

# COVER SHEET

**CS201518815**

S.E.C. Registration Number

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( Business Address : No. Street City / Town / Province )

**JANNETTE VIRATA SEVILLA**

Contact Person

**849-3600**

Company Telephone Number

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Month

3	1
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Day

Fiscal Year

Form 17-A (Annual Report) For the Year Ended December 31, 2017

FORM TYPE

0	6
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Month

0	6
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Day

First Wednesday of June

Annual Meeting

Issuer of Securities under SEC MSRD Order No. 9 series of 2016

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the year ended **December 31, 2017**
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. **34<sup>th</sup> Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City 1200**  
Address of principal office Postal Code
8. **+632-849-3600**  
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

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

Yes  No

**Stock Exchange:** Philippine Stock Exchange (Main Board)

**Securities Listed:** Common Shares

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes [  ] No [  ]

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

**₱8,556,816,318.96, based on 2,337,927,956 common shares held by non-affiliates of the registrant @ ₱3.66 per share (which is the closing market price at which the stock was sold on February 28, 2018)**

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 Transactions):**

**- Consolidated Financial Statements of the Company as at and for year ended December 31, 2017 and December 31, 2016**

## 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 with a corporate life of fifty (50) years, primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that 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. The shares of CEMEX are listed on the Mexican Stock Exchange under the symbol “CEMEXCPO” and the New York Stock Exchange 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.;



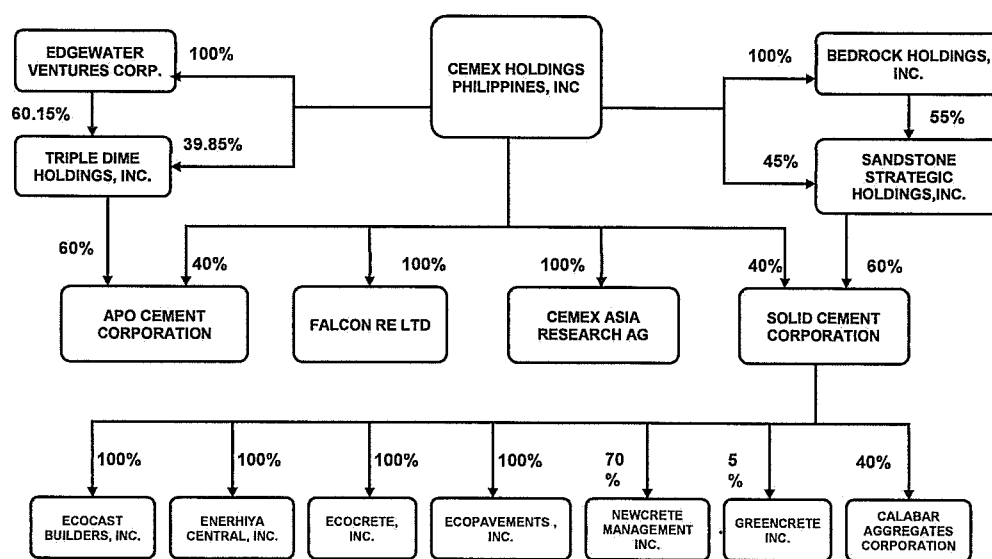
(f) 120,000 common shares of Bedrock Holdings, Inc. representing 100% of the outstanding capital stock of Bedrock Holdings, Inc. from CEMEX Asia Holdings, Ltd.; and

(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.

The following diagram provides a summary of the Company’s organizational and ownership structure as of December 31, 2017:



**(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.

- **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.

- **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's property, non-damage business interruption and political risks insurance.

- **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 2017.

**(2) General Business Description**

The Company has two cement plants with aggregate installed annual capacity<sup>1</sup> of 5.7 million tonnes of cement as of December 31, 2017. 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. 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. The Company plans to relocate its admixtures operations to the respective cement plant premises of APO Cement and Solid Cement.

In 2017, the Company sold gray ordinary Portland cement, masonry or mortar cement, blended cement and ready-mix concrete. 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 Northern Mindanao.

**(i) Products**

***Principal Product – Cement***

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 84.50% of consolidated net sales for 2017 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.

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<sup>1</sup> cement grinding capacity

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 07:2005 ASTM C150:2009
	Island Portland Cement	General-purpose Portland cement made for high performance applications. Achieves higher compressive strength in less time compared to other Portland cement.	PNS 07:2005 ASTM C150:2009
Masonry or mortar	Rizal Masonry Cement	Type M masonry cements. Minimizes the carbon footprint of regular Portland cement by up to 32% and allows better moisture retention and adhesion strength.	PNS ASTM C91:2005
	APO Masonry Cement		
	Palitada King Masonry	Type S masonry cement. Superior properties for use in masonry applications, as it's less prone to rapid dehydration during dry, hot, or windy days. Minimizes shrinkage and stresses that lead to cracking.	PNS ASTM C91:2005
Blended	Rizal Portland Super	All-purpose Type 1P cement formulated with natural minerals that add beneficial properties, such as increased strength and durability over time. Used for general	PNS 63:2006 ASTM C595:2009
	APO Portland Premium	construction applications where structures are exposed to moderate sulfate environments.	PNS 63:2006 ASTM C595:2009

### **Others**

The Company sold ready-mix concrete and admixtures to third parties in 2017. The Company also occasionally provided pavement and housing solutions to its customers. These transactions accounted to not more than 1% of the total consolidated net sales of the Company for the year.

### **(ii) Export Revenue**

The export revenue for cement as of December 31, 2017 amounted to approximately P84.8 million which is 0.3% of total revenue of the Company for the fiscal year. The cement was exported to the Pacific Islands.

### **(iii) Distribution Methods**

The Company's distribution infrastructure includes, as of December 31, 2017, five marine distribution terminals and 20 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, 2017, the Company leased 983 trucks for the distribution of bag and bulk cement, chartered 66 marine vessels for the waterborne distribution of bag cement in the Philippines, and contracted six marine vessels to augment the Company's fleet of two owned 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, 2017, 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. and Eagle Cement Corporation. 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 11% of the Company's consolidated costs of sales and services for fiscal year 2016 and 12% of the Company's consolidated costs of sales and services for fiscal year 2017.

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). The cost of electricity purchased from the grid are among the highest in Asia. Electricity cost and availability are impacted by limited numbers of suppliers, a complex regulatory framework, low grid reliability, the geography of the Philippines and the climate and weather conditions in the Philippines, which regularly impacts power supply.

The power generation plant at APO Cement plant is capable of producing up to approximately 66 megawatts, and APO Cement plant when running at full utilization requires approximately 48 megawatts of power. The power generation plant at Solid Cement plant is capable of producing up to approximately 15 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 produces up to approximately 5.5 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 2017, each of APO Cement and Solid Cement plants purchased grid electricity for its respective power needs from San Miguel Electric Corporation, depending on the cost of grid electricity compared with electricity produced from its power generation plants.

The Company primarily uses coal to fire its kilns and, to a lesser degree, alternative fuels, including rubber tires, waste plastic, rice husks, among others. The Company currently obtains all of its imported coal from Transenergy, Inc., a CEMEX subsidiary that sources coal, petroleum coke and other products on a CEMEX group-wide basis with a view to obtaining favorable pricing. The Company hedged a majority of its exposure to the spot price of coal in 2017.

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 rubber tires, waste plastic, rice husks and other alternative fuels. In 2017, the usage of refuse-derived fuel at Solid Cement plant amounted to approximately 14.9% 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. The Company hedged a majority of its exposure to the spot price of heavy fuel in 2017.

**(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 Item 12, Part III of this SEC Form 17-A (Annual Report) and Note 13 - Balances and Transactions with Related Parties to the Consolidated Financial Statements as of and for the year ended December 31, 2017 in the accompanying Audited Financial Statements filed as part of this Form 17-A.

**(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 member subsidiaries, as well as the protection and enforcement thereof, are managed centrally by the CEMEX head office in Mexico with the assistance of the local operating companies. 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). 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.

The Company owns several trademarks which include “Semento Filipino” and “Sakto Construction Compound”.

**(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 efforts, led by CRG based in Switzerland, help the Company to anticipate and understand society’s trends in order to create innovative, sustainable construction solutions intended to satisfy customers’ current and future needs, 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 exchange for the intangible assets and tools made available to the Company pursuant to these license agreements, the Company incurred royalty fees payable to CRG for the fiscal year 2017 amounting to ₱797.3 million, which accounted for 3.66% of the Company’s consolidated net sales. On the other hand, 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 2017, the Company allocated approximately ₱16.2 million for projects implemented pursuant to the Social Development and Management Program.

**(xiv) Employees**

As at December 31, 2017, the Company employed a total of 661 full-time employees. A breakdown of the employees is shown below:

Area	Number of Employees
Corporate and Administration	111
Cement Business (commercial sales & administration, cement operations & technology, and logistics)	507
Other Businesses	43

The Company does not currently anticipate any significant increase or decrease in the number of its employees over the next twelve months.

For non-managerial employees of Solid Cement plant and APO Cement plant, labor conditions, including wages and benefits, are governed by collective bargaining agreements negotiated at the plant level. These employees are represented by labor unions. 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 Solid Cement plant agreement with the supervisors' union which expired on December 31, 2017 was renewed for another five years, while the rank and file union agreement at Solid Cement plant expired on February 28, 2018 and is currently in the process of negotiations. The agreement with the APO Cement plant unions will expire on December 31, 2021. There has been no strike affecting Solid Cement plant or APO Cement plant during the past fifteen 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. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or globally;
- scarcity of credit or other financing;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;
- 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;
- natural disasters, including 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.

***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.

***The Company is dependent on the continuing operation of the Company's two cement plants.***

The principal manufacturing facilities 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 and power interruptions.

***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.

***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 results of operations could be affected by fluctuations in interest rates***

The Company is currently 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.

***The planned expansion of the Company's Solid Cement plant currently under development may not be completed on schedule or within the allocated budget.***

The Company is in the pre-construction phase of the project, which involves securing regulatory approvals, detailed engineering, and procurement of equipment and services. In December 2017, the Department of Environment and Natural Resources granted the Environmental Compliance Certificate (ECC) that covered, among others, the project. The time taken and the costs to be incurred to complete the project, and any other development or expansion project the Company may undertake, may be directly or indirectly affected by many factors, including change in legislation or governmental policy, 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 the Company's control.

Specifically, the time taken and the costs incurred in connection with the development of the Company's various projects may be affected by the following factors, among others, which are generally beyond the control of the Company:

- 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 the Company 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 acceptable terms or at all.

***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.

***Currency fluctuations***

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.

## ITEM 2. Properties

(1) The Company does not own land. 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, 2017.

	Land and/or Floor Space (approx square meters)
APO Cement plant	453,884
Solid Cement plant	635,013
Marine distribution centers	60,724
Land distribution centers/warehouse	36,726
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 material lease arrangements, see Note 27 of the Notes to the Company's Consolidated Financial Statements as at December 31, 2017 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

(2) The table below summarizes fixed assets portfolio of the Company as of December 31, 2017:

<i>(In Thousand Pesos)</i>	Amount (₱)
Buildings and improvements	4,072,230
Machinery and equipment	12,191,818
Construction in progress	1,580,790
Sub-total	17,844,838
Less: Accumulated depreciation, depletion and allowance for impairment loss	(2,262,106)
Total	15,582,732

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

**ITEM 3. Legal Proceedings**

There is no pending legal proceeding to which the Parent Company is a party up to the date of this SEC Form 17-A (Annual Report).

In September 2015, Solid Cement suffered an oil spill at its cement facility in Antipolo City involving approximately 2,000 liters of heavy fuel oil that overflowed from one of Solid Cement's storage tanks, the majority of which was recovered within seven days of the incident. As a result of the incident, three separate administrative proceedings were initiated against Solid Cement before the Laguna Lake Development Authority (LLDA), the Environmental Management Bureau of the Department of Environment and Natural Resources (EMB) and the City of Antipolo, Rizal.

The City of Antipolo likewise issued a Notice of Violation requiring Solid Cement to explain why no administrative cases should be filed for violations of the Clean Water Act of 2004 and other related environmental laws such as the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and the Philippine Environmental Impact Statement System. Solid Cement submitted its response to the City of Antipolo, and as of the date of this Form 17-A, the local government has not taken further action against Solid Cement, although the Office of the Mayor officially endorsed the matter to the LLDA for proper action.

In its resolution dated May 19, 2016, the LLDA resolved to dismiss this case on the condition that Solid Cement pays a fine of ₱200,000.00 to the Laguna Lake Development Authority. Following payment of the fine, the LLDA issued a decision dated June 20, 2016 dismissing the case.

The Notice of Violation issued by the DENR-EMB cited Solid Cement's alleged failure to comply with the conditions of its Environmental Compliance Certificate when the company allegedly failed to strictly manage all external and chemical processes and immediately undertake response activities. Solid Cement filed on October 5, 2015 its reply. The Company received on 6 September 2017 the resolution of the DENR-EMB that, while recognizing Solid Cement's swift response to the situation (including citing that the clean-up was 100% complete in seven (7) days, as well as the good results of the water sampling test conducted after the spill), imposed a fine of Fifty Thousand Pesos (₱50,000.00) for violation of the conditions of Solid Cement's Environmental Compliance Certificate (ECC), particularly the failure to prevent the oil-spill incident from happening. Solid Cement paid the fine.

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 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**

No matter was submitted during the fourth quarter of 2017 to a vote of security holders.

## 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 2017, the high and low market prices for each quarter are shown below:

Quarter period	2017	
	High	Low
January to March	₱ 12.00	₱ 6.99
April to June	₱ 8.35	₱ 6.70
July to September	₱ 7.46	₱ 5.01
October to December	₱ 5.50	₱ 3.97

#### (2) Shareholders

There are 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, 2017 are as follows:

Title of Class	Names of Stockholders	Nationality	No. of Shares Held	% to Total Outstanding Shares
Common Shares	CEMEX Asian South East Corporation <sup>(a)</sup>	Non-Filipino (incorporated in the Philippines but wholly owned by a Netherlands company)	2,857,467,493	55.000%
Common Shares	PCD Nominee Corporation (Non-Filipino) <sup>(b)</sup>	Non-Filipino	1,606,192,369	30.916%
Common Shares	PCD Nominee Corporation (Filipino) <sup>(b)</sup>	Filipino	731,495,679	14.080%
Common Shares	Bob Dy Gothong	Filipino	208,600	0.004%
Common Shares	Myra P. Villanueva	Filipino	22,300	0.000%
Common Shares	Anita Uy Mustera or Nicolas R. Mustera	Filipino	2,700	0.000%
Common Shares	Milagros P. Villanueva	Filipino	2,500	0.000%
Common Shares	Myrna P. Villanueva	Filipino	2,500	0.000%
Common Shares	Christine F. Herrera	Filipino	1,000	0.000%
Common Shares	Shareholders Association of the Philippines, Inc.	Filipino	100	0.000%

Common Shares	Jesus San Luis Valencia	Filipino	100	0.000%
Common Shares	Bartholomew Dybuncio Young	Filipino	100	0.000%
Common Shares	Owen Nathaniel S. Au ITF: Li Marcus Au	Filipino	10	0.000%
Common Shares	Botschaft N. Cheng or Sevila Ngo	Filipino	1	0.000%
Common Shares	Alfredo Panlilio <sup>(c)</sup>	Filipino	1	0.000%
Common Shares	Pedro Roxas <sup>(d)</sup>	Filipino	1	0.000%

<sup>(a)</sup> In addition to the indicated shareholdings of CASEC, each of the following five individuals holds one share which is beneficially owned by CASEC: Joaquin Miguel Estrada Suarez, Ignacio Alejandro Mijares Elizondo, Paul Vincent Arcenas, Vincent Paul Piedad and Jannette Virata Sevilla. Two out of the five shares are part of the shares recorded under the account *PCD Nominee Corporation (Non-Filipino)*, while the remaining three shares are part of the shares recorded under the account *PCD Nominee Corporation (Filipino)*.

<sup>(b)</sup> Based on the Top 100 PDTC Participants Report (consolidated) of the Philippine Depository & Trust Corporation for the month of December 2017, 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 – 720,260,721 shares corresponding to approximately 13.86% of total outstanding shares of CHP
- (2) Deutsche Bank Manila-Clients A/C – 415,791,704 shares corresponding to approximately 8.00% of total outstanding shares of CHP
- (3) Citibank, N.A. – 240,873,485 shares corresponding to approximately 4.63% of total outstanding shares of CHP
- (4) COL Financial Group, Inc. – 192,885,214 shares corresponding to approximately 3.71% of total outstanding shares of CHP
- (5) Standard Chartered Bank – 154,583,390 shares corresponding to approximately 2.97% of total outstanding shares of CHP

Based on SEC Form 18-A dated 28 December 2016 that was filed by Wellington Management Group LLP (declarant), the declarant stated that it beneficially owned 277,299,574 shares which represent approximately 5.34% of the issued and outstanding shares of stock of the Parent Company.

<sup>(c)</sup> In addition to the indicated one share, Mr. Panlilio owns 1,000 shares which are part of the shares recorded under the account *PCD Nominee Corporation (Filipino)*.

<sup>(d)</sup> In addition to the indicated one share, Mr. Roxas owns 1,000 shares which are part of the shares recorded under the account *PCD Nominee Corporation (Filipino)*.

As of December 31, 2017, an estimated 45% of the total outstanding shares of stock of the Parent Company is 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 are no securities of the Company sold by it from the time of its IPO which were not registered under the Securities Regulation Code (SRC).

## 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, 2017 and 2016, and certain trends, risks and uncertainties that may affect the Company's business.

