%**	**759,519,600**	100%	759,519,600
Falcon	**100%**	**140,380,200**	100%	140,380,200
CAR	**100%**	**4,728,000**	100%	4,728,000
		47,970,254,907		47,970,254,907
Others		**923,928**		923,928
		P47,971,178,835		P47,971,178,835

The Company holds APO directly (40%) and indirectly (60%), through Edgewater and Triple Dime, and holds Solid directly (40%) and indirectly (60%), through Bedrock and Sandstone.

The movements in investments in shares of stock are as follows:

	2019	2018
Balance at beginning of year	**P47,971,178,835**	P47,970,388,835
Additions during the year	**-**	790,000
Balance at end of year	**P47,971,178,835**	P47,971,178,835

Following are the information relating to the Company's subsidiaries:

- Triple Dime

  Triple Dime was incorporated as a stock corporation in May 1998 under Philippine laws primarily to invest in real or personal property. Triple Dime's principal office address is located at 34^{th} Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- APO

  APO, a subsidiary of Triple Dime, was incorporated as a stock corporation under Philippine laws in December 1961, primarily to engage in the production and marketing of cement. APO is also registered to engage in the generation, supply or sale of power from its own power plant. APO's principal office is in APO Cement Plant Compound, Tina-an, Naga City, Cebu, which is also the location of its production plant.

- Sandstone

  Sandstone was incorporated as a stock corporation in November 1998 under Philippine laws primarily to invest in real or personal property. Sandstone's principal office address is located at 34^{th} Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Solid

  Solid was incorporated as a stock corporation in September 1987 under Philippine laws primarily to engage in the manufacturing, developing, processing, exploiting, purchasing and selling of cement and/or other products derived therefrom. Its production plant is located in Antipolo City, Rizal and its principal office is located at 34^{th} Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Edgewater

  Edgewater was incorporated and registered with the SEC as a stock corporation in April 1998 with a corporate life of fifty (50) years, primarily to invest in real or personal property. Edgewater's principal office address is located at 34^{th} Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Bedrock

  Bedrock was incorporated as a stock corporation in October 1998 under Philippine laws primarily to invest in real or personal property. Bedrock's principal office address is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Falcon

  Falcon is registered under the Companies of Barbados 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 third party insurers of operating subsidiaries of the Company covering property, non-damage business interruption, political risk insurance, professional liability program and cyber risks.

- CAR

  CAR was incorporated as a stock corporation in December 2015 under Switzerland laws, primarily to engage in the ownership, licensing, utilization, management, development, administration, maintenance and protection of intellectual and industrial property rights and of assets derived therefrom for the Asian market. CAR's principal place of business is located at Brügg BE, Switzerland.

Below is the summarized financial information pertaining to the Company's investments in subsidiaries as at and for the years ended December 31, 2019 and 2018:

December 31, 2019	**Current Assets**	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Revenue**	**Profit (Loss)**	**Total Comprehensive Income (Loss)**
			(In Thousands of Peso)				
Triple Dime	**P51,136**	**P7,293,300**	**P112**	**P10**	**P -**	**P504**	**P504**
APO	**4,361,143**	**13,049,248**	**6,298,357**	**1,480,120**	**16,334,914**	**254,029**	**209,157**
Sandstone	**122**	**3,984,204**	**110,054**	**65**	**-**	**(104)**	**(104)**
Solid	**2,176,140**	**9,725,326**	**3,183,526**	**6,601,508**	**7,926,232**	**207,804**	**165,197**
Edgewater	**56,654**	**1,419,429**	**113**	**1,594**	**-**	**(716)**	**(716)**
Bedrock	**114,484**	**56,283**	**1,918**	**1**	**-**	**(102)**	**(102)**
Falcon	**2,152,150**	**-**	**442,415**	**-**	**1,064,829**	**1,096,761**	**1,096,761**
CAR	**5,075,577**	**-**	**429,781**	**-**	**1,766,353**	**723,848**	**723,848**