### Results of Operations

As at and for the years ended December 31, 2017 and 2016:

#### *Revenue*

The consolidated revenue for the years ended December 31, 2017 and 2016 amounted to ₱21.8 billion and ₱24.3 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, 2017 and 2016 were as follows:

<i>Segment</i>	<b>For the year ended December 31, 2017</b>		<b>For the year ended December 31, 2016</b>	
	<i>Amount*</i>	<i>% Revenue</i>	<i>Amount*</i>	<i>% Revenue</i>
Cement	₱21,571	99%	₱23,893	98%
Other business	213	1%	394	2%
<b>Total</b>	<b>₱21,784</b>	<b>100%</b>	<b>₱24,287</b>	<b>100%</b>

\*Amounts in millions

#### *Cost of Sales and Services*

Consolidated cost of sales and services for the years ended December 31, 2017 and 2016, amounted to ₱12.4 billion and ₱11.9 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.

As a percentage of revenue, cost of sales and services increased by 8.0 percentage points year-on-year, mainly due to higher fuel prices and lower average cement selling price.

Power and fuel represented approximately 21% and 22%, respectively, of cost of sales and services in 2017 and 22% and 16%, respectively, of cost of sales and services in 2016.

#### *Gross Profit*

As a result of the above conditions, gross profit for the years ended December 31, 2017 and 2016, reached ₱9.4 billion and ₱12.4 billion, respectively. Gross profit as a percentage of revenue for the year ended December 31, 2017 and 2016, represented 43.1% and 51.1%, respectively.

#### *Operating Expense*

Operating expenses amounted to ₱7.4 billion and ₱7.5 billion for the years ended December 31, 2017 and 2016, respectively. Operating expenses were composed of administrative, selling, and distribution expenses. Administrative and selling expenses amounted to ₱3.1 billion and ₱3.5 billion or 14.1% and 14.4% of revenue in 2017 and 2016. These include: a) license fees amounting to ₱827.8 million and ₱943.0 million, respectively; b) insurance amounting to ₱154.1 million and ₱698.3 million, respectively; and c) salaries and wages amounting to ₱590.9 million and ₱363.2 million, respectively. Distribution expenses amounted to ₱4.3 billion and ₱4.0 billion, respectively, in 2017 and 2016, which accounted for 19.8% and 16.3% of revenue, respectively.

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

*Operating Income before Other Expenses, Net*

For the reasons discussed above, operating income before other expenses - net amounted to ₱2.0 billion and ₱4.9 billion for the years ended December 31, 2017 and 2016, respectively. These comprised of 9.1% and 20.4% of revenue, respectively.

*Other Expenses, Net*

Other expenses, net for the years ended December 31, 2017 and 2016 were ₱226.2 million and ₱319.8 million, respectively. See Note 9 of the Notes to the Company's Consolidated Financial Statements as at and for the years ended December 31, 2017 and 2016 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

*Financial Expenses, Net*

Net financial expenses for the years ended December 31, 2017 and 2016 amounted to ₱895.3 million and ₱1.3 billion, respectively. See Notes 10 and 13 of the Notes to the Company's Consolidated Financial Statements as at and for the years ended December 31, 2017 and 2016 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

*Foreign Exchange Loss*

Loss of ₱66.7 million and ₱1.4 billion were reported in 2017 and 2016, respectively. Significant reduction for foreign exchange loss reflected two main factors: (a) The full payment of the long-term loan of the Company with New Sunward Holding B.V. ("NSH"), a subsidiary of CEMEX, by way of refinancing a majority of the balance of this foreign currency denominated loan into a senior unsecured peso long-term loan facility with BDO Unibank, Inc. ("BDO") and (b) less currency exchange rate fluctuation in 2017 versus last year.

- On 1 February 2017, the Parent Company signed a senior unsecured peso long-term loan facility with BDO for an amount of up to the Philippine Peso equivalent of U.S. dollar 280 million ("BDO Refinancing Loan"), to refinance a majority of the Parent Company's outstanding long-term loan with NSH. During the first quarter of 2017, the foregoing long-term loan with NSH was fully repaid. The BDO Refinancing Loan has a tenor of seven (7) years from the date of the initial drawdown on the facility. The borrowings or drawdowns on this facility amounted to approximately ₱14 billion in 2017.
- On 8 December 2017, the Parent Company and BDO signed a Supplemental Agreement, whereby the parties mainly agreed to fix the commencement date for compliance by the Parent Company with financial covenants under BDO Refinancing Loan in June 2020 and include debt service reserve accounts and additional debt incurrence restrictions. This Supplemental Agreement does not increase the debt level or interest cost under the BDO Refinancing Loan.

*Income Tax*

As a result of operations, the Company's income tax expense for the years ended December 31, 2017 and 2016 amounted to ₱139.5 million and ₱563.7 million, respectively.

*Net Income*

As a result of the abovementioned concepts, net income for the years ended December 31, 2017 and 2016 amounted to ₱658.8 million and ₱1.4 billion, respectively.



## **Financial Position**

As at December 31, 2017 and December 31, 2016

### *Cash and Cash Equivalents*

Cash and cash equivalents amounted to ₱1.1 billion and ₱1.3 billion as at December 31, 2017 and December 31, 2016, respectively. As at December 31, 2017, cash and cash equivalents of ₱1.1 billion include ₱629.1 million cash on hand and in banks and ₱429.2 million short-term investments which are readily convertible to cash. As at December 31, 2016, cash and cash equivalents of ₱1.3 billion include ₱579.6 million cash on hand and in banks and ₱757.5 million short-term investments which are readily convertible to cash.

### *Trade Receivables - Net*

Accounts receivables amounted to ₱833.3 million and ₱909.7 million as at December 31, 2017 and December 31, 2016, net of allowance for impairment losses amounting to ₱36.1 million and ₱10.6 million, respectively, which mainly pertained to receivables from customers.

### *Due from Related Parties*

Related party balances amounted to ₱26.4 million and ₱215.2 million as at December 31, 2017 and December 31, 2016, respectively, resulting primarily from the sale of goods, invoicing of administrative fees, and advances and loans between related parties.

### *Other Current Accounts Receivable*

Other accounts receivables amounted to ₱74.6 million and ₱127.3 million as at December 31, 2017 and December 31, 2016, respectively.

### *Inventories*

Inventories amounted to ₱3.3 billion and ₱2.6 billion as at December 31, 2017 and December 31, 2016, respectively. Inventories consisting of raw materials, cement and work in process amounted to ₱1.7 billion and ₱1.3 billion for the year 2017 and 2016, 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 ₱1.4 billion as at December 31, 2017 and December 31, 2016, which referred primarily to prepayments of insurance, ₱542.7 million and ₱900.5 million, respectively, and prepayment of taxes, ₱548.9 million and ₱310.7 million, respectively.

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

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

### *Other Assets and Noncurrent Accounts Receivable*

Other assets amounting to ₱716.7 million and ₱320.4 million as at December 31, 2017 and December 31, 2016, respectively, primarily consisted of long-term performance deposits of ₱122.4 million and ₱112.2 million, respectively, and debt reserve account and guarantee bonds used in operations amounting to ₱485.5 million and ₱92.3 million, respectively. The rest mainly referred to noncurrent portion of the unamortized transportation allowances of employees and other long-term prepayments.

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

Property, machinery and equipment had a balance of ₱15.6 billion and ₱15.8 billion as at December 31, 2017 and December 31, 2016, respectively. As at December 31, 2017 and December 31, 2016, ₱844.4 million and ₱534.1 million, respectively, were incurred for maintenance capital expenditures and ₱484.6 million and ₱796.3 million, respectively, for strategic capital expenditures.

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

The Company's deferred income tax asset amounted to ₱925.2 million and ₱444.6 million as at December 31, 2017 and December 31, 2016, respectively which represented future tax benefit from operating losses, excess MCIT over RCIT and other future deductible expenses.

#### *Goodwill*

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

#### *Trade Payables*

Trade payables as at December 31, 2017 and December 31, 2016 amounted to ₱2.3 billion and ₱2.2 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 ₱2.3 billion and ₱1.5 billion as at December 31, 2017 and December 31, 2016, respectively. Long-term payable to related parties amounted to ₱1.1 billion and ₱15.9 billion as at December 31, 2017 and December 31, 2016, respectively. The decrease of long-term loan was due to the complete repayment of the NSH Long-term Loan following the availment of the BDO Refinancing Loan.

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

Other payables and accruals which amounted to ₱2.1 billion and ₱2.0 billion as at December 31, 2017 and December 31, 2016, respectively, pertained mainly to advances from customers, provisions, and tax payables.

#### *Retirement Benefits Liability*

Retirement Benefits Liability amounting to ₱761.0 million and ₱769.3 million as at December 31, 2017 and December 31, 2016, respectively, pertained to the provision recognized by the Company associated with employees' defined benefit pension plans.

#### *Long-term Bank Loan*

The current balance of the BDO Refinancing Loan was ₱13.9 billion as at December 31, 2017. The debt issuance cost of this long-term bank loan, corresponding to ₱166.6 million on unamortized basis, was deducted from the total loan liability as at December 31, 2017. Short-term portion of the bank loans amounted to ₱140.1 million as at December 31, 2017.

#### *Other Noncurrent Liabilities*

Other noncurrent liabilities of ₱20.6 million and ₱14.8 million as at December 31, 2017 and December 31, 2016, respectively, referred to provision for asset retirement obligation.

#### *Common Stock*

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

#### *Other Equity Reserves*

The amount referred to the cumulative effects of items and transactions that were, temporarily or permanently, recognized directly to stockholders' equity which included share-based compensation, remeasurement of retirement benefits liability, net of tax, cumulative currency translation of a foreign subsidiary and unrealized gains and losses arising from coal hedge contract accounted for as cash flow hedge.

### *Retained Earnings*

Retained earnings of ₱2.1 million and ₱1.4 million as at December 31, 2017 and December 31, 2016, respectively, included the Company's cumulative net results of operations.

## **Company performance and Profitability and Liquidity**

### Key Performance Indicators

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as at December 31, 2017 and 2016.

<b>Key Financial Indicators</b>	<b>Formula</b>	<b>2017</b>	<b>2016</b>
Current Ratio	Current Asset/Current Liabilities	<b>1.0 : 1</b>	1.2 : 1
Solvency Ratio	Profit + Depreciation and Amortization/Total Liabilities	<b>0.1 : 1</b>	0.1:1
Net debt to Equity Ratio	Debt*/Total Equity	<b>0.7 : 1</b>	0.7 : 1
Asset to Equity Ratio	Total Assets/Total Equity	<b>1.8 : 1</b>	1.8 : 1

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

<b>Key Financial Indicators</b>	<b>Formula</b>	<b>2017</b>	<b>2016</b>
Interest Rate Coverage Ratio	Operating income before other expenses/interest	<b>2.3 : 1</b>	4.0 : 1
Profitability Ratio	Operating Margin/Net sales	<b>0.1 : 1</b>	0.2 : 1

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.

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 year ending December 31, 2017 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.). The aggregate fees for services related to the audit of the financial statements for the year 2017 of the Parent Company and its subsidiaries and other services normally provided in connection with statutory and regulatory filings for 2017 is ₱6.1 million (exclusive of out-of-pocket expenses). The aggregate fees for non-audit services (tax advisory) rendered in 2017 is ₱0.46 million (exclusive of out-of-pocket expenses).

**(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 ending December 31, 2017 have been applied consistently to all years presented therein, except that certain amendments to accounting standards have been adopted as at January 1, 2017 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 ending December 31, 2017 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) Current 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 including directorships held in reporting companies, if any, are provided below:

##### Members of the Board of Directors

#### A. Independent Directors

**Alfredo Panlilio**, 54, Filipino, 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. Ultimately this led to Mr. Panlilio starting up PLDT Global Corporation in Hong Kong in 2004 to grow the international retail business and maximize revenue potential of the PLDT Group of Companies. In 2010, PLDT bought the Philippines' largest distribution utility, Manila Electric Company, and Mr. Panlilio was appointed to lead its Customer Retail Services and Corporate Communications. Mr. Panlilio currently also serves as president of the MVP Sports Foundation, the umbrella sports advocacy organization of the Metro Pacific Group, President of Samahang Basketbol ng Pilipinas, PBA Governor for the Meralco Bolts, Governor for the Management Association of the Philippines (Jan 2015 to Dec 2016) and the Treasurer of the National Golf Association of the Philippines. Mr. Panlilio serves as an independent director of the Parent Company. He was initially elected to the Board of Directors on June 3, 2016 and assumed office effective from July 14, 2016. He was re-elected as independent director on June 7, 2017 during the annual stockholders' meeting of the Parent Company.

**Pedro Roxas**, 61, Filipino, 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, 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 and Brightnote Assets Corporation. Mr. Roxas is a Trustee and the Treasurer of the Philippine Business for Social Progress. Mr. Roxas serves as an independent director of the Parent Company. He was initially elected to the Board of Directors on June 3, 2016 and assumed office effective from July 14, 2016. He was re-elected as independent director on June 7, 2017 during the annual stockholders' meeting of the Parent Company.

## B. Other Directors

**Joaquín Miguel Estrada Suarez**, 53, Spaniard, 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 currently president of CEMEX Asia, Middle East and Africa and is also responsible for CEMEX global trading activities. From 2008 to 2011, he served as a member of the board of directors of COMAC (Comercial de Materiales de Construcción S.L.), president and member of the board of OFICEMEN (Agrupación de Fabricantes de Cemento de España), and member of the board of IECA (Instituto Español del Cemento y sus Aplicaciones), he was also the president of CEMA (Fundación Laboral del Cemento y el Medioambiente) from 2010 to 2011. Mr. Estrada currently serves as Chairman of the Board of Directors of the Parent Company, a position he has held since October 25, 2016. He was initially elected to the Board of Directors on February 29, 2016. He was re-elected on June 7, 2017 during the annual stockholders' meeting of the Parent Company.

**Ignacio Alejandro Mijares Elizondo**, 43, Mexican, holds a Bachelor's degree in Industrial Engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey, and obtained a Master of Business Administration degree from Stanford Graduate School of Business in 2000. He joined CEMEX in 2001 and has held several management positions, including President of CEMEX Puerto Rico (2010 – 2011) and Vice President for Planning and Administration for CEMEX Mexico (2011 – 2017). He also served as a member of the Executive Committee and Board member of ABC Capital (2011 - 20017) 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 1 July 2017. On 4 July 2017, he was elected to the Board of Directors of the Parent Company and elected as President & Chief Executive Officer. He is also a Director 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.

**Paul Vincent Arcenas\***, 51, Filipino, holds a Master in International Management degree from the Thunderbird -American Graduate School of International Management which he obtained in 1993. Mr. Arcenas is also a graduate of the Ateneo de Manila University in 1987 with a degree in Management Economics. Mr. Arcenas started his work experience with Andersen Consulting/SGV as Senior Staff Consultant in 1987. In 1995, Mr. Arcenas moved to San Miguel Corporation as Corporate Strategy Manager, and in 1998, he became the Director for Corporate Planning & Management Information Systems at Pepsi Cola Philippines, Inc. Mr. Arcenas joined CEMEX in 2001, and in 2010, he became held the position of Vice President for Commercial and Logistics of CEMEX Philippines. In 2011, he then became the Vice President for Strategic Planning for CEMEX Philippines and Asia. He was Vice President for Communications, Marketing and Investor Relations for CEMEX Philippines group of companies. He was initially elected to the Board of Directors on September 17, 2015 and was re-elected on June 7, 2017 during the annual stockholders' meeting of the Parent Company. He also served as Investor Relations Officer until his retirement from the organization effective last 31 December 2017. During his tenure in 2017, he was also a Director 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.

**Hugo Enrique Losada Barriola**, 43, Spaniard, joined the Philippine operations of CEMEX in 2016. He obtained a degree in *Civil Engineering* at Universidad Católica Andrés Bello in Caracas,

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\* Mr. Paul Vincent Arcenas resigned as member of the Board of Directors effective on 31 December 2017.

Venezuela in the year 1998. He obtained his Master of Business Administration degree at Carnegie Mellon University in Pittsburgh, Pennsylvania. Hugo began his career as Project and Field Engineer in Venezuela and joined CEMEX in 1999 as Professional in Development. He held Strategic Planning positions in CEMEX Ireland and was the Managing Director for CEMEX Thailand before joining the Philippine operations in 2016. On April 25, 2017, he was appointed by the Board of Directors of the Parent Company as Vice President for Strategic Planning and Administration, and thereafter elected as a member of the Board of Directors on June 7, 2017 during the annual stockholders' meeting of the Parent Company.

**Vincent Paul Piedad\***, 48, Filipino, holds an MBA from the University of Michigan in Ann Arbor, U.S.A. He also has a Bachelor's degree in Management Engineering (Honors) from the Ateneo de Manila University. Prior to joining CEMEX in 1999, Mr. Piedad worked in Citibank, N.A. under the bank's Treasury group. In 2003, Mr. Piedad became the Planning and Integrated Areas Director of CEMEX Thailand. Mr. Piedad has participated in CEMEX's International Management Program since 2003. In 2011, Mr. Piedad became the Regional Business Services Organization & Procurement Director of the CEMEX Philippines group of companies. He was initially elected to the Board of Directors on September 17, 2015 and was re-elected on June 7, 2017 during the annual stockholders' meeting of the Parent Company. He also served as Procurement Director until his retirement from the organization effective last 31 December 2017. He was also Treasurer and Regional Business Services Organization of the Parent Company until December 6, 2017. During his tenure in 2017, he was a Director 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., and Ecopavements, Inc.

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* (in alphabetical order)

**Adrian V. Bancoro**, 40, Filipino, is a licensed attorney and a certified public accountant. He obtained his Bachelor of Laws from San Beda College and his Bachelor of Science degree in Accountancy from the De La Salle University. 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 currently serves as the Parent Company's Tax Director, a position he has held since February 29, 2016.

**Ma. Virginia Lacson - Del Rosario**, 49, Filipino, holds a Bachelor of Science in Commerce, Major in Business Management from De La Salle University and a Masters in Business Administration from De La Salle University Graduate School of Business. 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, she was appointed as the Parent Company's Customer Experience Director.

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\* Mr. Vincent Paul Piedad resigned as member of the Board of Directors effective on 31 December 2017.

**Ma. Virginia Ongkiko Eala**, 49, Filipino, holds a Master of Laws degree from the University of Michigan in Ann Arbor, U.S.A. Ms. Ongkiko-Eala obtained her Bachelor of Laws degree from the University of the Philippines in Diliman where she also has a degree in Psychology (*Cum Laude*). She started her career in private practice by working as an associate for Carpio Villaraza & Cruz law firm from 1993-1997, and with the Ongkiko Kalaw Manhit & Acorda Law Offices from 1997-2000. She specialized in Litigation and Criminal Law. Ms. Ongkiko-Eala joined CEMEX in 2000 as a Senior Legal Manager and later was appointed as an Executive in Development. In 2004, she was appointed as Vice President for Human Resources of the CEMEX Philippines group of companies. Ms. Ongkiko-Eala currently serves as the Parent Company's Vice President for Human Resources, a position she has held since September 22, 2015. She is also a Director 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. and Ecopavements, Inc.

**Edwin P. Hufemia**, 46, Filipino, holds a degree in Bachelor of Science (Chemical Engineering) from the University of the Philippines and Master of Engineering (Industrial Systems Engineering) degree from the Asian Institute of Technology, Thailand. 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 Parent Company's Vice President for Supply Chain. He is also a Director 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.

**Roberto Martin Javier**, 43, Filipino holds a degree in Bachelor of Science and Commerce, Major in Marketing Management, from the De La Salle University in Manila. 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 Director 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.

**Elvira Oquendo**, 51, Filipino, holds a double degree in Physics and Computer Science from the Ateneo de Manila University, where she also later went on to receive her Juris Doctor degree. After graduation from law school in 1992, she joined Carpio Villaraza & Cruz law offices as an associate where she specialized in Litigation, Commercial and Banking Law, Intellectual Property Law, Telecommunications Law and Labor Law. In 2001, she joined the government as Solicitor under the Office of the Solicitor General, and in 2002, she became the Chief of Staff/Head Executive Assistant of the Office of the Ombudsman. Ms. Oquendo joined CEMEX in 2003 as a Senior Legal Manager, and was appointed as head of the Legal Department by 2009. Ms. Oquendo has participated in CEMEX's Achieve Leadership Program and the Management Development Program of the Asian Institute of Management. Ms. Oquendo is also a Board member of the CEMEX Philippines Foundation. In 2009, Ms. Oquendo became the Legal Director of the CEMEX Philippines group of companies. Ms. Oquendo currently serves as the Parent Company's Legal Director and Assistant Corporate Secretary, a position she has held since September 22, 2015. She is also a Director 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.

**Eduardo Bernardo Pons Martinez**, 35, Spaniard, joined the Philippine operations of CEMEX in 2015. He obtained a degree in Industrial Engineering at Universidad Pontificia de Comillas (Madrid, Spain) in the year 2006. He obtained his Masters in Energy Economics at Universidad Rey Juan Carlos (Madrid, Spain) in 2010. Mr. Pons attended CEMEX's Achieve leadership program in 2016. Previously he was CEMEX's technical consultant in Monterrey, Mexico (2012-2013) and Energy Manager for CEMEX Operations in Spain (2009-2012). On April 25, 2017, he was appointed by the Board of Directors of the Parent Company as Energy Director.

**Arturo Manrique Ramos**, 49, Mexican, holds a Bachelor's degree in Electronic Engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey, Mexico and obtained an MBA from the Cetys University, Mexico. 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 of the Parent Company as Vice President for Cement Operations and Technical.

**Jannette Virata Sevilla**, 55, Filipino, obtained her Bachelor of Laws and Bachelor of Arts (cum laude) degrees from the University of the Philippines. 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 Corporate Secretary and Compliance Officer of the Parent Company, positions she has held since September 17, 2015 and August 24, 2016 respectively. She is a Director of Solid Cement Corporation. She was a previous member of the Board of Directors of the Parent Company

**Michael Martin Teotico**, 43, Filipino holds a Bachelor's degree in Human Resource Management from the De La Salle University. Mr. Teotico has acquired expertise in Logistics, Supply Chain and Transportation, having held various positions in these fields for more than ten years. He also has held positions in Sales and Marketing. Mr. Teotico has received management trainings from the Asian Institute of Management, and CEMEX's global leadership programs. In 2014, Mr. Teotico became the Vice President of Logistics for the CEMEX Philippines group of companies. On February 29, 2016, Mr. Teotico was appointed as the Parent Company's Vice President of Logistics, and on October 24, 2017, he assumed the new position of Vice President for Commercial – Distribution Segment.

**Rolando S. Valentino**, 43, Filipino, is a certified public accountant and a certified enterprise-wide risk manager. He completed his MBA at the Ateneo Graduate School of Business in 2016 and obtained his Bachelor of Science degree in Accountancy from Wesleyan University - Philippines. In 1995, Mr. Valentino worked as an associate with Punongbayan and Aurullo (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 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 CEMEX Philippines group of companies. Mr.

Valentino currently serves as Internal Auditor of the Parent Company, a position he has held since August 24, 2016.

**Steve Kuansheng Wu**, 51, Taiwanese, has an MBA (Finance) from Drexel University and an MBA (Accounting) from New South Wales University. He also holds a Bachelor's degree in Business Mathematics from Soochow University. 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 Treasurer & Chief Financial Officer and Business Services Organization Director of the Parent Company, in view of the retirement of Mr. Vincent Paul Piedad from the organization. He is also Treasurer & Chief Financial Officer and Business Services Organization Director of the various subsidiaries.

**(2) Significant Employees**

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**

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**

Based on the knowledge and belief of the Company, 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 traffic violations and other minor offences); (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 Corporation'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 Corporation: (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 in fiscal years 2016 and 2017 of the chief executive officer (“CEO”) and the four most highly compensated executive officers (the “NEOs”).

	2016 (in million of Philippine Pesos)		
	Salary	Bonus	Other Annual Compensation
CEO and NEOs <sup>(1)</sup>	₱40.6	₱22.8	₱16.8

<sup>(1)</sup> *Pedro Jose Palomino (President/Chief Executive Officer) and the NEOs are Paul Vincent Arcenas, Roberto Martin Javier, Michael Martin Teotico and Vincent Paul Piedad.*

	2017 (in million of Philippine Pesos)		
	Salary	Bonus	Other Annual Compensation
CEO and NEOs <sup>(2)</sup>	₱50.5	₱29.4	₱32.6

<sup>(2)</sup> *Ignacio Alejandro Mijares Elizondo (current President & Chief Executive Officer), Pedro Jose Palomino (former President/Chief Executive Officer who resigned during the 3<sup>rd</sup> quarter of 2017) and the NEOs are Paul Vincent Arcenas, Edwin P. Hufemia, Hugo Losada Barriola and Maria Virginia Eala*

Certain senior Executive Officers have received compensation in the form of restricted shares of CEMEX S.A.B. de C.V. (CEMEX’s *Ordinary Participation Certificates*) pursuant to the terms of variable compensation plan applicable to these executives under which the eligible executives are allocated annually with a specific number of restricted shares as a long-term incentive compensation to be vested over a specific period of time.

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

The Parent Company has no special employment contracts with CEO and NEOs.

## (4) Warrants and Options Outstanding

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

The Parent Company has not yet 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

As of December 31, 2017, the Parent Company is not aware of any one who beneficially owns in excess of 5% of the Parent Company's common shares, except as set forth in the table below:

Title of Class	Names and Addresses of Record Owners	Names of beneficial owner	Nationality	No. of Shares Held	% to Total Shares
Common Shares	CEMEX Asian South East Corporation 34 <sup>TH</sup> Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila	Same as record holder <sup>(a)</sup>	Non-Filipino (incorporated in the Philippines but wholly owned by a Netherlands company)	2,857,467,493	55%
Common Shares	PCD Nominee Corporation (Non-Filipino) G/F Makati Stock Exchange 6767 Ayaa Avenue, Makati City	PCD Participants and clients <sup>(b)</sup>	Non-Filipino	1,606,192,369	30.916%
Common Shares	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	PCD Participants and clients <sup>(b)</sup>	Filipino	731,495,679	14.080%

<sup>(a)</sup> In addition to the indicated shareholdings of CASEC, each of the following five individuals holds one share which is beneficially owned by CASEC: Joaquin Miguel Estrada Suarez, Ignacio Alejandro Mijares Elizondo, Paul Vincent Arcenas, Vincent Paul Piedad and Jannette Virata Sevilla. Two out of the five shares are part of the shares recorded under the account *PCD Nominee Corporation (Non-Filipino)*, while the remaining three shares are part of the shares recorded under the account *PCD Nominee Corporation (Filipino)*.

<sup>(b)</sup> Based on the Top 100 PDTC Participants Report (consolidated) of the Philippine Depository & Trust Corporation for the month of December 2017, 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 – 720,260,721 shares corresponding to approximately 13.86% of total outstanding shares of CHP
- (2) Deutsche Bank Manila-Clients A/C – 415,791,704 shares corresponding to approximately 8.00% of total outstanding shares of CHP
- (3) Citibank, N.A. – 240,873,485 shares corresponding to approximately 4.63% of total outstanding shares of CHP
- (4) COL Financial Group, Inc. – 192,885,214 shares corresponding to approximately 3.71% of total outstanding shares of CHP
- (5) Standard Chartered Bank – 154,583,390 shares corresponding to approximately 2.97% of total outstanding shares of CHP

Based on SEC Form 18-A dated 28 December 2016 that was filed by Wellington Management Group LLP (declarant), the declarant stated that it beneficially owned 277,299,574 shares which represent approximately 5.34% of the issued and outstanding shares of stock of the Parent Company.

### (2) Security Ownership of Management

As of December 31, 2017 the number of shares owned of record and/or beneficially owned by the Directors, the CEO and NEOs are set forth below:

Title of Class	Name of Record Owner	Name of Beneficial Owner	Amount	Nationality	% to Total Shares
Common	Paul Vincent Arcenas	CEMEX Asian South East Corporation	1 (director's qualifying share)	Filipino	0.00%
Common	Joaquin Miguel Estrada Suarez	CEMEX Asian South East Corporation	1 (director's qualifying share)	Spaniard	0.00%

Common	Ignacio Alejandro Mijares Elizondo	CEMEX Asian South East Corporation	1 (director's qualifying share)	Mexican	0.00%
Common	Alfredo Panlilio	Same as record owner	1,001	Filipino	0.00%
Common	Vincent Paul Piedad	CEMEX Asian South East Corporation	1 (director's qualifying share)	Filipino	0.00%
Common	Pedro Roxas	Same as record owner	1,001	Filipino	0.00%
Common	Hugo Enrique Losada Barriola	Same as record owner	100	Spanish	0.00%

### (3) Voting Trust Holders of 5% or More

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 Transactions

Save for transactions with affiliated companies or other related parties of the Parent Company (including subsidiaries of CEMEX) mentioned or referenced to in the discussions below or in the Company's Consolidated Financial Statements as of year ending December 31, 2017 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report), there has been no material related transactions during the last two 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.

On January 1, 2016 the Parent Company acquired, directly and indirectly through intermediate holding companies, a 100% equity interest in each of Solid Cement and APO Cement. In connection with these transfers, the Parent Company in March 2016 entered into a short-term loan and a long-term loan with New Sunward Holding B.V. (NSH), a subsidiary of CEMEX, pursuant to which it incurred approximately US\$828 million of indebtedness to CEMEX.

- The short-term loan agreement provided for a loan *of up to US\$475.0 million*. On April 25, 2016, the Parent Company and NSH amended the short-term loan to increase the principal amount to up to US\$504.0 million. The short-term Loan was in force from March 9, 2016 until June 9, 2016 and bore an interest rate of 5.21% per annum. On May 31, 2016, the Parent Company entered into a facility agreement with BDO Unibank, Inc. for a loan of up to ₱12,000.0 million for the purposes of refinancing a portion of this short-term loan with NSH. This short-term loan with NSH was eventually fully paid during the 3<sup>rd</sup> quarter of 2016.
- The long-term loan agreement with NSH provided for a loan *of up to US\$353.0 million*. The term of the long-term loan would have expired on March 9, 2023 and bearing an interest rate of 7.535% per annum. On February 1, 2017, the Parent Company signed a Senior Unsecured Peso Term Loan Facility Agreement with BDO for an amount of up to the Philippine Peso equivalent of U.S. dollar 280 million, to refinance a majority of the Parent Company's outstanding long-term loan with NSH. The term loan provided by BDO has a tenor of seven (7)

years from the date of the initial drawdown. During the 1<sup>st</sup> quarter of 2017, this long-term loan with NSH was fully repaid.

#### General Commercial Arrangements

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 on a CEMEX group-wide basis), 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.

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 year ended December 31, 2017 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

Notably, APO Cement and Solid Cement purchase the majority of their respective limestone, pozzolan and clay requirements from ALQC and IQAC 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 customary rights as landlord. Each of these lease agreements expires in December 2040 and is extendable for another 25 years.

#### License Agreements

Pursuant to separate license agreements 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.

#### Framework Agreement with CEMEX

On December 9, 2016, the Parent Company entered into a Framework Agreement with CEMEX and its principal shareholder 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.

## 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 on 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.

There are currently two independent directors namely, Messrs. Alfred Panlilio and Pedro Roxas, on the Board of Directors of the Parent Company.

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 will establish this self-rating system in due course.

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.

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

The Company adheres to the CEMEX Code of Ethics and Business Conduct (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

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\* The Board of Directors upon the favorable endorsement of the Audit Committee approved to amend the Revised Manual of Corporate Governance on February 6, 2018 and, thereafter, on March 22, 2018.



various implementing global policies of CEMEX are periodically evaluated and, where deemed necessary or appropriate, updated.

**(3) 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.

The Audit Committee is currently comprised of three members, two of whom are the independent directors. The Audit Committee reports directly to the Board of Directors. Following the favorable endorsement of the Audit Committee, the Board of Directors approved the Charter for the Audit Committee on October 25, 2016.\*

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. However, 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.

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\* The Board of Directors upon the favorable endorsement of the Audit Committee approved the Internal Audit Charter on February 6, 2018.

The Nomination Committee is currently comprised of three members, two of whom are the independent 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

**ITEM 14. Attendance of Directors**

<b>Board</b>	<b>Name</b>	<b>Date of Election [initial date / re-election date]</b>	<b>No. of Meetings Held during tenure in 2017</b>	<b>No. of Meetings Attended</b>
Chairman	Joaquin Miguel Estrada Suarez	29 February 2016 / 7 June 2017	11	7
Independent Director	Alfredo Panlilio	3 June 2016 / 7 June 2017	11	6 <i>[Mr. Panlilio was on extended leave of absence]</i>
Independent Director	Pedro Roxas	3 June 2016 / 7 June 2017	11	10
Member	Ignacio Alejandro Mijares Elizondo	4 July 2017	4	4
Member	Hugo Enrique Losada Barriola	7 June 2017	6	6
Member	Paul Vincent Arcenas	17 September 2015 / 7 June 2017	11	11
Member	Vincent Paul Piedad	17 September 2015 / 7 June 2017	11	11

## PART V - EXHIBITS AND SCHEDULES

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

#### (a) Exhibits

- A - List of Subsidiaries of Parent Company
- B - Consolidated Financial Statements of the Company as at and for year ended December 31, 2017 and as at December 31, 2016 and Supplementary Schedules
- C - SEC Form 17-Q for Quarter Ended 31 March 2017 (1<sup>st</sup> Quarter 2017)
- D - SEC Form 17-Q for Quarter Ended 30 June 2017 (2<sup>nd</sup> Quarter 2017)
- E - SEC Form 17-Q for Quarter Ended 30 September 2017 (3<sup>rd</sup> Quarter 2017)

#### (b) Reports on SEC Form 17-C

List of Disclosures under SEC Form 17-C for the period from 1 January 2017 to 31 December 2017

Date of Report	Description
1 Feb 2017	7-year Loan Facility Agreement between CHP and BDO Unibank, Inc.
2 Feb 2017	Notice of Conference Call/Webcast for 4 <sup>th</sup> Quarter 2016 Results
10 Feb 2017	Briefing Materials for the Conference Call/Webcast for 4 <sup>th</sup> Quarter 2016 Results
6 March 2017	Change in Shareholdings of President & CEO
8 March 2017	Notice on Various Matters Relating to Annual Stockholders Meeting for 2017
15 March 2017	Change in Shareholdings of Tax Director
20 March 2017	Change in Shareholdings of President & CEO
23 March 2017	Agreement between APO Cement Corporation and SINOMA for the construction and operation of a waste-heat-to-energy (WHR) Facility
24 March 2017	Change in Shareholdings of Tax Director
21 April 2017	Notice of Conference Call/Webcast for 1 <sup>st</sup> Quarter 2017 Results
25 April 2017	Appointment of New Officers
25 April 2017	Rescheduling of Conference Call/Webcast for 1 <sup>st</sup> Quarter 2017 Results
2 May 2017	Briefing Materials (updated) for the Conference Call/Webcast for 1 <sup>st</sup> Quarter 2017 Results
11 May 2017	Revised Manual of Corporate Governance
25 May 2017	Cemex Global Internal Organizational Changes
7 June 2017	Results of the Annual Stockholders' Meeting
7 June 2017	Results of the Organizational Meeting of the Board of Directors
4 July 2017	Organizational Changes; Change of President & CEO
21 July 2017	Notice of Conference Call/Webcast for 2 <sup>nd</sup> Quarter 2017 Results
26 July 2017	Change in Membership of Audit Committee
27 July 2017	Briefing Materials for the Conference Call/Webcast for 2 <sup>nd</sup> Quarter 2017 Results
11 Aug 2017	SEC Approval of the Amended By-laws
25 Aug 2017	Briefing Materials (Amendment) for the Conference Call/Webcast for 2 <sup>nd</sup> Quarter 2017 Results
7 Sept 2017	Update on the SOLID Cement Oil Spill Case
27 Sept 2017	Appointment of New Officer
20 Oct 2017	Notice of Conference Call/Webcast for 3 <sup>rd</sup> Quarter 2017 Results
24 Oct 2017	Appointment of New Officers

27 Oct 2017	Briefing Materials for the Conference Call/Webcast for 3 <sup>rd</sup> Quarter 2017 Results
13 Nov 2017	Attendance at Corporate Governance Seminar
6 Dec 2017	Change in Directors & Officers
8 Dec 2017	Supplemental Agreement between CHP and BDO Unibank in connection with the 7-year Loan Facility Agreement
14 Dec 2017	DENR-Environmental Compliance Certificate covering new line at SOLID's cement plant

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 12 APR 2018.