December 31, 2018	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Profit (Loss)	Total Comprehensive Income (Loss)
			(In Thousands of Peso)				
Triple Dime	P50,627	P7,293,300	P104	P13	P -	P196	P196
APO*	4,842,211	13,155,649	6,865,167	1,711,118	15,855,663	(1,257,014)	(1,222,539)
Sandstone	129	3,984,204	109,957	65	-	(51)	(51)
Solid*	1,829,038	6,784,083	3,368,240	3,294,240	8,393,504	(512,428)	(444,984)
Edgewater	57,695	1,419,429	130	1,901	-	2,918	2,918
Bedrock	114,579	56,283	1,911	1	-	(50)	(50)
Falcon	1,787,679	-	499,539	-	1,054,824	1,027,770	1,027,770
CAR	4,372,169	-	17,070	-	2,728,338	1,432,676	1,432,676

**As restated due to adoption of PFRS 16, Leases.*

8. Accrued Expenses and Other Payables

This account consists of:

	Note	**2019**	2018
Accrued interest on bank loan	*9*	**P94,999,915**	P132,906,955
Salaries and wages and other employee benefits		**82,444,915**	45,733,812
Taxes payable		**24,878,968**	22,793,427
Accrued professional fees		**2,151,361**	1,978,254
Others		**2,511,091**	9,717,952
		P206,986,250	P213,130,400

The Company's exposure to liquidity risk arising from accrued expenses and other payables is disclosed in Note 16 to the separate financial statements.

9. Long-term Bank Loan

On February 1, 2017, the Company signed a Senior Unsecured Peso Term Loan Facility Agreement (Facility Agreement) with Banco de Oro - Unibank (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 P14,012,280,999. Short-term portion of the bank loan amounted to P140,122,810 as of December 31, 2019 and 2018.

The reconciliation of opening and closing balances of debt issuance cost deducted from total loan liability as at December 31, 2019 and 2018:

	2019	2018
Unamortized debt issue cost	**P180,684,676**	P180,684,676
Amortization of debt issue cost:		
Beginning balance	**42,469,709**	14,093,508
Amortization during the year	**25,963,913**	28,376,201
Others	**6,231,744**	-
Ending balance	**74,665,366**	42,469,709
Unamortized balance as at December 31	**P106,019,310**	P138,214,967

Interest expense incurred in 2019 and 2018, excluding amortized direct cost, amounted to P774,868,783 and P719,174,331, respectively, which is recognized as part of "Financial expenses" under "Other Income (Charges)" account in the separate statements of comprehensive income (loss).

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually.

On December 8, 2017, the Company entered into a Supplemental Agreement to the Facilities 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 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 Company entered into another Supplemental Agreement to the Facilities Agreement that provides an option, only for certain potential events of default under the Facility Agreement, for the 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 Company, to pay all amounts outstanding under the Facility Agreement before they become due and payable prior to their maturity in certain events. The Supplemental Agreement required the Company to maintain a debt service reserve account amounting to P375 million and P506 million as at December 31, 2019 and 2018, respectively. The said cash is restricted from the Company's use in its operation.

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 of December 31, 2019 and 2018, the Company is in compliance with the applicable restrictions and covenants of the Facility Agreement.

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

	Bank Loan	Accrued Interest	Total
Balance as at January 1, 2018	P13,740,597,723	P98,078,588	P13,838,676,311
Interest expense	28,376,201	719,174,331	747,550,532
Payment of:			
Principal	(140,122,810)	-	(140,122,810)
Interest	-	(684,345,964)	(684,345,964)
Balance as at December 31, 2018	13,628,851,114	132,906,955	13,761,758,069
Interest expense	25,963,913	774,868,783	800,832,696
Payment of:			
Principal	(2,340,122,810)	-	(2,340,122,810)
Interest	-	(812,775,823)	(812,775,823)
Others	6,231,744	-	6,231,744
Balance as at December 31, 2019	**P11,320,923,961**	**P94,999,915**	**P11,415,923,876**

Accrued interest from this bank loan amounting to P94,999,915 and P132,906,955 as at December 31, 2019 and 2018, respectively, are recognized under "Accrued expenses and other payables" account in the separate statements of financial position.

10. 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, 2019. 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
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 & below 26	119% of the plan salary for every year of credited service
26 & above	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 & below 26	130% of the plan salary for every year of credited service
26 & above	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, subject to the consent of 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 less than 16	79% of the plan salary for every year of credited service
16 to less than 21	99% of the plan salary for every year of credited service
21 to less than 26	119% of the plan salary for every year of credited service
26 and above	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.