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 APR 12 2018 in Makati City, Metro Manila, affiant(s) exhibiting to me the following documents:

NAMES	IDENTIFICATION DOCS	PLACE/DATE OF ISSUE
Ignacio Alejandro Mijares Elizondo	Mexican Passport No. G23177265	Mexico/18 November 2016
Steve Kuansheng Wu	Republic of China Passport No. 3084998707	Taiwan/30 December 2013
Jannette Virata Sevilla	Philippine Passport No. EC 5001771	Manila, Philippines/August 13, 2015

Doc. No. 158  
 Page No. 33  
 Book No. 310  
 Series of 2018.

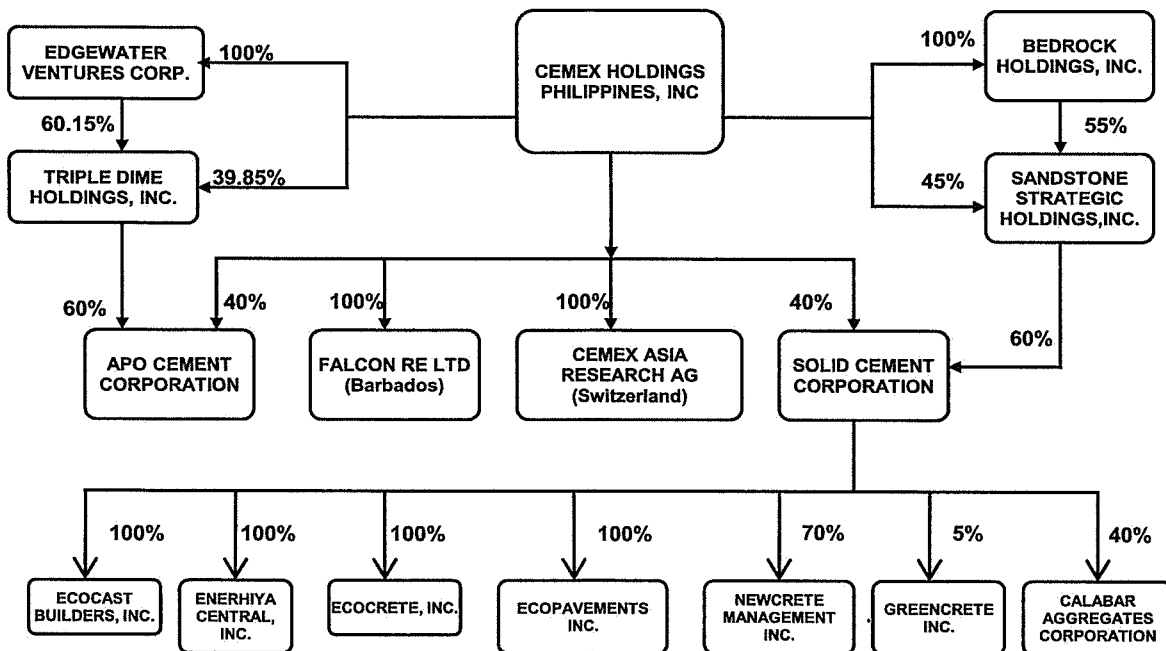
  
**ATTY. VIRGILIO R. BATALLA**  
 NOTARY PUBLIC FOR MAKATI CITY  
 APPOINTMENT NO. M-88  
 UNTIL DECEMBER 31, 2018 - ROLL OF ATTY. NO. 48348  
 MCLF COMPLIANCE NO. V-0026676 /4-11-2018  
 IBP O.R. No. 706762-LIFETIME MEMBER JAN. 29, 2007  
 PTR No. CG07619-JAN 09, 2018- MAKATI CITY  
 EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER

**EXHIBIT A**

**List Of Subsidiaries Of Parent Company**

**CEMEX HOLDINGS PHILIPPINES, INC.  
SEC FORM 17-A**

**LIST OF SUBSIDIARIES AND ASSOCIATES OF CEMEX HOLDINGS PHILIPPINES, INC.**



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.
  - ***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.
- ***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's property, non-damage business interruption and political risks insurance.

- **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.

**EXHIBIT B**

**Consolidated Financial Statements  
as at and for year ended December 31, 2017 and as at  
December 31, 2016  
(with Supplementary Schedules)**

**CEMEX HOLDINGS PHILIPPINES, INC.  
SEC FORM 17-A**



**C O V E R   S H E E T**  
**For**  
**A U D I T E D   F I N A N C I A L   S T A T E M E N T S**

SEC Registration Number

C	S	2	0	1	5	1	8	8	1	5
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**COMPANY NAME**

C	E	M	E	X		H	O	L	D	I	N	G	S		P	H	I	L	I	P	P	I	N	E	S	,		
I	N	C	.			A	N	D			S	U	B	S	I	D	I	A	R	I	E	S						

**PRINCIPAL OFFICE ( No. / Street / Barangay / City / Town / Province)**

3	4	t	h		F	l	o	o	r	,		P	e	t	r	o	n		M	e	g	a		P	l	a	z	a
B	u	i	l	d	i	n	g	,			3	5	8		S	e	n	.		G	i	l	J	.				
P	u	y	a	t		A	v	e	n	u	e	,		M	a	k	a	t	i		C	i	t	y				

Form Type

A	A	F	S
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Department requiring the report

--

Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's email Address

--

Company's Telephone Number/s

849 - 3600
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Mobile Number

--

No. of Stockholders

16
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Annual Meeting (Month / Day)

--

Fiscal Year (Month / Day)

December 31
-------------

**CONTACT PERSON INFORMATION**

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Steve Kuansheng Wu
--------------------

Email Address

steve.wu@cemex.com
--------------------

Telephone Number/s

(02) 849 3647
---------------

Mobile Number

--

**CONTACT PERSON'S ADDRESS**

34 <sup>th</sup> Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City
---

*Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

*2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017 and 2016



R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
Email ph-inquiry@kpmg.com.ph

## REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors  
**CEMEX Holdings Philippines, Inc.**  
34/F Petron Mega Plaza Building  
358 Sen. Gil J. Puyat Avenue  
Brgy. Bel-Air, Makati City

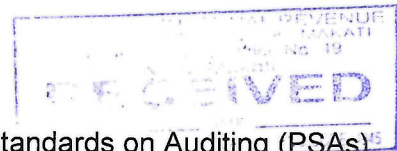
### *Opinion*

We have audited the consolidated financial statements of CEMEX Holdings Philippines, Inc. and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015, in accordance with Philippine Financial Reporting Standards (PFRSs).

### *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.



APR 2018



## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Goodwill Impairment Assessment

Refer to Note 3L to the consolidated financial statements for the Group's policy on impairment of Goodwill.

The Group has goodwill amounting to P27.86 billion as at December 31, 2017 which arose from the Group's business acquisition transactions in 2016. Such goodwill has been allocated to the Group's cash-generating units (CGUs), comprising APO Cement Corporation and Solid Cement Corporation. Management has undertaken an annual impairment review in respect of this goodwill in accordance with the requirements of PFRSs, and concluded that no impairment arose as at December 31, 2017.

### *The Risk*

In assessing impairment of goodwill, complex and subjective judgments in determining a number of key assumptions, such as growth rate, discount rate and other economic assumption (i.e. inflation rate), are made to determine its value-in-use. We focused on this area due to both the significance of the carrying amount of the goodwill and because management's assessment of the value-in-use of the Group's CGUs involves significant judgments about the future results of the business and the discount rates applied to future cash flow forecasts.

### *Our Response*

Our procedures included assessment of the appropriateness of the CGUs identified. We evaluated management's future cash flow forecast and the process by which they were determined and approved, including checking that the forecasts were consistent with the latest approved budgets and confirming the mathematical accuracy of the underlying calculations. We assessed the methodology used to generate the discounted cash flow model for each CGU. We involved our own valuation specialists to assist us in evaluating the assumptions applied and comparing the assumptions used to historical results and external economic forecasts. We performed sensitivity analysis on the key assumptions used to ascertain the extent of change that individually would be required for the goodwill to be impaired. We also evaluated the adequacy of the disclosures in respect of the impairment assessment in the consolidated financial statements.



### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

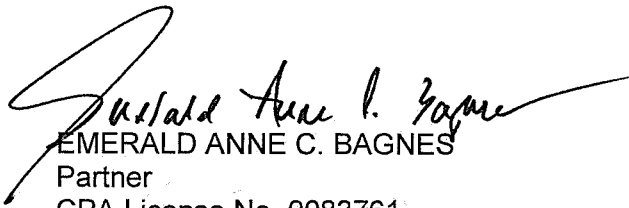
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Emerald Anne C. Bagnes.

**R.G. MANABAT & CO.**



EMERALD ANNE C. BAGNES  
Partner

CPA License No. 0083761

SEC Accreditation No. 0312-AR-3, Group A, valid until April 30, 2018

Tax Identification No. 102-082-332

BIR Accreditation No. 08-001987-12-2016

Issued April 12, 2016; valid until April 11, 2019

PTR No. 6615124MD

Issued January 3, 2018 at Makati City

March 22, 2018

Makati City, Metro Manila





STATEMENT OF MANAGEMENT’S RESPONSIBILITY
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of CEMEX Holdings Philippines, Inc. and Subsidiaries (the “Company”) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature JOAQUIN MIGUEL ESTRADA SUAREZ
Chairman of the Board

Signature IGNACIO ALEJANDRO MIJARES ELIZONDO
President/Chief Executive Officer



Signature STEVE KUANSHENG WU
Treasurer/Chief Financial Officer

12 APR 2018

Signed this 22nd day of March 2018

MAR 22 2018

SUBSCRIBED AND SWORN TO BEFORE ME THIS
AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER
ID No.

Handwritten notes: 194, 217, 18

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88
UNTIL DECEMBER 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. 0016333/4-10-2013
IBP O.R. No. 706762-18
PTR No. 6607619-18
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER



**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF  
THE FINANCIAL STATEMENTS AND  
NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **CEMEX Holdings Philippines, Inc. And Subsidiaries** for the period ending **December 31, 2017.**

In discharging this responsibility, I hereby declare that:

\_\_\_\_\_ I, am the \_\_\_\_\_, of \_\_\_\_\_.

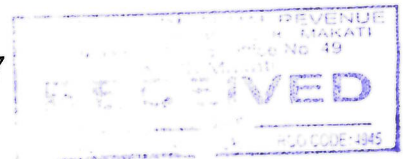
✓ I, am the **Assistant Manager** of **Solid Cement Corporation** and was contracted to perform this service.

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of **R.G. Manabat & Co.** who is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME: *Melanie C. Legaspi*  
**MELANIE C. LEGASPI**

PROFESSIONAL IDENTIFICATION CARD NUMBER 0074287  
VALID UNTIL: January 17, 2020



ACCREDITATION NUMBER: 2016 - 3034  
VALID UNTIL: January 17, 2020

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Series of 201 8

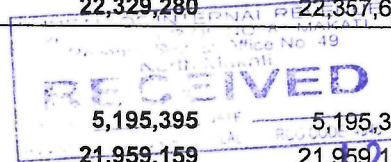
SUBSCRIBED AND SWORN TO BEFORE ME THIS  
AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER  
D No. \_\_\_\_\_

*[Signature]*  
**ATTY. VIRGILIO R. BATALLA**  
NOTARY PUBLIC FOR MAKATI CITY  
APPOINTMENT NO. M-88  
UNTIL DECEMBER 31, 2018  
ROLL OF ATTY. NO. 48348  
MCLE COMPLIANCE NO. 1016333/4-10-2013  
IBP O.R No. 706762-LIFETIME MEMBER JAN. 29, 2007  
PTR No. 800/619-JAN 03, 2018  
EXECUTIVE BLDG. CENTER  
MAKATI AVE., COR., JUPITER

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

		December 31	
	Note	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	11, 21	P1,058,267	P1,337,155
Trade receivables - net	12, 21	833,259	909,667
Due from related parties	13, 21	26,386	215,215
Other current accounts receivable	15, 21	74,616	127,346
Inventories	16	3,258,252	2,577,577
Prepayments and other current assets	17	1,401,133	1,420,056
<b>Total Current Assets</b>		<b>6,651,913</b>	<b>6,587,016</b>
<b>Noncurrent Assets</b>			
Investment in an associate and other investments	14	15,407	15,273
Other assets and noncurrent accounts receivable	15, 21	716,700	320,489
Property, machinery and equipment - net	18	15,582,732	15,814,811
Deferred income tax assets - net	24	925,230	444,601
Goodwill	19	27,859,694	27,859,694
<b>Total Noncurrent Assets</b>		<b>45,099,763</b>	<b>44,454,868</b>
		<b>P51,751,676</b>	<b>P51,041,884</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade payables		P2,318,979	P2,170,646
Due to related parties	13	2,273,404	1,482,096
Current portion of long-term bank loan	21, 23	140,123	-
Unearned revenue, other accounts payable and accrued expenses	20	2,108,767	1,958,973
Income tax payable		32,279	42,490
<b>Total Current Liabilities</b>		<b>6,873,552</b>	<b>5,654,205</b>
<b>Noncurrent Liabilities</b>			
Long-term bank loan - net of current portion	21, 23	13,600,475	-
Long-term payable to related parties	13, 21	1,073,635	15,919,322
Retirement benefit liability	13, 22	761,008	769,340
Other noncurrent liabilities		20,610	14,805
<b>Total Noncurrent Liabilities</b>		<b>15,455,728</b>	<b>16,703,467</b>
<b>Total Liabilities</b>		<b>22,329,280</b>	<b>22,357,672</b>
<b>Stockholders' Equity</b>			
Controlling interest:			
Common stock	25A	5,195,395	5,195,395
Additional paid-in capital		21,959,159	21,959,159
Other equity reserves	25B	199,929	120,556
Retained earnings	25E	2,067,692	1,408,856
<b>Total controlling interest</b>		<b>29,422,175</b>	<b>28,683,966</b>
Non-controlling interest	25C	221	246
<b>Total Equity</b>		<b>29,422,396</b>	<b>28,684,212</b>
		<b>P51,751,676</b>	<b>P51,041,884</b>

The accompanying notes are part of these consolidated financial statements.

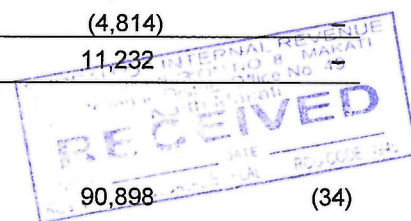


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**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands, Except Per Share Data)

	Note	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016 (As restated - see Note 30)	For the Period from September 17 to December 31, 2015
Revenue	8	P21,784,450	P24,286,753	P-
Costs of sales and services	6	(12,400,901)	(11,885,883)	-
<b>GROSS PROFIT</b>		<b>9,383,549</b>	<b>12,400,870</b>	<b>-</b>
Administrative and selling expenses	6	(3,079,349)	(3,493,594)	(4,415)
Distribution expenses	7	(4,317,633)	(3,961,636)	-
<b>TOTAL OPERATING EXPENSES</b>		<b>(7,396,982)</b>	<b>(7,455,230)</b>	<b>(4,415)</b>
<b>OPERATING INCOME (LOSS) BEFORE OTHER EXPENSES - Net</b>		<b>1,986,567</b>	<b>4,945,640</b>	<b>(4,415)</b>
Other expenses - net	9	(226,179)	(319,783)	-
<b>OPERATING INCOME (LOSS) AFTER OTHER EXPENSES - Net</b>		<b>1,760,388</b>	<b>4,625,857</b>	<b>(4,415)</b>
Financial expenses	13, 23	(858,449)	(1,236,021)	-
Foreign exchange loss - net		(66,738)	(1,379,892)	(31)
Other financial expenses - net	10	(36,846)	(32,734)	-
<b>EARNINGS (LOSS) BEFORE INCOME TAX</b>		<b>798,355</b>	<b>1,977,210</b>	<b>(4,446)</b>
Income tax expense	24	(139,544)	(563,744)	-
<b>PROFIT (LOSS)</b>		<b>658,811</b>	<b>1,413,466</b>	<b>(4,446)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Gain on remeasurements on retirement benefit liability	22	106,474	16,046	-
Tax effect	24	(31,942)	(4,814)	-
		<b>74,532</b>	<b>11,232</b>	<b>-</b>
<b>Items that will be reclassified subsequently to profit or loss</b>				
Currency translation gain (loss) of foreign subsidiaries		(13,525)	90,898	(34)
Cash flow hedges - reclassified to profit or loss		(6,805)	(12,016)	-
Cash flow hedges - effective portion of changes in fair value		-	18,821	-
		<b>(20,330)</b>	<b>97,703</b>	<b>(34)</b>
		<b>54,202</b>	<b>108,935</b>	<b>(34)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>713,013</b>	<b>1,522,401</b>	<b>(4,480)</b>
Non-controlling interest comprehensive loss	25	25	24	-
<b>CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)</b>		<b>P713,038</b>	<b>P1,522,425</b>	<b>(P4,480)</b>
<b>Basic/Diluted Earnings (Loss) Per Share</b>	<b>26</b>	<b>P0.13</b>	<b>P0.50</b>	<b>(P0.12)</b>

The accompanying notes are part of these consolidated financial statements.