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 December 31:

		Present Value of Defined Benefit Obligation		**Fair Value of Plan Assets**		**Retirement Benefit Liability**	
	Note	**2019**	2018	**2019**	2018	**2019**	2018
				In Thousands of Peso			
Balance at January 1		**P174,077**	P -	**(P16,793)**	P -	**P157,284**	P -
Included in profit or loss							
Service costs:							
Current service cost		**11,391**	14,466	**-**	-	**11,391**	14,466
Interest cost, net		**12,672**	12,910	**(443)**	(378)	**12,229**	12,532
		24,063	27,376	**(443)**	(378)	**23,620**	26,998
Included in OCI							
Actuarial loss (gain) from:							
Change in financial assumptions		**39,588**	-	**-**	-	**39,588**	-
Experience adjustments		**(7,134)**	(41,707)	**-**	-	**(7,134)**	(41,707)
Return on plan assets excluding interest income		**-**	-	**(893)**	440	**(893)**	440
		32,454	(41,707)	**(893)**	440	**31,561**	(41,267)
Others							
Benefits paid		**(23,586)**	(14,041)	**-**	-	**(23,586)**	(14,041)
Benefits to be paid		**-**	(3,285)	**-**	-	**-**	(3,285)
Net acquired (transferred) obligation	*13*	**2,694**	205,734	**(1,713)**	(16,855)	**981**	188,879
		(20,892)	188,408	**(1,713)**	(16,855)	**(22,605)**	171,553
Balance at December 31		**P209,702**	P174,077	**(P19,842)**	(P16,793)	**P189,860**	P157,284

The Company transferred and acquired employees from Solid and APO in 2019 and from Solid, Ecocrete and Ecocast in 2018. The transfers resulted in net acquired obligation of P980,829 and P188,878,794 in 2019 and 2018, respectively (see Note 5).

b) Plan Assets

As at December 31, plan assets consisted of the following:

	2019	2018
Deposits	**P10,806,839**	P4,855,927
Unit Investment Trust Fund (UITF):		
Equities	**3,447,488**	3,936,659
Money market	**122,038**	1,128,762
Fixed income	**1,998,891**	700,064
Government securities	**1,003,115**	79,517
Debt instruments	**648,847**	2,460,211
US sovereigns	**630,813**	2,200,411
Mutual funds	**623,900**	587,357
Exchange traded fund	**405,757**	-
Receivables	**-**	745,179
Others	**154,440**	98,832
	P19,842,128	P16,792,919

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 short-term time deposits, and government securities from the BSP and treasury notes with weighted average term to maturity that varies depending on market outlook.

Mutual funds, on the other hand, 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.

The Domestic Fixed Income portfolio of the account holds government securities and corporate bonds. The portfolio is benchmarked against BPI Government Bond Index.

Government securities, categorized under direct securities, are debt obligations from the Philippine government that are denominated in local currency. Such securities are risk free because of extremely low probability that the government will default in its own debt.

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. Local currency deposits and 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 AMTC is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTC, 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):

	2019	2018
Discount rate	**4.78%**	7.25%
Future salary growth	**6.00%**	6.00%

The following are the turnover rate assumption in 2019:

Age	**2019**
18 - 29	**10 to <12**
30 - 34	**8 to <10**
35 - 37	**7 to <8**
38 - 41	**5 to <7**
42 - 53	**4 to <5**
54 - 59	**1 to <4**

Mortality rates in 2019 are based on the “2017 Philippine Intercompany Mortality Table” from the Actuarial Society of the Philippines. Disability rate is based on “1952 Disability Study,” Period 2, Benefit 5.

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 by the amounts shown below:

	2019		2018	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(P9,067,591)**	**P9,693,937**	(P6,911,169)	P7,361,359
Future salary increase rate (0.5% movement)	**10,033,807**	**(9,471,189)**	8,036,218	(7,600,465)

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.

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	**P209,702,546**	**P714,545,893**	**P22,601,014**	**P34,706,548**	**P657,238,331**
2018	P174,077,001	P716,630,865	P21,371,925	P33,307,620	P661,951,320

As at December 31, 2019 and 2018, the weighted average duration in years of the defined benefit obligation is 14 years.