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

For the Years Ended December 31, 2017 and 2016 and For the Period from September 17 to December 31, 2015  
(Amounts in Thousands)

Note	Common Stock		Additional Paid-in Capital		Other Equity Reserves		Earnings (Deficit)		Controlling Interest		Non-controlling Interest		Total Equity	
	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-
<b>As at September 17, 2015</b>														
<b>Transactions with owners of the Company</b>														
25A	9,400	-	-	-	-	-	-	-	9,400	-	-	-	9,400	(188)
	-	-	-	-	-	-	(188)	-	-	-	-	-	-	-
	-	-	-	-	-	-	(4,446)	-	(4,446)	-	-	-	(4,446)	-
	-	-	-	-	(34)	-	-	-	(34)	-	-	-	(34)	-
	9,400	-	-	-	(34)	-	(4,634)	-	4,732	-	-	-	4,732	-
<b>As at December 31, 2015</b>														
<b>Transactions with owners of the Company</b>														
25A	5,185,995	-	22,794,798	-	-	-	-	-	27,980,793	-	-	-	27,980,793	-
	-	-	(835,639)	-	-	-	-	-	(835,639)	-	-	-	(835,639)	-
	-	-	-	-	-	-	-	-	-	270	-	-	270	-
	-	-	-	11,655	-	-	-	-	11,655	-	-	-	11,655	-
	-	-	-	-	-	-	1,413,490	-	1,413,490	-	(24)	-	1,413,466	-
	-	-	-	108,935	-	-	-	-	108,935	-	-	-	108,935	-
	5,185,995	-	21,959,159	120,590	-	-	1,413,490	-	28,679,234	246	-	-	28,679,480	-
	5,185,995	-	21,959,159	120,556	-	-	1,408,856	-	28,683,966	246	-	-	28,684,212	-
<b>As at December 31, 2016</b>														
<b>Transactions with owners of the Company</b>														
25D	-	-	-	25,171	-	-	-	-	25,171	-	-	-	25,171	-
	-	-	-	-	-	-	658,836	-	658,836	-	(25)	-	658,811	-
	-	-	-	54,202	-	-	-	-	54,202	-	-	-	54,202	-
	-	-	-	79,373	-	-	658,836	-	738,209	-	(25)	-	738,184	-
	P5,195,395	-	P21,959,159	P199,929	-	-	P2,067,692	-	P29,422,175	P221	-	-	P29,422,396	-
	P5,195,395	-	P21,959,159	P199,929	-	-	P2,067,692	-	P29,422,175	P221	-	-	P29,422,396	-

The accompanying notes are part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

	Note	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Period from September 17 to December 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss)		P658,811	P1,413,466	(P4,446)
Allocation for non-controlling interest		-	270	-
Adjustments for:				
Depreciation of property, machinery and equipment	5	1,269,233	1,221,272	-
Financial expenses, other financial expenses and foreign exchange result		998,479	2,422,547	-
Net provisions (reversal of provisions) during the period	12, 16, 20, 22	179,163	(165,732)	-
Impairment loss on property, machinery and equipment	9	175,230	-	-
Income tax expense	24	139,544	563,744	-
Loss from early extinguishment of debt	9	64,603	-	-
Stock-based compensation expense	25	25,171	11,655	-
Loss on disposal of property, machinery and equipment	9	4,602	24,263	-
Operating profit (loss) before working capital changes		3,514,836	5,491,485	(4,446)
Net changes in operating assets and liabilities:				
Decrease (increase) in:				
Trade receivables		50,005	(92,357)	-
Due from related parties		164,187	(144,842)	190
Other current accounts receivable		53,679	(139,803)	-
Inventories		(722,775)	(297,353)	-
Prepayments and other current assets		(18,820)	502,805	-
Increase (decrease) in:				
Trade payables		(29,250)	(75,313)	-
Due to related parties		471,769	314,857	-
Unearned revenue, other accounts payable and accrued expenses		71,312	(232,738)	-
Cash generated from (absorbed by) operations		3,554,943	5,326,741	(4,256)
Interest received		3,034	8,570	-
Interest paid		(860,786)	(311,430)	-
Income taxes paid		(553,370)	(1,239,764)	-
Benefits paid to employees	22	(26,014)	(36,305)	-
Net cash provided by (used in) operating activities		2,117,807	3,747,812	(4,256)

Forward



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		For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Period from September 17 to December 31, 2015
	<i>Note</i>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of:				
Property, machinery and equipment		P15,280	P1,102	P-
Investments in shares of stock		-	1,476,056	-
Investment property		-	508,165	-
Additions to:				
Property, machinery and equipment	18	(1,148,213)	(722,210)	-
Investments in shares of stock	14	(134)	-	-
Decrease (increase) in other noncurrent assets		(396,211)	23,654	-
Acquisition of subsidiaries, net of cash acquired	19	-	(44,137,515)	-
Net cash used in investing activities		(1,529,278)	(42,850,748)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Bank loan drawdown (net of transaction cost)	23	13,831,596	-	-
Long-term loan from related parties	13	849,900	40,760,694	-
Issuance of common stock (net of issuance cost)	25A	-	27,145,155	9,212
Payments of:				
Long-term payable to related parties	13	(15,458,475)	(27,439,418)	-
Bank loan		(105,092)	-	-
Net cash provided by (used in) financing activities		(882,071)	40,466,431	9,212
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(293,542)</b>	<b>1,363,495</b>	<b>4,956</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>14,654</b>	<b>(31,262)</b>	<b>(34)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>1,337,155</b>	<b>4,922</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	11	<b>P1,058,267</b>	<b>P1,337,155</b>	<b>P4,922</b>

*The accompanying notes are part of these consolidated financial statements*



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**CEMEX Holdings Philippines, Inc. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**As at and for the years ended December 31, 2017 and 2016**

**And for period from September 17 to December 31, 2015**

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

**NOTE 1 - DESCRIPTION OF BUSINESS**

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

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

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

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

On January 1, 2016, the Parent Company became the holding company of the consolidated entities, majority of whom are doing business in the Philippines. The Parent Company's two principal manufacturing subsidiaries, i.e., APO Cement Corporation (APO) and Solid Cement Corporation (Solid), are involved in the production, marketing, distribution and sale of cement and other cement products. APO and Solid are both stock corporations organized under the laws of the Philippines. The Parent Company holds APO directly and indirectly, through Edgewater Ventures Corporation and Triple Dime Holdings, Inc., whereas the Parent Company holds Solid and Solid's subsidiaries directly and indirectly, through Bedrock Holdings, Inc. and Sandstone Strategic Holdings, Inc. (see Note 29).

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

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

On June 30, 2016, the Philippine Securities and Exchange Commission (SEC) resolved to render effective the Registration Statement of the Parent Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Parent Company. On July 18, 2016, the Parent Company's initial public offering (IPO) of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading of shares of stocks under the Main Board of the Philippine Stock Exchange (PSE), resulting in an increase in capital stock of P2,337,928 and additional paid-in capital of P21,959,159, net of P835,639 transaction costs that is accounted for as a reduction in equity.

Based on the lists of stockholders registered with the stock transfer agent of the Parent Company, the Parent Company had 16 and 14 stockholders as at December 31, 2017 and 2016, respectively, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

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

**CEMEX Holdings Philippines, Inc. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**As at and for the years ended December 31, 2017 and 2016**

**And for period from September 17 to December 31, 2015**

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

**NOTE 2 - BASIS OF PREPARATION**

**A) STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs, which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

**B) BASIS OF MEASUREMENT**

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

**C) DEFINITION OF TERMS**

When reference is made to "P", it means Philippine Peso. Unless otherwise indicated, the Philippine Peso amounts in the consolidated financial statements and the accompanying notes are stated in thousands. When reference is made to "\$" or dollar and "€" or euro, it means thousands of dollars of the United States of America (the "United States" or "U.S.") and euro of European Union, respectively.

**D) FUNCTIONAL AND PRESENTATION CURRENCY**

The consolidated financial statements of the Company are presented in Philippine Peso, the functional currency of the Parent Company and each of its subsidiaries, except for Falcon and CAR whose functional currency is both in U.S. dollar. All values are rounded to the nearest thousand, except when otherwise stated.

**E) STATEMENTS OF COMPREHENSIVE INCOME**

The line item "Other expenses - net" in the consolidated statements of comprehensive income consists primarily of income and expenses not directly related to the Company's main activity, or which are non-recurring in nature, such as impairment loss on property, machinery and equipment, reorganization expenses, back office and other support service, among others.

**F) STATEMENTS OF CASH FLOWS**

The consolidated statements of cash flows present cash inflows and outflows, excluding unrealized foreign exchange result and the following that did not represent sources or uses of cash:

- a) The increases in other equity reserves associated with CEMEX's Ordinary Participation Certificates (CPOs) granted in 2017 and 2016 as part of the executive's long-term share-based compensation programs for P25,171 and P11,655, respectively, as described in Note 25D.
- b) In line with its production expansion plan, the Company acquired equipment from CEMEX Construction Materials South LLC by incurring a liability amounting to nil and P573,836 in 2017 and 2016, respectively (see Note 13).
- c) The Company capitalized decommissioning cost amounting to P5,805 in 2017. This capitalized cost pertains to its estimated cost of restoring the plant site at the end of its useful life.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 22, 2018.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

**A) CHANGES IN ACCOUNTING POLICIES**

The accounting policies adopted have been applied consistently to all years presented in these consolidated financial statements, except for the following relevant amendments to standards, which were adopted on January 1, 2017 and have been applied in preparing this consolidated financial statements. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's consolidated financial statements.



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Certain comparative amounts in the consolidated statement of comprehensive income have been re-presented as a result of changes in the presentation of certain accounts during the current year (see Note 30).

## **1. Adoption of Amendments to Standards**

### 1.1 Disclosure initiative (Amendments to PAS 7, *Statement of Cash Flows*)

The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Company has provided the required information in Notes 13 and 23 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Company did not present comparative information for the year ended December 31, 2016.

### 1.2 Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, *Income Taxes*)

The amendments clarify that:

- the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
- the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
- the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

### 1.3 Annual Improvements to PFRSs 2014 - 2016 Cycle

This cycle of improvements contains amendments to three standards. The following is the amendment to PFRSs effective for annual periods beginning on or after January 1, 2017:

- Clarification of the scope of the standard (Amendments to PFRS 12, *Disclosure of Interests in Other Entities*). The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The amendments are applied retrospectively, with early application permitted.

## **2. Standards Issued But Not Yet Adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's consolidated financial statements. The Company will adopt the following new and amendments to standards in their respective effective dates.

### 2.1 Effective January 1, 2018

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

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The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

*Estimated Impact of the Adoption of PFRS 9*

*Impairment of Financial Assets.* Under the new impairment model based on ECL, impairment losses resulting either from (1) possible default events within the twelve (12) months after the reporting date; or (2) all possible default events over the expected life of financial assets, are recognized on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if the loss has not yet been incurred, considering for their measurement past events and current conditions, as well as reasonable and supportable forecasts affecting collectability.

The Company has assessed the estimated impact that the initial adoption of PFRS 9 will have on its consolidated financial statements. The Company reviewed its existing financial instruments and determined that the amended standard has significant impact on its allowance for impairment losses on receivables. The Company computed the impact to consolidated financial statements upon adoption of the standard following a methodology consistent with PFRS 9. The effects are detailed below:

		As reported as at December 31, 2017	Estimated adjustments due to adoption of PFRS 9	Estimated adjusted opening balance at January 1, 2018
Trade receivables - net	P	833,259	(14,412)	818,847
Deferred income tax assets - net		925,230	4,324	929,554
Retained earnings		2,067,692	(10,088)	2,057,604

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

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

The Company assessed that the new classification requirements of PFRS 9 will have no material impact on its accounting for cash and cash equivalents, trade receivables, due from related parties, other current accounts receivable and long-term and guarantee deposits which will in general also be measured at amortized cost, having cash flows that are solely payments of principal and interest under a held-to-collect business model.

The actual impact of adopting PFRS 9 at January 1, 2018 may change because the new accounting policies are subject to change until the assessment is finalized and the Company presents its first consolidated financial statements that include the date of initial application.

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

- *Measurement of cash-settled awards.* The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments - i.e. the modified grant date method.
- *Classification of awards settled net of tax withholdings.* The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if:
  - the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement (the net settlement feature); and

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- o the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.

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

- *Modification of awards from cash-settled to equity settled.* The amendments clarify that when a share-based payment is modified from cash-settled to equity-settled, at modification date, the liability for the original cash-settled share-based payment is derecognized and the equity-settled share-based payment is measured at its fair value, recognized to the extent that the goods or services have been received up to that date. The difference between the carrying amount of the liability derecognized, and the amount recognized in equity, is recognized in profit or loss immediately.

The amendments are effective for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted.

c) PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers*, and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has assessed the impact of the new revenue standard on the Company's consolidated financial statements as follows:

*Sale of Goods*

The revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Under PFRS 15, revenue will be recognized when the customer obtains control of the goods. Based on the management's assessment, the transfer of the control over the goods is at a point in time and coincides with its delivery and acceptance by the customer. Hence, the management does not expect the application of PFRS 15 to result in a significant impact on its revenue recognition on the sale of goods.

For the customer loyalty programme being implemented locally by the management, the fair value method is the current practice being followed by the Company in valuing the customer loyalty points earned by its customers. Under PFRS 15, consideration will be allocated between the loyalty points earned by the customer and the goods sold based on their relative stand-alone selling prices. As a consequence, a lower proportion of the consideration will be allocated to the loyalty programme, and therefore less revenue is likely to be deferred. The changes are assessed to be not material considering circumstances specific to the Company.

*Construction Contracts*

In the adoption of PFRS 15, the Company's construction contracts qualify for an over-time revenue recognition as the performance obligations commonly pertain to construction of an asset on properties controlled by the customer. The management assessed that significant impact on the measure of progress is not expected as the Company's current recognition policy recognizes construction expense as incurred and does not ordinarily result in material amounts of work in progress recorded as an asset. Contract revenue also includes the initial amount agreed in the contract plus any variations in contract work and claims, to the extent that it is probable that they will result in revenue and can be measured reliably. When variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. The practice is expected to remain similar when applying the contract modification guidance of PFRS 15, considering common contracts of the Company. Hence, the Company does not expect the application of PFRS 15 to have significant impact on its revenue recognition on construction contracts.

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The actual impact of adopting PFRS 15 at January 1, 2018 may change because the new accounting policies are subject to change until the assessment is finalized and the Company presents its first consolidated financial statements that include the date of initial application.

d) Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

e) *Annual Improvements to PFRSs 2014 - 2016 Cycle*. This cycle of improvements contains amendments to three standards. Following is the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018:

- Measuring an associate or joint venture at fair value (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments are applied retrospectively, with early application permitted.

## 2.2 Effective January 1, 2019

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

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The Company has completed the initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying PFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at January 1, 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Company will recognize new assets and liabilities for its operating leases of land, office space, warehouse and transportation equipment. As at December 31, 2017, the Company's minimum lease payments under non-cancellable operating leases amounted to P3,596,666, on an undiscounted basis (see Note 27). In addition, the nature of expenses related to those leases will now change as PFRS 16 replaces the straight-line operating lease expense with depreciation charge for the right-of-use assets and interest expense on lease liabilities.

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

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

c) *Prepayment Features with Negative Compensation (Amendments to PFRS 9)*. The amendments cover the following areas:

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

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

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

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

d) *Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28)*. The amendment requires the application of PFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests (LTIs) that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any prior years' PAS 28 loss absorption. If necessary, prior years' PAS 28 loss allocation is trued-up in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

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

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

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

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

**B) PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements includes those of the Parent Company and those of the subsidiaries in which the Parent Company exercises control (see Note 29), by means of which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Among other factors, control is evidenced when the Parent Company: a) holds directly or through subsidiaries, more than 50% of an entity's common stock; or b) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Company obtains control and continue to be consolidated until the date that such control ceases.

The consolidated financial statements of the Company are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. It is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related OCI recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statements of comprehensive income.

The Company has P221 and P246 non-controlling interest as at December 31, 2017 and 2016, respectively (see Note 25C).

All intragroup transactions, balances and income and expenses are eliminated in consolidation. Each subsidiary is a legally responsible separate entity and maintains custody of its own financial resources.

**C) USE OF JUDGMENTS, ESTIMATES AND CRITICAL ASSUMPTIONS**

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

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*Judgments*

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the consolidated financial statements:

**Determining Functional Currency**

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each of the consolidated entities in the Company considers the following:

- a) The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- b) The currency in which funds from financing activities are generated; and
- c) The currency in which receipts from operating activities are usually retained.

In case of a subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

**Determining whether the Company has Control over its Investee Companies**

The Parent Company uses judgment in determining control over its investee companies. The Parent Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee; and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Parent Company assessed that it has control over its investee companies disclosed in Note 29 and treats these investee companies as its subsidiaries.