Based on the latest study, the Company does not expect to contribute to its retirement benefit plan in 2020, subject, however to changes on any relevant actuarial assumptions or imminent impact from actuarial risks.

d) Retirement Benefit Expense

Retirement benefit expense is recognized in the following line items in the separate statements of comprehensive income:

	Note	**2019**	2018
Cost of services	*13*	**P10,850,439**	P13,242,118
Operating expenses	*13*	**540,946**	1,223,494
Financial expense on retirement benefits		**12,228,972**	12,532,480
		P23,620,357	P26,998,092

11. Stockholder's Equity

As at December 31, 2019 and 2018, information on the Company's common stock is summarized as follows:

	Authorized			Issued and Outstanding		
(In Thousands of Peso)	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
Balance at December 31, 2018	5,195,395,454	P1	P5,195,395	5,195,395,454	P1	P5,195,395
Balance at December 31, 2019	**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 P37,600,000, only P9,400,000 was paid in 2015 while the remainder of P28,200,000 was paid in 2016. In 2016, the Parent Company's Board approved the amendment of and increase in the authorized capital stock of the Parent Company from P150,400,000 divided into 1,504,000 common shares with par value of P100 per share, to P5,195,395,454 divided into 5,195,395,454 common shares with par value of P1 per share.

On May 20, 2016, the SEC approved the 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 P2,819,867,500 of which was fully paid. During the IPO, which culminated in the listing of all of the outstanding shares of stock of the Company on July 18, 2016, the Company issued additional 2,337,927,954 shares at P1 par value per share or a total par value of P2,337,927,954 at the offer price of P10.75 per share (see Note 1).

The Board and stockholders of the Company approved on April 2, 2019 and October 16, 2019, respectively, the amendment of the Seventh Article of the Amended Articles of Incorporation of the Company, to reflect an increase in the Company's authorized capital stock ("ACS") from P5,195,395,454, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395,454, consisting of 18,310,395,454 common shares with a par value of P1 per share.

In connection with the proposed ACS increase, the Company's Board on September 3, 2019 approved the conduct a SRO of up to U$250 Million. The shares subject of the SRO will come from an increase in the Company's ACS.

On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to Company having obtained the SEC's approval of the increase in the company's authorized capital stock.

On January 6, 2020, the Company defined the final terms of the SRO which would involve 8,293,831,169 common shares which would be sourced from the increase in the Company's ACS, offered at an offer price of Php 1.54 per rights share during an offer period from January 20 to 24, 2020. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares. Post-SRO and in view of the approval from the SEC of the Company's application for increase of authorized capital stock, the total number of issued and outstanding shares of CHP is 13,489,226,623 common shares.

On February 27, 2020, the SEC approved the increase in the Company's capital stock from 5,195,395,454 shares at P1.0 par value to 18,310,395,454 at P1.0 par value.

12. Cost of Services

This account consists of:

	Note	**2019**	2018
Personnel cost	*13*	**P434,087,084**	P337,349,828
Travel expenses		**-**	14,737,393
Others		**-**	12,846,708
		P434,087,084	P364,933,929

Others include legal fees, insurance, representation and entertainment, utilities and other expenses which are individually immaterial.

13. Personnel Cost

Personnel cost consists of:

	Note	**2019**	2018
Salaries and allowances		**P424,076,993**	P348,178,360
Retirement benefit expense	*10*	**11,391,385**	14,465,612
		P435,468,378	P362,643,972

The amounts above are distributed as follows:

	Note	**2019**	2018
Cost of services	*12*	**P434,087,084**	P337,349,828
Operating expenses		**1,381,294**	25,294,144
		P435,468,378	P362,643,972

14. Other Expenses - Net

Net other expenses for the years ended December 31, 2019 and 2018 are detailed as follows:

	2019	2018
Bank charges	**P13,902,116**	P3,179,947
Reorganization expenses	**4,073,322**	23,008,264
Interest income from bank deposits	**(12,604,236)**	(9,114,894)
	P5,371,202	P17,073,317

Reorganization expenses consist of severance and other post-termination benefit costs resulting from the cost reduction efforts of the Company.

15. Income Taxes

Income tax expense for the years ended December 31, 2019 and 2018 are presented below:

	2019	2018
Current income tax	**P72,181,895**	P -
Origination and reversal of temporary differences and recognition of tax benefit from NOLCO	**34,921,700**	162,243,135
Write-down of previously recognized deferred income tax assets	**-**	198,365,234
	P107,103,595	P360,608,369

For the years ended December 31, 2019 and 2018, the income tax effects of the temporary differences that resulted in deferred income tax assets are presented below:

2019	**Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in OCI**	**Balance at December 31**
NOLCO	**P64,902,204**	**P3,325,521**	**P -**	**P68,227,725**
Accrued retirement benefit expense	**48,098,169**	**(974,814)**	**9,468,255**	**56,591,610**
MCIT	**-**	**18,813,196**	**-**	**18,813,196**
Unrealized foreign exchange loss (gain)	**56,237,916**	**(70,471,713)**	**-**	**(14,233,797)**
Unamortized documentary stamp tax	**(14,015,513)**	**3,765,566**	**-**	**(10,249,947)**
Other items	**10,773,748**	**10,620,544**	**-**	**21,394,292**
	P165,996,524	**(P34,921,700)**	**P9,468,255**	**P140,543,079**

2018	Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
NOLCO	P525,074,533	(P460,172,329)	P -	P64,902,204
Unrealized foreign exchange loss	30,301,013	25,936,903	-	56,237,916
Accrued retirement benefit expense	-	60,478,376	(12,380,207)	48,098,169
Provision for fringe benefit tax expense	379,613	(379,613)	-	-
Unamortized documentary stamp tax	(18,658,486)	4,642,973	-	(14,015,513)
Other items	1,888,427	8,885,321	-	10,773,748
	P538,985,100	(P360,608,369)	(P12,380,207)	P165,996,524

The amount of tax losses for which deferred income tax assets have not been recognized as at December 31, 2019 and 2018 amounted to P1,790,540,776 and P3,275,563,043, respectively, because the management assessed that it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom.

As at December 31, 2019, the Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	**Valid Until**	**Amount**	**Additions During the Year**	**Expired/Utilized During the Year**	**Ending Balance**
2019	December 31, 2022	P -	P241,060,746	P -	241,060,746
2017	December 31, 2020	1,776,905,780	-	-	1,776,905,780
2016	December 31, 2019	1,714,997,942	-	(1,714,997,942)	-
		P3,491,903,722	**P241,060,746**	**(P1,714,997,942)**	**P2,017,966,526**

As at December 31, 2019, the Company's MCIT credits that can be applied as tax credits against future RCIT liabilities, if any, are as follows:

Year Incurred	**Valid Until**	**Amount**	**Additions During the Period**	**Expired/Utilized During the Period**	**Ending Balance**
2019	December 31, 2022	**P -**	**18,813,196**	**P -**	**P18,813,196**

The reconciliation of the income tax expense computed at statutory income tax rate to the income tax expense shown in the separate statements of comprehensive income (loss) follows:

	2019	2018
Income before income tax	**P39,321,953**	P716,617,134
Expected tax at 30% for statutory rate	**P11,796,586**	P214,985,140
Additions to (reductions in) income tax resulting from the tax effects of:		
Changes in unrecognized deferred income tax assets	**68,992,703**	198,365,234
Foreign tax credits not claimable	**53,368,699**	
Nondeductible expenses	**5,258,260**	6,204,055
Deductible deferred share issuance costs	**(28,531,382)**	-
Interest income subjected to final tax	**(3,781,271)**	(2,734,468)
Deferred tax on transferred retirement benefit liability	**-**	(56,591,206)
Others	**-**	379,614
	P107,103,595	P360,608,369

16. Financial Risk and Capital Management Objectives and Policies

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 counterparty of a financial instrument does not meet its contractual obligations and originates mainly from cash in banks. The exposure to credit risk is monitored constantly according to the behavior of payment of the counterparty. The Company's management has established a policy which analyzes the creditworthiness of each counterparty.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

	Note	**2019**	2018
Cash	*4*	**P37,973,737**	P856,144,081
Due from related parties	*5*	**38,300,978**	54,702,161
Other current accounts receivable		**2,289,010**	6,624,504
Long-term time deposit	*9*	**375,470,146**	506,188,660
		P454,033,871	P1,423,659,406

The amounts above represent the gross carrying amount of these financial assets.

Other current accounts receivable consists of receivable from employees arising from personal loans and other miscellaneous receivables.