**Determining whether an Arrangement Contains a Lease**

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes an assessment of whether it is dependent on the use of a specific asset or assets and conveys a right to use the asset.

**Leases**

The Company has entered into various lease arrangements as lessee. The Company has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

**Determination of whether the Company is Acting as a Principal or an Agent**

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity has the primary responsibility for providing the goods or rendering services;
- the entity has inventory risk;
- the entity has discretion in establishing prices; and
- the entity bears the customer's credit risk.

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An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or rendering of services. The Company assessed that it is acting as principal on all of its revenue transactions.

**Classifying Financial Instruments**

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

**Distinction between Held for Sale and Owner-Occupied Property**

The Company determines whether a property qualifies as held for sale. In making its judgment, the Company considers whether the property is not occupied substantially for use by, or in operations by the Company, but is expected to be recovered through sale. Owner-occupied properties generate cash flows that are attributable not only to the property, but also to the other assets used in the production or supply process.

The Company assessed that its machinery and equipment (which were previously being used for concrete operations), its marine vessels, and other machinery and equipment qualify as held for sale (see Note 17).

**Assessing Whether the Insurance Contract with the Third Party Insurer and Reinsurance Contract of Falcon are Linked Transactions**

The Company, through Solid and APO, insures certain risks with a third party insurer in which Falcon takes some of the risk back into the Company. It was assessed that the insurance transactions between the third party insurer and Solid and APO are interdependent with the reinsurance transaction to Falcon. Since Falcon does not have the regulatory approval required to issue direct insurance contract to Philippine entities, the third party insurer acts as a conduit for Falcon, the captive insurer. This makes the transactions, in substance, form a single arrangement that achieves an overall commercial effect of self-insurance. In addition, the reinsurance contract by Falcon were entered in contemplation of the insurance contracts entered by Solid and APO with the third party insurer. Thus, the insurance expense of Solid and APO and revenue from insurance contracts of Falcon were offset during consolidation.

**Assessing Whether the Business Combination Transaction has Commercial Substance**

PFRS 3, *Business Combinations*, does not include in its scope transactions among entities under common control. The Company assesses whether a business combination transaction of the Parent Company has commercial substance pursuant to the Company's accounting policy discussed in Note 3K. Since the Parent Company's acquisition of the entities comprising the Philippine operations was undertaken as an integral part of its IPO, the Company assessed such transaction as having commercial substance. Hence, the Company accounted for such business combination transaction using acquisition method of accounting.

**Purchase Price Allocation to Account for the Business Combination**

Judgment is applied by the Company in allocating the purchase consideration and assigning fair values to the assets, liabilities acquired and eventually to goodwill. The Company has not identified any intangible asset to be recognized separately from goodwill.



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*Estimates and Assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

**Impairment of Goodwill**

The Company performed its annual impairment test on its goodwill as at the reporting date. The recoverable amount of goodwill was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The assumptions that were applied to the cash flow projections are disclosed in Note 19 to the consolidated financial statements. The following bases were used to develop the assumptions used in computing value-in-use:

*Growth rate estimates* - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

*Discount rates* - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is the most sensitive to changes in discount rate and growth rate.

**Estimating Realizability of Deferred Income Tax Assets**

The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets include an amount which relates to the carried forward tax losses of the Parent Company (see Note 24). The Parent Company has incurred the tax losses over the last three years starting from its incorporation. They relate mainly to the expenses incurred by the Company during the IPO and realized foreign exchange loss during its loan refinancing. These carried forward tax losses has an expiration of three years from the taxable year when the tax loss was incurred. The foreign subsidiaries are expected to generate profit in the following years that will be available for declaration as dividend to the Parent Company that will eventually form part of its taxable income from where the said carried forward tax losses may be applied. However, the Company has concluded that they will only benefit from a portion of the said tax losses before they eventually expire. The assessment was based on the level of estimated profit that the foreign subsidiaries will generate in the subsequent years which is based on their past results and future expectations of revenues and expenses. As at December 31, 2017 and 2016, net deferred income tax assets amounted to P925,230 and P444,601, respectively (see Note 24B). The Company has unrecognized deferred income tax assets in respect of NOLCO and deductible temporary differences amounting to P2,646,805 and P894,857 as at December 31, 2017 and 2016, respectively, which mostly pertain to net operating loss carryover (NOLCO). The outcomes within the next financial year with respect to the results of operations of the foreign subsidiaries that are different from the assumption could require a material adjustment to the carrying amount of the Company's deferred income tax assets.

**D) FOREIGN CURRENCY**

**Foreign Currency Transactions**

Transactions in foreign currencies are translated into the respective functional currencies of each of the consolidated entities in the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the transaction of the following items are recognized in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss); and
- qualifying cash flow hedges to the extent that the hedges are effective.

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Foreign currency gains and losses are reported on a net basis. During the period, there was no hyperinflationary economy, which is generally considered to exist when the cumulative inflation rate over the last three years is approaching, or exceeds 100%. In a hyperinflationary economy, the accounts of the entity's income statements should be restated to constant amounts as at the reporting date.

**Foreign Operation**

The assets and liabilities of foreign operation with functional currency other than the Philippine peso are translated into Philippine peso at the exchange rates at the reporting date. The income, expenses and cash flows of foreign operations are translated into Philippine peso at the monthly weighted average exchange rates for the period. Capital transactions of the foreign operations are translated to Philippine Peso at the exchange rates at the dates of the relevant transactions. Foreign currency differences are recognized in OCI and accumulated in "Other equity reserves" account in equity, except to the extent that the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the "Other equity reserves" account in the consolidated statements of comprehensive income related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

**E) FINANCIAL INSTRUMENTS**

Financial instruments within the scope of PAS 39 are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Financial instruments are recognized initially at fair value. Except for financial instruments classified or designated at FVPL, the initial measurement of financial assets includes directly attributable transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, HTM investments, AFS financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2017 and 2016, the Company has no financial assets and financial liabilities at FVPL and HTM investments.

**Cash and Cash Equivalents**

Cash and cash equivalents are included in the category "loans and receivables". Cash equivalents are mainly represented by short-term investments of high liquidity, which are easily convertible into cash, and which are not subject to significant risks of changes in their values, including overnight investments, which yield fixed returns and have maturities of less than three months from the investment date. Cash and cash equivalents exclude those which are restricted from Company's use in operations. Cash and cash equivalents are stated at face value which includes accrued interest. Interest income accruing from cash and cash equivalents are recognized as part of "Other financial expenses - net" in the consolidated statements of comprehensive income.

**Trade Receivables and Other Current Accounts Receivable**

Pursuant to PAS 39, items under this caption are included in the category "loans and receivables". Due to their short-term nature, the Company initially recognizes these receivables at the original invoiced amount and are subsequently measured at amortized cost less an estimate of impairment losses. Impairment losses are recognized under selling expenses. The Company assesses at the end of each reporting date whether there is any objective evidence that a financial asset is impaired.

Objective evidence that financial assets are impaired includes, among others, default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy and adverse changes in the payment status of the borrowers or issuers.

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The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Company.

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

As part of the category "loans and receivables" under PAS 39, noncurrent accounts receivable are initially recognized at fair value including directly attributable transaction costs and are subsequently measured at their amortized cost. Subsequent changes in net present value are recognized in the consolidated statements of comprehensive income as part of "Other financial expenses - net".

#### **Derivative Financial Instruments and Hedge Accounting**

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured and accounted for in the consolidated statements of financial position at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statements of comprehensive income. To qualify for hedge accounting, the hedging relationship must comply with the strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges.

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*Cash flow Hedges*

Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect profit or loss. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in OCI and accumulated in the hedging reserve under "Other equity reserves" in the consolidated statements of financial position, whereas any hedge ineffectiveness is immediately recognized in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense or cost of sales is recognized). However, if an entity expects that all or a portion of a loss recognized in OCI will not be recovered in one or more future periods, it shall reclassify from equity to profit or loss as a reclassification adjustment the amount that is not expected to be recovered.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When the hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported to OCI is retained in OCI until the hedged transaction impacts profit or loss. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in OCI is recognized immediately in profit or loss.

**Debt and Other Financial Liabilities**

Trade payables, due to related parties, other accounts payable and accrued expenses (excluding advances from customers and liabilities covered by other PFRSs, such as statutory liabilities), long-term payable to related parties, and bank loans are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the consolidated statements of financial position within "Unearned revenue, other accounts payable and accrued expenses", "Long-term payable to related parties" or "Bank loans" against financial expenses. As at December 31, 2017 and 2016, the Company did not have financial liabilities classified as at FVPL, or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss.

**'Day 1' Profit**

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

**Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated statements of financial position.

**Derecognition of Financial Instruments**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

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- the Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. The difference between the carrying amount of financial liability (or part of a financial liability) extinguished and the consideration paid is recognized in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

#### **F) BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

The Company discloses balances and transactions with related parties. These balances and transactions resulted primarily from: i) the sale and purchase of goods and equipment between related parties; ii) the invoicing of administrative services, rentals, royalties and other services rendered between related parties; and iii) loans and advances between related parties.

The recognition and measurement policies on balances with related parties, which are treated as loans and receivables and other financial liabilities, are in accordance with PAS 39.

#### **G) INVENTORIES**

Inventories are valued using the lower of their acquisition cost and net realizable value (NRV). The cost of inventories is based on the moving average method and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. NRV of inventories, other than spare parts, is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The NRV of spare parts is the replacement cost. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired.

When an impairment situation arises, the inventory balance is adjusted to its NRV, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results for the period. Advances to suppliers of inventory are presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position.

When the inventories are sold, the carrying amounts of those inventories are recognized under "Costs of sales and services" account in profit or loss in the period when the related revenue is recognized.

#### **H) PREPAYMENTS AND OTHER CURRENT ASSETS**

##### **Prepayments**

Prepayments are carried at cost. Prepaid insurance and prepaid rent are subsequently amortized over the terms of the contract to which the payment applies. Advances to suppliers for raw materials and spare parts are subsequently recognized as inventories or expense when the goods are received or services are rendered. Prepaid taxes represent creditable withholding taxes which are deducted from income tax payable.

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**Assets Held for Sale**

Noncurrent assets that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies on the particular account from which the asset was previously classified. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amounts and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains for any subsequent increase in fair value less costs to sell of the asset are not recognized in excess of any cumulative impairment loss that has been recognized. Any gain or loss from the derecognition of assets held for sale is recognized in profit or loss.

**I) INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS**

**Investment in an Associate**

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interest in an associate is accounted for using the equity method. It is initially recorded at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share in the profit or loss and OCI of the associate, until the date on which the significant influence ceases.

**Other Investments**

Included in other investments are the AFS financial assets. AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS financial assets which are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

If there is objective evidence that an impairment loss has been incurred on an equity instrument that does not have a quoted price in an active market and that is not carried at fair value because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

As at December 31, 2017 and 2016, other investments include mainly investments in shares of stock of Greencrete, Inc. and other entities (see Note 14).

**J) PROPERTY, MACHINERY AND EQUIPMENT**

An item of property, machinery and equipment is initially recognized at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition of its intended use. Property, machinery and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The acquisition or construction cost includes all expenditures directly attributable to bringing the assets to a working condition for their intended use. Major components of an item of property, machinery and equipment with different useful lives are accounted for as separate items.

Depreciation of property, machinery and equipment is recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income and is calculated using the straight-line method over the estimated useful lives of the assets.

As at December 31, 2017, the Company's maximum estimated useful lives by category of property, machinery and equipment were as follows:

	<u>Years</u>
Buildings and improvements .....	50
Machinery and equipment	
Plant Machinery and equipment .....	10 - 35
Ready-mix trucks and motor vehicles .....	5
Office equipment and other assets .....	3

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The assets' residual values, useful lives and method of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property, machinery and equipment. Any change in the expected residual values, useful lives and method of depreciation are adjusted prospectively from the time the change was determined necessary.

The Company capitalizes, as part of the historical cost of property, machinery and equipment, interest expense arising from existing debt during the construction or installation period of significant property, machinery and equipment, considering the Company's corporate average interest rate and the average balance of investments in process for the period.

Construction in-progress represents property, machinery and equipment under construction and is recognized at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for operational use but tested for impairment.

Costs incurred in respect of operating property, machinery and equipment that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. The capitalized costs are depreciated over the remaining useful lives of such property, machinery and equipment. Other costs, including periodic maintenance on property, machinery and equipment, are expensed as incurred. Advances to suppliers of property, machinery and equipment are presented as part of "Other assets and noncurrent accounts receivable" in the consolidated statements of financial position.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, machinery and equipment are accounted for as property, machinery and equipment. Depreciation on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

An item of property, machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statements of comprehensive income, in the period the item is derecognized.

#### K) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted using the acquisition method of accounting when control is transferred to the Parent Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets, liabilities and contingent liabilities (that satisfy certain recognition criteria) acquired. The consideration is allocated to all identifiable assets acquired and liabilities assumed, based on their estimated fair values at acquisition date. Intangible assets acquired are identified and recognized at fair value. Any unallocated portion of the consideration transferred represents goodwill, which is not amortized and is subject to periodic impairment tests (see Note 3L). Goodwill can be adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed within the twelve-month period after purchase. Costs associated with the acquisition are expensed in profit or loss as incurred.

For business combination transactions among entities under common control, the Company applies the provisions of the Philippine Interpretations Committee Questions and Answers No. 2011-02, *Common Control Business Combinations*, in assessing whether a transaction has commercial substance and qualifies for acquisition method of accounting under PFRS 3.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Company's cash-generating units (CGUs), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the assets or liabilities of the Company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and

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- is not larger than a segment based on the Company's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Note 3L).

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

#### **L) IMPAIRMENT OF NON-FINANCIAL ASSETS**

##### **Property, Machinery and Equipment and Investment in an Associate**

Property, machinery and equipment and investment in an associate are tested for impairment upon the occurrence of factors, such as a significant adverse event, changes in the Company's operating environment, changes in projected use or in technology, as well as expectations of lower operating results for each CGU, in order to determine whether their carrying amounts may not be recovered, in which case an impairment loss is recognized in profit or loss for the period when such determination is made within "Other expenses - net" account in the consolidated statements of comprehensive income.

The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs of disposal, and its value-in-use, the latter represented by the net present value of estimated cash flows related to the use or disposal of the asset.

Significant judgment by management is required to appropriately assess the fair values and value-in-use of these assets. The main assumptions utilized to develop these estimates are a discount rate that reflects the risk of the cash flows associated with the assets evaluated and the estimations of generation of future income. Those assumptions are evaluated for reasonableness by comparing such discount rates to market information available and by comparing to third-party expectations of industry growth, such as governmental agencies or industry chambers of commerce.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statements of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

##### **Goodwill**

Goodwill is tested for impairment when needed due to significant adverse changes or at least once a year by determining the recoverable amount of the group of CGUs to which goodwill was allocated, which consists of the higher between the CGU's fair value, and their value-in-use, represented by the discounted amount of estimated future cash flows to be generated by such CGUs to which those net assets relate. The Company determines discounted cash flows over a 5-year period. If the value-in-use of any CGU is lower than their respective carrying amount, the Company determines the fair value of its CGUs using a methodology widely accepted in the market to determine the value of entities, such as multiples of Operating Earnings Before Income Tax, Depreciation and Amortization (EBITDA) and by reference to other market transactions, among others. An impairment loss is recognized in profit or loss within "Other expenses - net" account in the consolidated statements of comprehensive income, if the recoverable amount is lower than the carrying amount of the group of CGUs to which goodwill was allocated. Impairment charges recognized on goodwill are not reversed in subsequent periods.

The Company operates through its major operating subsidiaries, Solid and APO, which represents the Company's groups of CGUs to which goodwill has been allocated for purposes of testing goodwill for impairment and represents the lowest level at which goodwill is monitored for internal management purposes.



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Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of the Company's products, the development of operating expenses, economic trends in the relevant construction industry, the long-term growth expectations in the market, as well as to the discount rate and the growth rate in perpetuity applied. For purposes of estimating future prices, the Company uses, to the extent available, historical data plus the expected increase or decrease according to information issued by trusted external sources and/or governmental economic expectations. Operating expenses are normally measured as a constant proportion of revenues, following past experience. However, such operating expenses are also reviewed considering external information sources in respect to inputs that behave according to international prices, such as gas and oil.

The Company uses pre-tax discount rates which are applied to discount pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. Likewise, the amounts of discounted estimated future cash flows are significantly sensitive to the weighted average cost of capital (discount rate) applied. The higher the growth rate in perpetuity applied, the higher the amount obtained of undiscounted future cash flows by CGU. Conversely, the higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by CGU.

#### **M) PROVISIONS AND CONTINGENCIES**

The Company recognizes provisions when it has a legal or constructive obligation resulting from past events, whose resolution would imply probable and reliably measurable cash outflows or delivery of other resources owned by the Company. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a borrowing cost.

##### **Restructuring**

The Company recognizes provisions for restructuring costs only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to the third parties involved and/or affected by the restructuring prior to the reporting date. These provisions may include costs not associated with the Company's ongoing activities.

##### **Asset Retirement Obligations**

Unavoidable obligations, legal or constructive, to restore operating sites upon retirement of long-lived assets at the end of their useful lives are measured at the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' carrying amount. The increase in the assets' carrying amount is depreciated during its remaining useful life. The increase in the liability related to the passage of time is charged to profit or loss. Adjustments to the liability for changes in estimations are recognized against the related property, machinery and equipment and depreciation is modified prospectively. Once the related asset is fully depreciated over its useful life, all subsequent changes in the liability shall be recognized in profit or loss as they occur. These liabilities relate mainly to the future costs of demolition, cleaning and rehabilitation and vacating from, under certain conditions, production or operating sites, including maritime terminals.