Impairment on cash and long-term time deposit 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 have low credit risk as these are held with reputable banks and financial institutions. All other debt investments 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.

All of the Company's financial assets as at December 31, 2019 and 2018 are neither past due nor impaired. The Company's exposure to credit risk arises from default of the counterparty. The Company's credit risk is concentrated on its long-term time deposit as at December 31, 2019 and on its cash in bank and long-term time deposit as at December 31, 2018. Cash in bank and long-term time deposit are of high grade quality as these are deposited in reputable banks. Due from related parties and other current accounts receivable are also of high grade quality. High grade quality financial assets are those assessed as having minimal credit risk.

The credit qualities of financial assets are determined as follows:

- Cash in bank and long-term time deposit are based on credit standing or rating of the counterparty.
- 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 assessment.

The management does not expect any counterpart to fail in meeting its obligations.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility in operations. The management of the Company ensures that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements. As necessary, cash advances are extended by related parties to ensure payments of currently maturing liabilities.

The following are the contractual maturities, including estimated interest payments, of financial liabilities:

	As at December 31, 2019				
	Carrying Amount	**Contractual Cash Flow**	**12 Months or Less**	**1 - 5 Years**	**Over 5 Years**
	(In Thousands of Peso)				
Trade payables	**P32,324**	**P32,324**	**P32,324**	**P -**	**P -**
Accrued expenses and other payables*	**182,107**	**182,107**	**182,107**	**-**	**-**
Long-term bank loan	**11,320,924**	**13,305,483**	**736,880**	**12,568,603**	**-**
Due to related parties	**6,045,892**	**6,232,316**	**6,232,316**	**-**	**-**
	P17,581,247	**P19,752,230**	**P7,183,627**	**P12,568,603**	**P -**

**Excludes government-related payables amounting to P24.88 million.*

	As at December 31, 2018				
	Carrying Amount	Contractual Cash Flow	12 Months or Less	1 - 5 Years	Over 5 Years
	(In Thousands of Peso)				
Trade payables	P4,332	P4,332	P4,332	P -	P -
Accrued expenses and other payables*	190,337	190,337	190,337	-	-
Long-term bank loan	13,628,851	16,878,087	860,926	16,017,161	-
Due to related parties	4,635,719	5,000,764	5,000,764	-	-
	P18,459,239	P22,073,520	P6,056,359	P16,017,161	P -

**Excludes government-related payables amounting to P22.79 million.*

The interest payments on floating rate bank loans and short-term deposit from Falcon reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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 income and expenses are generated and settled mainly in Philippine Peso. The Company had an exposure arising from the dollar-denominated financial obligations to its related parties. Unrealized foreign exchange gain (loss) in 2019 and 2018 amounted to P234,905,709 and (P86,456,344), respectively.

As at December 31, 2019 and 2018, a summary of the quantitative information of the exposure of the Company due to foreign currencies on the basis of its risk management policy is as follows:

in U.S. dollar	**2019**	2018
Cash	**$88,182**	$8,608,351
Due from related parties	**26,923**	49,920
Trade payables	**(201,901)**	(113)
Due to related parties	**(119,397,131)**	(87,382,370)
	($119,483,927)	($78,724,212)

The applicable foreign exchange rates are as follows:

	2019		2018	
Currency	**Closing**	**Average**	Closing	Average
U.S. dollar	**P50.64**	**P51.57**	P52.58	P52.69

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 income. The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar, with all other variables held constant, of the Company's income before income tax and equity as at December 31, 2019 and 2018:

USD	**Strengthening (Weakening) of Philippine Peso**	**Effect on Profit before Income Tax**	**Effect on Equity**
2019	**+3.7%**	**P223,874,644**	**P156,712,251**
	-3.7%	**(223,874,644)**	**(156,712,251)**
2018	+5.3%	219,383,910	153,568,737
	-5.3%	(219,383,910)	(153,568,737)

Interest Rate Risk
As at December 31, 2019 and 2018, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P6.0 billion and P8.2 billion, respectively, of the long-term bank loan with BDO (see Note 9) and from its deposits from Falcon with a rate equivalent to the higher of WAILRF rate minus 10 basis points as at December 31, 2019 and 2018 (see Note 5).

Sensitivity Analysis on Interest Rate Risk
As at December 31, 2019 and 2018, a hypothetic 1% increase in interest rate, with all other variables held constant, profit for the years ended December 31, 2019 and 2018 would have decreased by approximately P52,750,054 and P63,706,558, net of tax, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

Fair Values of Financial Asset and Financial Liabilities
The fair values of the Company's cash, due from related parties, other current accounts receivable, trade payables, accrued expenses and other payables and due to related parties as at December 31, 2019 and 2018 approximate their carrying amounts due to the short-term nature of the said financial instruments.

The fair value of the short-term deposit from Falcon which is based on the present value of future cash flows discounted at market rate of interest of similar instrument at the reporting date (discounted cash flows under level 2 of the fair value hierarchy), approximate its carrying amounts as at December 31, 2019 and 2018 as this financial instrument bears interest at rate which is approximately similar to market interest rate.

The following is the comparison of the carrying amount and fair value of the short-term deposit from CAR, a related party:

Deposit	***Note***	**2019**	2018
Carrying amount	*5*	**P4,471,950,684**	P3,741,492,379
Fair value		**4,711,585,260**	3,412,672,756

The fair value of the short-term deposit 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.

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	***Note***	**2019**	2018
Carrying amount	*9*	**P11,320,923,961**	P13,628,851,114
Fair value		**12,888,098,669**	14,089,867,995

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.

As at December 31, 2019 and 2018, the Company has no other financial instruments measured at levels 1, 2 and 3 of the fair value hierarchy.

Capital Management

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

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

The Company is not subject to externally imposed capital requirements. The Company's net debt to equity ratio as at December 31, 2019 and 2018 are as follow:

	2019	2018
Total liabilities	**P17,795,986,464**	P18,639,316,594
Less cash	**37,973,737**	856,144,081
Net debt	**P17,758,012,727**	P17,783,172,513
Total equity	**P30,931,699,136**	P31,010,854,273
Net debt to equity ratio at December 31	**P0.57:1**	P0.57:1

17. 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 which is a majority shareholder of the Parent Company, owns a minority 40% stake in Impact Assets Corporation.

On November 19, 2018, the 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". 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 P500 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 and the Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund.

As at December 31, 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 8000 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. This September 30, 2019 Order is not yet final and may still be appealed further by the parties. A Motion for Reconsideration was filed by plaintiffs which has yet to be heard by the court.

As of the date of this report, 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 and adverse result in this lawsuit and in turn, the Company cannot 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.

18. Subsequent Events in Relation to the Impact of COVID-19

On March 11, 2020, the World Health Organization declared a pandemic the outbreak of the novel spread of the Coronavirus COVID-19 (the "COVID-19 Pandemic"), due to its rapid spread throughout the world, having affected as of such date more than 150 countries. In response to that, on March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to the COVID-19 Pandemic which resulted in the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020 until April 12, 2020. The President announced several social distancing measures which were implemented including extension of suspension of classes in all levels in Metro Manila until April 12, 2020, prohibition of mass gatherings or events, imposition of community quarantine measures as necessary, restriction of mass public transport system (MRT, LRT, etc.), and most importantly, suspension of land, domestic air and domestic sea travel to and from the Metro Manila beginning March 15 until April 14, 2020. On April 7, 2020, the President of the Philippines approved the Inter-Agency Task Force Resolution No. 20 which extended the ECQ until April 30, 2020.

Considering the implementation of ECQ in Luzon, the Company's subsidiary, Solid, has temporarily suspended the delivery of all cement products to its customers in Luzon starting March 17, 2020. It has also announced on March 19, 2020 that it started the process that will lead to the temporary stoppage of the production at Solid's plant operations located in Antipolo City. On the other hand, beginning March 20, 2020 the operations of its another subsidiary, APO, continued but with skeletal workforce arrangement.

The various measures imposed to date by the Government and those that will be additionally implemented as a result of the COVID-19 Pandemic have and may further adversely affect the Company's workforce and operations and the operations of the Company's main operating subsidiaries which are also its main customers and may negatively impact the Company's financial condition, results of operations and cash flows. The Company faces significant uncertainties arising from the impacts of the COVID-19 pandemic that may include restrictions on access to the Company's workforce, or similar limitations for the Company's customers and suppliers, any of which could have a material adverse effect on the Company's financial condition and results of operations. The degree to which COVID-19 affects the Company's financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. As of the date of this report, the Company is not able to make reliable estimates of the impact of COVID-19 due to inadequacy of data and, therefore, the Company is not able to quantify them.