##### **Costs Related to Remediation of the Environment**

Provisions associated with environmental damage represent the estimated future cost of remediation, which are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. Reimbursements from insurance companies are recognized as assets only when their recovery is virtually certain. In that case, such reimbursement assets are not offset against the provision for remediation costs.

## Commitments and Contingencies

Obligations or losses related to contingencies are recognized as liabilities in the consolidated statements of financial position when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the consolidated financial statements on an incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the consolidated financial statements. The Company does not recognize contingent revenues, income or assets.

## N) FAIR VALUE MEASUREMENTS

The Company applies the guidance of PFRS 13, *Fair Value Measurement*, for its fair value measurements of financial assets and financial liabilities recognized or disclosed at fair value. Under PFRS 13, fair value represents an "Exit Price," which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, considering the counterparty's credit risk in the valuation. The concept of exit value is premised on the existence of a market and market participants for the specific asset or liability. When there is no market and/or market participants willing to make a market, PFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement), secondly, to inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly (Level 2 measurement), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement). The Company recognizes transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

## O) EMPLOYEE BENEFITS

### Defined Benefit Pension Plans

Pursuant to PAS 19, *Employee Benefits*, the Company recognizes the costs associated with employees' defined benefit pension plans as services are rendered, based on actuarial estimations of the benefits' present value with the advice of external actuaries. The actuarial assumptions consider the use of nominal rates.

The service cost, corresponding to the increase in the obligation for additional benefits earned by employees during the period, is recognized as part of "Costs of sales and services" and "Operating Expenses". The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss within "Other financial expenses - net" account in the consolidated statements of comprehensive income.

The effects from modifications to the pension plans that affect the cost of past services are recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income during the period in which such modifications occur or when any related restructuring or termination benefits are recognized, if earlier. Likewise, the effects from curtailments and/or settlements of obligations occurred during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized as part of "Costs of sales and services" and "Operating Expenses" accounts in the consolidated statements of comprehensive income.

Remeasurements such as the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, and actuarial gains and losses, related to differences between the previous actuarial assumptions and actual occurrences, and changes in actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of OCI for the period within equity. Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in profit or loss for the period in which they are incurred.

### Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Transportation Allowance

The Company grants transportation allowance to "entitled executives" for the purpose of purchasing a motor vehicle and to cover other transportation-related expenses such as, but not limited to, maintenance cost, gasoline, registration expenses and insurance premiums on motor vehicle for a period of five (5) years from the date of grant. The amount paid to executives in respect of the Company's transportation allowances is recorded as an asset carried at cost (the current portion is part of "Prepayments and other current assets" account, while the noncurrent portion is part of "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) and subsequently amortized as an expense over the term of the contract.

### Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

### P) BORROWING COSTS

Interest and other finance costs incurred on borrowings used to finance property development are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets are completed. These costs are amortized using the straight-line method over the estimated useful life of the related property, machinery and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

### Q) TAXES

#### Income Taxes

Based on PAS 12, the effects reflected in profit or loss for income taxes include the amounts payable or recoverable in respect of taxable profit or loss during the period and the amounts of deferred income taxes pertaining to amounts payable or recoverable in future periods, determined according to the income tax law applicable to each entity. Consolidated deferred income taxes represent the addition of the amounts determined in each legal entity by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable amounts of assets and liabilities, considering tax loss carryforwards as well as other recoverable taxes and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income taxes for the period represent the difference between balances of deferred income taxes at the beginning and the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. Pursuant to PFRSs, all items charged or credited directly in equity or as part of OCI for the period are recognized net of their current and deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the period in which the change is officially enacted.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused NOLCO, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and

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- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is not considered probable that the related tax benefit will be realized. In conducting such assessment, the Company analyzes the aggregate amount of self-determined tax loss carryforwards included in its income tax returns in each country where the Company believes, based on available evidence, that the tax authorities would not reject; and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through an analysis of estimated future taxable income. If the Company believes that it would not be able to use a tax loss carryforward before its expiration or any other deferred income tax asset, the Company will not recognize such deferred income tax assets.

Both situations would result in additional income tax expense for the period in which such determination is made. In order to determine whether it is probable that deferred income tax assets will ultimately be realized, the Company takes into consideration all available positive and negative evidence, including factors such as market conditions, industry analysis, expansion plans, projected taxable income, carryforward periods, current tax structure, potential changes or adjustments in tax structure, tax planning strategies, future reversals of existing temporary differences, etc. Likewise, every reporting period, the Company analyzes its actual results versus the Company's estimates, and adjusts its estimations as necessary. If actual results vary from the Company's estimates, the deferred income tax asset may be affected and necessary adjustments will be made based on relevant information. Any adjustments recorded will affect the Company's profit or loss in such period.

Excess income tax payments are recognized as "Prepaid taxes" under "Prepayments and other current assets" account in the consolidated statements of financial position and are carried at cost.

The income tax effects from an uncertain tax position are recognized when it is highly probable that the position will be sustained based on its technical merits and assuming that the tax authorities will examine each position and have full knowledge of all relevant information, and they are measured using a cumulative probability model. The amount to be provided for uncertain tax positions is the best estimate of the tax amount expected to be paid. Each position has been considered on its own, regardless of its relation to any other broader tax settlement. The high probability threshold represents a positive assertion by management that the Company is entitled to the economic benefits of a tax position. If a tax position is considered to have low probability to be sustained, no benefits of the position are recognized.

#### **Value-added Tax (VAT)**

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as a part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of "Prepayments and other current assets" or "Unearned revenue, other accounts payable and accrued expenses" accounts, respectively, in the consolidated statements of financial position.

#### **R) STOCKHOLDERS' EQUITY**

##### **Common Stock and Additional Paid-in Capital**

Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the consolidated statements of financial position.

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**Other Equity Reserves**

Represent the horizontal sum of each consolidated entity's cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to equity, and includes the elements presented in the OCI for the period, which includes certain changes in stockholders' equity during a period not resulting from investments by owners and distributions to owners. As at December 31, 2017 and 2016, the "Other equity reserves" account in the consolidated statements of financial position represents the share-based compensation, remeasurements on retirement benefit liability, changes in fair value of the derivative instrument in an effective cash flow hedge and cumulative currency translation of foreign subsidiaries.

**Retained Earnings**

Represent the horizontal sum of each consolidated entity's cumulative results of prior accounting periods, net of dividends declared to stockholders.

**S) EXECUTIVE STOCK-BASED COMPENSATION**

Certain executives of the Company receive compensation under CEMEX's Long-Term Incentive Program using CPOs. Pursuant to the guidance of PFRS 2, stock awards based on the ultimate parent company's shares granted to the Company's executives are treated as equity instruments, considering that services received from employees are settled by delivering such CEMEX's shares. The cost of equity instruments represents the estimated fair value at the date of grant and is recognized in profit or loss during the period in which the exercise rights of the employees become vested against other equity reserves.

**T) REVENUE RECOGNITION**

The Company's consolidated revenue represents the value of products sold by consolidated entities, net of VAT on sales, as a result of their ordinary activities, after the elimination of transactions between consolidated entities, and is quantified at the fair value of the consideration received or receivable granted to customers. Revenue from the sale of goods is recognized when goods are delivered to customers, there is no condition or uncertainty implying a reversal thereof, and they have assumed the risk of loss.

Revenue associated with construction contracts is recognized in the period in which the work is performed by using the percentage-of-completion method of accounting and is measured principally on the basis of the estimated completion of the contract work, considering that the following have been defined: a) each party's enforceable rights regarding the asset to be constructed; b) the consideration to be exchanged; c) the manner and terms of settlement; d) actual costs incurred and contract costs required to complete the asset which are effectively controlled; and e) the probability that the economic benefits associated with the contract will flow to the Company. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

**Customer Loyalty Programme**

The Company has a customer loyalty programme whereby customers are awarded credits known as "Points" entitling customers to redeem Company's products at a certain accumulated number of Points varying on the date of redemption. The Company grants Points to a customer as part of the sales transaction and subject to condition set-out in the programme. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of the sale. The amount allocated to the Points, granted through the customer loyalty programme, is measured by reference to the fair value of the Company's products for which they could be redeemed. The fair value of the right to acquire Company's products for free for which the loyalty credits can be redeemed takes into account the selling price of the Company's products to the customers that have not earned the loyalty credits and the expected forfeiture rate. Such amount is deferred, and is recognized as revenue when the Points are redeemed and the Company has fulfilled its obligations to supply Company's products. The amount of revenue recognized in those circumstances is based on the number of Points that have been redeemed in exchange for Company's products, relative to the total number of Points that is expected to be redeemed. Unearned revenue is also reversed and recognized as revenue when it is no longer considered probable that the Points will be redeemed.

**U) INSURANCE CONTRACTS**

An insurance contract is an agreement whereby one party, called the insurer, undertakes for a consideration paid by the other party, called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

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Premiums from insurance contracts are recognized as revenue over the period of the contracts. The portion of the premiums written that relate to the unexpired periods of the policies at each reporting date is accounted for as "Unearned revenue" and is presented under current liabilities section of the consolidated statements of financial position. The net changes in this account between reporting dates are credited to or charged against profit or loss. Insurance revenue is presented as an offset to insurance expense in the consolidated statements of comprehensive income.

**Benefits and Claims**

Benefits and claims consist of all costs incurred during the year, which are recognized when the Company receives notification from policyholders. Estimates have to be made as at the reporting date both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported (IBNR). The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to project future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss against insurance liability. Claims provisions are not discounted for the time value of money.

**V) COSTS OF SALES AND SERVICES, ADMINISTRATIVE AND SELLING EXPENSES AND DISTRIBUTION EXPENSES**

Cost of sales represents the production cost of goods sold. Such cost of sales includes power and fuel, raw materials and supplies, personnel expenses, depreciation of property, machinery and equipment involved in production, as well as freight expenses of raw material in plants and delivery expenses of the Company's ready-mix concrete business. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities and storage of product at points of sales and costs related to warehousing of products at the selling points, which are included as part of administrative and selling expenses, as well as freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers' facilities, which are included as part of the distribution expenses line item in the consolidated statements of comprehensive income. Cost of construction contracts are recognized when incurred.

**W) LEASES**

The determination of whether an arrangement is, or contains a lease is, based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c) There is a change in determination of whether fulfillment is dependent on a specified asset; or
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Lease which do not transfer to the Company substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

**X) BASIC AND DILUTED EARNINGS (LOSS) PER SHARE**

Pursuant to PAS 33, *Earnings Per Share*, basic earnings (loss) per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period. Shares that would be issued depending only on the passage of time should be included in the determination of the basic weighted average number of shares outstanding. Diluted earnings (loss) per share should reflect in both, the numerator and denominator, the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions, to the extent that such assumption would lead to a reduction in basic earnings per share or an increase in basic loss per share, otherwise, the effects of potential shares are not considered because they generate anti-dilution.

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**Y) EVENTS AFTER THE REPORTING DATE**

Post year-end events, up to the approval of the consolidated financial statements by the BOD, that provide additional information about the Company's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed on the notes to the consolidated financial statements when material.

**NOTE 4 - SEGMENT INFORMATION**

The Company applies PFRS 8 for the disclosure of its operating segments, which are defined as the components of an entity that engage in business activities from which they may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segments and assess their performance; and for which discrete financial information is available. The Company's main activity is oriented to the construction industry through the production, distribution, marketing and sale of cement, ready-mix concrete and other construction materials. For the year ended December 31, 2017 and 2016, the cement sector represented approximately 84.50% and 85.88%, respectively, of total net revenues before eliminations resulting from consolidation, and 134.26% and 109.60%, respectively, of Operating EBITDA.

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

**NOTE 5 - DEPRECIATION**

Depreciation charges for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2017	2016	2015
Depreciation expense related to assets used in the production process.....	P	1,145,032	1,128,248	-
Depreciation expense related to assets used in administrative and selling activities.....		124,201	93,024	-
	P	1,269,233	1,221,272	-

**NOTE 6 - COSTS AND EXPENSES**

Costs of sales and services, administrative and selling expenses for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		Costs of Sales and Services		
		2017	2016	2015
Power, fuels, raw materials and production supplies.....	P	8,298,147	7,744,997	-
Depreciation and depletion.....		1,145,032	1,128,248	-
Cement and concrete purchases.....		710,481	786,859	-
Repairs and maintenance.....		549,769	671,819	-
Outside services.....		545,245	503,230	-
Salaries and wages <sup>1</sup> .....		466,936	454,948	-
Rental.....		349,512	358,963	-
Others <sup>2</sup> .....		335,779	236,819	-
	P	12,400,901	11,885,883	-

<sup>1</sup> Includes retirement benefit expense amounting to P39,192, P41,390 and nil in 2017, 2016 and 2015, respectively (see Note 22).

<sup>2</sup> Others pertain to insurance expense, taxes and licenses, transportation and communication expenses and other costs that are individually immaterial.

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		<b>Administrative Expenses</b>		
		2017	2016 <sup>2</sup>	2015
Administrative fees .....	P	625,833	671,490	4,373
Salaries and wages <sup>1</sup> .....		434,081	212,977	-
Insurance .....		143,506	695,506	-
Travel expenses .....		40,397	50,443	-
Depreciation .....		33,019	61,679	-
Rental .....		31,626	28,810	-
Utilities and supplies .....		30,208	37,814	-
Taxes and licenses .....		8,542	12,425	3
Others .....		4,227	41,921	39
	P	<b>1,351,439</b>	<b>1,813,065</b>	<b>4,415</b>

<sup>1</sup> Includes retirement benefit expense amounting to P44,832, P33,433 and nil in 2017, 2016 and 2015, respectively (see Note 22).

<sup>2</sup> As restated (see Note 30).

		<b>Selling Expenses</b>		
		2017	2016	2015
License fees .....	P	827,829	942,985	-
Administrative fees .....		252,756	180,588	-
Salaries and wages .....		156,814	150,204	-
Advertising and travel .....		137,865	157,461	-
Depreciation .....		91,182	31,345	-
Rental .....		79,797	51,791	-
Utilities and supplies .....		71,454	62,562	-
Taxes and licenses .....		38,582	39,553	-
Impairment losses on receivables (Note 12) .....		26,403	10,615	-
Insurance .....		10,608	2,790	-
Others .....		34,620	50,635	-
	P	<b>1,727,910</b>	<b>1,680,529</b>	<b>-</b>

**NOTE 7 - DISTRIBUTION EXPENSES**

Distribution expenses for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2017	2016	2015
Trucks, barge and charter hire .....	P	3,311,631	3,065,909	-
Fuel for vessel .....		498,273	366,850	-
Handling expenses .....		418,259	428,530	-
Harbor services .....		74,880	95,465	-
Others .....		14,590	4,882	-
	P	<b>4,317,633</b>	<b>3,961,636</b>	<b>-</b>

**NOTE 8 - REVENUE**

Revenue for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

		2017	2016	2015
Sale of goods				
Cement .....	P	21,571,211	23,893,481	-
Ready-mix concrete .....		175,711	333,041	-
Admixtures .....		16,824	13,516	-
		<b>21,763,746</b>	<b>24,240,038</b>	<b>-</b>
Construction services .....		20,704	46,715	-
	P	<b>21,784,450</b>	<b>24,286,753</b>	<b>-</b>



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**NOTE 9 - OTHER EXPENSES - Net**

Net other expenses for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

	2017	2016	2015
Impairment loss on property, machinery and equipment <sup>1</sup> .....	P 175,230	-	-
Reorganization expenses <sup>2</sup> .....	139,409	-	-
Loss from early extinguishment of debt <sup>3</sup> .....	64,603	-	-
Loss on disposal of property, machinery and equipment... Freight on disposal of property, machinery and equipment.....	4,602	24,263	-
	1,086	-	-
Back office and other support service <sup>4</sup> .....	(136,647)	-	-
Gain on sale of scraps .....	(20,625)	(11,399)	-
Costs related to listing of shares <sup>5</sup> .....	-	287,930	-
Others .....	(1,479)	18,989	-
	P 226,179	319,783	-

<sup>1</sup> Refer to Note 18 to the consolidated financial statements.

<sup>2</sup> Reorganization costs consist of severance and other post-termination benefit costs resulting from the cost reduction efforts of the Company.

<sup>3</sup> Unamortized portion of documentary stamp tax arising from the Parent Company's loan with New Sunward Holding B.V., an entity under common control of CEMEX, written-off due to early settlement (see Note 13).

<sup>4</sup> Income generated by Solid for the back office and other support service provided to related parties (see Note 13).

<sup>5</sup> Costs related to the listing of shares include legal fees, stock exchange listing fees, roadshow presentation, among others.

**NOTE 10 - OTHER FINANCIAL EXPENSES - Net**

Net other financial expenses for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are detailed as follows:

	2017	2016	2015
Interest expense on retirement benefit plan (Note 22).....	P 40,132	29,964	-
Bank charges.....	3,606	36,485	-
Interest income .....	(6,892)	(33,715)	-
	P 36,846	32,734	-

**NOTE 11 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at December 31 consisted of:

	2017	2016
Cash on hand and in banks .....	P 629,089	579,622
Short-term investments.....	429,178	757,533
	P 1,058,267	1,337,155

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest ranging from 0.6% to 1.3% and 0.6% to 1.0% in 2017 and 2016, respectively. In 2017, 2016 and 2015, interest income amounted to P3,034, P28,778 and nil, respectively.