Even prior to the imposition of ECQ, the Company implemented, and has continued to implement, strict hygiene protocols in its operations, so as to protect the health and safety of its employees and their families, customers and suppliers; and drastically reduce the possibility of contagion of COVID-19. The Company is undertaking and continues to explore temporary measures to address the adverse impact of COVID-19 on its workforce, its operations and the operation of its significant operating subsidiaries with the objective of re-aligning the organization's resources with the evolving conditions in the different markets in which the Company operates. These immediate measures include (but are not limited to) the reduction of plant production and inventory levels of Solid and APO, the suspension, deferment or reduction in their capital expenditures and budgeted operating expenses (including sales and administration expenses) and the implementation of changes in work-deployment schedules. During the following months, the Company plans to focus its efforts on managing the impact of the COVID-19 pandemic on Solid and APO's production, commercial, and financial activities. It will continue to carefully monitor this overall situation and expects to take additional steps, as could be required.

The Company considers that, as the implementation of ECQ or the duration of the COVID-19 situation may extend, the potential risk factors that could result in significant and material impact to the Company and its main operating subsidiaries are, among others: (i) increases in estimated credit losses on trade accounts receivable; (ii) impairment of long-lived assets; (iii) further disruption in supply chains; and (iv) liquidity issues affecting the Company's ability to meet short-term obligations. At the date of issuance of the annual accounts, it is not possible to make a reliable estimate of the potential adverse effects arising from the COVID-19 Pandemic due to the uncertainty associated to the duration and consequences in the different markets in which the Company operates. Nonetheless, as events evolve during the year 2020 and there will be increased visibility to measure such effects, the Company will evaluate and recognize the possible adverse effects in its financial condition, results of operations and cash flows.

The Company considers the events surrounding COVID-19 as non-adjusting subsequent events which do not impact its financial position and performance as of and for the year ended December 31, 2019. Furthermore, given the measures implemented by the Company to lower down costs and expenditures and the financial condition of the Company's related party that would be providing the Company with financial support, the Company will have sufficient liquidity to continue to meet its obligations as they fall due. Hence, the Company assessed that the current and expected impact of these events will not cast any significant doubt on the Company's ability to continue as a going concern.

19. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRSs. Following are the tax information/disclosures required for the taxable year ended December 31, 2019:

A. VAT

		Amount
1.	Output VAT	**P56,156,220**
	Basis of the Output VAT:	
	Vatable sales	**P467,968,503**
2.	Input VAT	
	Balance from previous period	**P -**
	Current year's domestic purchases:	
	a. Goods for resale/manufacture or further processing/other than for resale or manufacture	**8,547**
	b. Services lodged under cost of goods sold/under other accounts	**6,456,670**
	c. Services rendered by non-residents	**468,466**
	Total allowable input VAT	**6,933,683**
	VAT payments for the year	**49,691,003**
	Balance at the end of the year, net of Output VAT	**P468,466**

B. Documentary Stamp Tax

	Amount
On loans	**P16,259,839**
On lease agreements	**9,936**
	P16,269,775

C. Withholding Taxes

	Amount
Tax on compensation and other benefits	**P103,425,731**
Final withholding taxes	**21,920,674**
Creditable withholding taxes	**18,769,253**
	P144,115,658

D. Percentage Taxes

	Amount
VAT withholding from non-residents	**P468,466**

E. All Other Taxes (Local and National)

	Amount
Other taxes paid during the year shown under "Taxes and licenses" in the Separate Statement of Comprehensive Income	
License and permit fees	**P4,493,423**

F. Tax Assessments and Cases

As at December 31, 2019, the Company is the subject of two separate tax investigations being conducted by the BIR: one covering VAT for the period January 1, 2018 to June 30, 2018 and the other covering all other national internal revenue taxes for the taxable year 2018. As at April 2, 2020, the BIR has not yet issued any preliminary audit findings or issues in connection with these investigations.

Information on amounts of custom duties, tariff fees, and excise taxes is not applicable since the Company has no transaction in 2019 that could be subjected to these taxes.