As mentioned in Note 3E, as at December 31, 2017 and 2016, the following cash equivalents, which include deposits to a related party, are considered highly liquid investments readily convertible to cash:

	2017	2016
New Sunward Holding B.V. <sup>1</sup> (Note 13) .....	P 380,178	52,543
Local banks.....	49,000	704,990
	P 429,178	757,533

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

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The Company's exposures to credit risk, foreign currency risk, and interest rate risk related to cash and cash equivalents are disclosed in Note 21 to the consolidated financial statements.

**NOTE 12 - TRADE RECEIVABLES - Net**

Trade receivables as at December 31 consisted of:

		2017	2016
Trade receivables - gross .....	P	869,357	920,282
Allowance for impairment losses.....		(36,098)	(10,615)
	P	<u>833,259</u>	<u>909,667</u>

Allowances for impairment losses are established according to the credit history and risk profile of each customer. Changes in the allowance for impairment losses for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Allowances for impairment losses at beginning of period .....	P	10,615	-
Charged to selling expenses (Note 6) .....		26,403	10,615
Write-off of trade receivables.....		(920)	-
Allowances for impairment losses at end of period.....	P	<u>36,098</u>	<u>10,615</u>

The Company's exposure to credit risk related to trade receivables is disclosed in Note 21 to the consolidated financial statements.

**NOTE 13 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

Related party relationship exists when the other party (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party relationship is deemed to exist when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and/or operating decisions. Another criteria recognizes a related party relationship, whether or not the ability to control exists, if any of the following conditions applies to an entity: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others), (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member), (iii) both entities are joint ventures of the same third party, (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity, or (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).

As at December 31, 2017 and 2016, balances of related party receivables and payables which are generally expected to be settled in cash, are detailed as follows:

		2017	2016
<b>Short-term investments</b>			
<b>Other related party<sup>20</sup></b>			
New Sunward Holding B.V. (Note 11) .....	P	<u>380,178</u>	<u>52,543</u>

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<b>Receivables - current</b>	<b>2017</b>	<b>2016</b>
<b>Ultimate Parent</b>		
CEMEX <sup>1</sup> .....	P -	10,326
<b>Other related parties<sup>20</sup></b>		
CEMEX Paving Solutions Ltd. <sup>2</sup> .....	13,682	-
CEMEX Central, S.A. de C.V. <sup>3</sup> .....	6,404	-
Island Quarry and Aggregates Corporation <sup>4</sup> .....	4,720	197,904
APO Land & Quarry Corporation <sup>5</sup> .....	1,450	3,513
CRG <sup>6</sup> .....	-	2,306
CEMEX Concrete (Malaysia) Sdn Bhd <sup>7</sup> .....	-	1,084
Others <sup>8</sup> .....	130	82
P	<b>26,386</b>	<b>215,215</b>
<b>Payables - current</b>		
<b>Ultimate Parent</b>		
CEMEX <sup>1</sup> .....	P 6,864	-
<b>Other related parties<sup>20</sup></b>		
Transenergy, Inc. <sup>9</sup> .....	1,066,157	533,517
CEMEX Construction Materials South LLC <sup>10</sup> .....	567,135	573,836
CEMEX Asia B.V. <sup>18</sup> .....	215,224	426
CRG <sup>6</sup> .....	210,045	6,940
CEMEX Central, S.A. de C.V. <sup>3</sup> .....	114,666	-
Island Quarry and Aggregates Corporation <sup>12</sup> .....	36,633	221,396
APO Land & Quarry Corporation <sup>11</sup> .....	28,909	28,723
Beijing CXP Import & Export Co. <sup>13</sup> .....	10,050	662
CEMEX Mexico, S.A. de C.V. <sup>14</sup> .....	9,413	-
CEMEX Asia Pte., Ltd. - Philippine Headquarters (CAPL-PHQ) <sup>15</sup> .....	8,308	105,381
CEMEX Strategic Philippines, Inc. <sup>16</sup> .....	-	10,950
CEMEX Admixtures GmbH <sup>17</sup> .....	-	265
P	<b>2,273,404</b>	<b>1,482,096</b>
<b>Payables - non-current</b>		
<b>Other related parties<sup>20</sup></b>		
CEMEX Asia B.V. <sup>18</sup> .....	P 1,073,635	1,361,862
New Sunward Holding B.V. <sup>19</sup> .....	-	14,557,460
P	<b>1,073,635</b>	<b>15,919,322</b>

<sup>1</sup> The receivable balance as at December 31, 2016, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to receivables on diesel hedge.

The payable balance as at December 31, 2017 is payable in 30 days after receipt of invoice and is unsecured and noninterest-bearing. On January 1, 2016, CAR entered into an agreement with CEMEX for the right to use of its "marks" and to further license the "marks" with other CEMEX group companies operating in the Asia territory.

<sup>2</sup> The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to the sale of paving equipment of the Company.

<sup>3</sup> The receivable balance, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to reimbursement of fringe benefit tax on share-based compensation.

The payable balance, which is unsecured, noninterest-bearing and due on demand, pertains to business support services received by the Company. In 2009, Solid and APO entered into separate service agreements with CEMEX Asia Pte., Ltd., whereby the latter through CAPL-PHQ shall provide to Solid and APO services relating to, among others, general administration and planning; business planning and coordination; marketing control and; sales promotion and business development. In the implementation of these service agreements, CAPL-PHQ also arranged for certain services to be performed by CEMEX Central, S.A. de C.V. and accordingly, CAPL-PHQ collected from each of Solid and APO as reimbursement, the fees billed by CEMEX Central, S.A. de C.V. for services rendered. In 2017, the arrangement between CAPL-PHQ and CEMEX Central, S.A. de C.V. was changed resulting in Solid and APO entering into separate service agreements directly with CEMEX Central, S.A. de C.V. wherein the latter shall provide to the companies those particular services previously performed by CEMEX Central, S.A. de C.V. through the service agreements with CAPL-PHQ.

<sup>4</sup> The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes: a) advances related to purchase of raw materials amounting to P180,723 as at December 31, 2016; b) receivables arising from the sale of goods with a 30-day term and without interest amounting to P2,272 and P9,821 as at December 31, 2017 and 2016, respectively; c) receivables from service agreements amounting to P2,299 and P4,174 as at December 31, 2017 and 2016, respectively; d) project income amounting to P1,989 as at December 31, 2016; and e) others amounting to P149 and P1,197 as at December 31, 2017 and 2016, respectively. In 2016, Solid entered into an agreement with Island Quarry and Aggregates Corporation wherein the former shall provide back-office and other support services to the latter. Fees are calculated at cost incurred plus fixed mark-up.

<sup>5</sup> In 2016, each of Solid and APO entered into an agreement with APO Land & Quarry Corporation wherein Solid and APO shall provide back-office and other support services to the latter. The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes a) receivables from service agreement amounting to P1,446 and P3,492 as at December 31, 2017 and 2016, respectively; and b) others amounting to P4 and P21 as at December 31, 2017 and 2016, respectively.

<sup>6</sup> The balance pertains to the royalties/license fees of the Company, which is unimpaired, unsecured, noninterest-bearing and due on demand.

<sup>7</sup> The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to receivables arising from billed expenses.

<sup>8</sup> The balance pertains to reimbursable expenses, which is unimpaired, unsecured, noninterest-bearing and due on demand.

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- <sup>9</sup>The balance pertains to purchase of coal with a term of 30 days, noninterest-bearing and unsecured.
- <sup>10</sup>The balance, which is unsecured, noninterest-bearing and due on demand, pertains to the purchase of equipment for the expansion of Solid plant.
- <sup>11</sup>The balance includes a) purchase of raw materials with a 30-day term amounting to P28,774 and P27,716 as at December 31, 2017 and 2016, respectively; and b) advances amounting P135 and P1,007 as at December 31, 2017 and 2016, respectively. These transactions are unsecured and are noninterest-bearing. APO purchases the majority of its limestone, pozzolan and clay requirements from APO Land & Quarry Corporation pursuant to a long-term supply agreement.
- <sup>12</sup>The balance includes a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P29,063 and P221,373 as at December 31, 2017 and 2016, respectively; b) unsecured payable arising from land rental with a 30-day term and noninterest-bearing amounting to P4 as at December 31, 2016; c) rental of equipment amounting to P7,570 as at December 31, 2017, which is unsecured, noninterest-bearing and due on demand; and d) other non-trade payables amounting to P19 as at December 31, 2016, which are unsecured, noninterest-bearing and due on demand. Solid purchases the majority of its limestone, pozzolan and clay requirements from Island Quarry and Aggregates Corporation pursuant to a long-term supply agreement.
- <sup>13</sup>The balance pertains to purchase of materials and spare parts amounting to P10,050 and P662 as at December 31, 2017 and 2016, respectively, which are unsecured, noninterest-bearing and due on demand.
- <sup>14</sup>The balance, which is unsecured, noninterest-bearing and due on demand, pertains to purchase of equipment from CEMEX Mexico, S.A. de C.V.
- <sup>15</sup>The balance, which is unsecured, noninterest-bearing, and has a term of 30 days, includes corporate and administrative services received by the Company.
- <sup>16</sup>The balance, which is unsecured, noninterest-bearing, and has a term of 30 days, includes corporate and administrative services received by the Company.
- <sup>17</sup>The balance, which is unsecured, noninterest-bearing and due on demand, pertains to purchases of materials and spare parts.
- <sup>18</sup>The balance includes a) interest on short-term loan amounting to P525 and P426 as at December 31, 2017 and 2016, respectively; b) short term portion of loan amounting to P214,699 as at December 31, 2017; and c) long-term loan that bears interest at an annual rate equal to 6-month LIBOR plus 369 basis points and 450 basis points in 2017 and 2016, respectively, for Solid and fixed interest rate at 7.68% for APO. On September 1, 2017, APO and CEMEX Asia B.V. changed the currency of the loan from \$21.0 million to P1.1 billion. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively.
- <sup>19</sup>The balance pertains to interest-bearing long-term loan payable. The loan bears interest of 7.535% per annum and payable in four annual installments starting March 2020 until March 2023. However, the Company fully paid the loan during the 1st quarter of 2017.
- <sup>20</sup>Other related parties pertain to entities under common control of CEMEX, except for Island Quarry and Aggregates Corporation and APO Land & Quarry Corporation.

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

	<u>Amount</u>
Balance as at January 1, 2017 .....	P 15,919,322
Proceeds from drawdowns .....	849,900
Interest expense .....	252,827
Loss from early extinguishment of debt (Note 9) .....	64,603
Effect of exchange rate changes .....	44,713
Payments of:	
Principal .....	(15,458,475)
Interest .....	(384,031)
Balance as at December 31, 2017 .....	<u>P 1,288,859</u>

The main transactions entered by the Company with related parties for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015 are shown below:

**Transaction with ultimate parent**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Hedging transaction</b>			
CEMEX <sup>2</sup> .....	P —	12,016	—

**Transactions with other related parties<sup>10</sup>**

**Purchases of raw materials**

Transenergy, Inc. <sup>1</sup> .....	P 2,709,300	1,853,913	—
Island Quarry and Aggregates Corporation <sup>1</sup> .....	306,812	303,383	—
APO Land & Quarry Corporation <sup>1</sup> .....	253,483	312,103	—
Beijing CXP Import & Export Co. <sup>1</sup> .....	29,848	2,517	—
CEMEX Admixtures GmbH <sup>1</sup> .....	—	265	—
	<u>P 3,299,443</u>	<u>2,472,181</u>	<u>—</u>

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		2017	2016	2015
<b>Interest expense</b>				
New Sunward Holding B.V.				
Long-term <sup>1</sup> .....	P	149,945	861,318	-
Short-term <sup>8</sup> .....		-	271,044	-
CEMEX Asia B.V. <sup>1</sup> .....		102,882	32,976	-
	P	<u>252,827</u>	<u>1,165,338</u>	-
<b>Royalties and trademarks</b>				
CRG <sup>1</sup> .....	P	797,320	908,074	-
CEMEX <sup>1</sup> .....		30,509	34,911	-
	P	<u>827,829</u>	<u>942,985</u>	-
<b>Purchase of equipment</b>				
CEMEX Construction Materials South LLC <sup>1</sup> .....	P	27,420	573,836	-
CEMEX Mexico, S.A. de C.V. <sup>1</sup> .....		9,413	-	-
	P	<u>36,833</u>	<u>573,836</u>	-
<b>Corporate services and administrative services</b>				
CEMEX Central, S.A. de C.V. <sup>1</sup> .....	P	258,861	-	-
CAPL-PHQ <sup>1</sup> .....		145,124	469,121	-
CEMEX Strategic Philippines, Inc. <sup>1</sup> .....		57,346	85,906	-
Island Quarry and Aggregates Corporation <sup>1</sup> .....		5,708	3,179	-
APO Land & Quarry Corporation <sup>1</sup> .....		5,639	3,032	-
	P	<u>472,678</u>	<u>561,238</u>	-
<b>Sales of goods</b>				
Island Quarry and Aggregates Corporation <sup>1</sup> .....	P	64,832	108,197	-
APO Land & Quarry Corporation <sup>4</sup> .....		115	184	-
CEMEX Cement Bangladesh Ltd. <sup>4</sup> .....		-	4,411	-
	P	<u>64,947</u>	<u>112,792</u>	-
<b>Sale of equipment</b>				
CEMEX Paving Solutions Ltd. <sup>1</sup> .....	P	13,682	-	-
<b>Land rental</b>				
APO Land & Quarry Corporation <sup>3</sup> .....	P	58,210	58,210	-
Island Quarry and Aggregates Corporation <sup>3</sup> .....		24,651	32,929	-
	P	<u>82,861</u>	<u>91,139</u>	-
<b>Reimbursements</b>				
CEMEX Concrete (Malaysia) Sdn Bhd. <sup>9</sup> .....	P	136,647	1,084	-
<b>Interest income</b>				
New Sunward Holding B.V. <sup>7</sup> .....	P	2,913	-	-
APO Land & Quarry Corporation <sup>5</sup> .....		-	435	-
Others <sup>6</sup> .....		-	68	-
	P	<u>2,913</u>	<u>503</u>	-
<b>Loan drawdowns</b>				
CEMEX Asia B.V. <sup>1</sup> .....	P	849,900	617,784	-
New Sunward Holding B.V. <sup>1</sup> .....		-	40,142,910	-
	P	<u>849,900</u>	<u>40,760,694</u>	-

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		2017	2016	2015
<b>Transactions with Key Management Personnel</b>				
Short-term employee benefits.....	P	138,788	215,818	-
Post-employment and other long-term employee benefits.....		33,775	47,892	-
Share-based compensation (Note 25D) .....		25,171	11,655	-
	P	197,734	275,365	-

<sup>1</sup> Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.

<sup>2</sup> The Company entered into a commodity swap transaction to hedge its risk exposure on fuel price volatility. The hedge qualifies for hedge accounting. The commodity swap is a contractual agreement to buy fuel at a fixed price and sell fuel at market rate with notional quantity of 10,371 liters. As at December 31, 2017 and 2016, the fair value of the Company's derivative asset is nil and P6,805, respectively.

<sup>3</sup> These land rentals have a 30-day term, and are both noninterest-bearing and unsecured. The principal manufacturing installations of APO and Solid are located on land owned by Island Quarry and Aggregates Corporation or APO Land & Quarry Corporation, under long-term lease agreements.

<sup>4</sup> These sale transactions have a 30-day term, and are both noninterest-bearing and unsecured.

<sup>5</sup> This amount pertains to the interest from loan drawdowns that bear interest at 4.625% annually. The total outstanding balance, from which this interest income relates to, including interest accrued, were paid in 2016.

<sup>6</sup> This amount pertains to the interest from loan drawdowns that bear interest at fixed rates annually. The total outstanding balances, from which this interest income relates to, including interest accrued, were paid in 2016.

<sup>7</sup> The amount pertains to the interest income on short-term investments (see Note 11).

<sup>8</sup> The amount pertains to the interest on short-term loan from New Sunward Holding B.V. which has been fully paid in 2016.

<sup>9</sup> The amount pertains to reimbursements for back office and other support service (see Note 9) and other billed expenses.

<sup>10</sup> Other related parties pertain to entities under common control of CEMEX, except for Island Quarry and Aggregates Corporation and APO Land & Quarry Corporation.

**Transactions with the Retirement Fund**

The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees (BOT). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group (BPI AMTG), the Company's duly appointed trust fund manager.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has no contributions to the retirement fund in 2017, 2016 and 2015 (see Note 22). There are also no other transactions entered into by the Company with the plan for the year. As at December 31, 2017 and 2016, the fund's unfunded status amounted to P761,008 and P769,340, respectively. The retirement plan consists of unit investment trust fund, mutual funds, debt instruments and others (cash, exchange traded funds, government securities and others), which accounted for 56%, 34%, 8% and 2% and 63%, 21%, 12% and 4% of plan assets, respectively, in 2017 and 2016 (see Note 22).

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**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:

<b>Amounts owed by</b>	<b>Amounts owed to</b>	<b>2017</b>	<b>2016</b>
CEMEX Holdings Philippines, Inc. <sup>10</sup>	CAR		
		P	
		<b>2,590,674</b>	1,669,265
APO <sup>5</sup>	CAR	365,166	16,980
SOLID <sup>5</sup>	CAR	202,789	-
CEMEX Holdings Philippines, Inc. <sup>10</sup>	Falcon		
		<b>2,184,613</b>	1,467,596
Sandstone Strategic Holdings, Inc. <sup>6</sup>	Bedrock Holdings, Inc.		
		109,817	109,617
Solid <sup>1</sup>	APO	41,005	189,445
APO <sup>11</sup>	CEMEX Holdings Philippines, Inc.	35,765	-
Solid <sup>11</sup>	CEMEX Holdings Philippines, Inc.	19,335	-
APO <sup>2</sup>	Solid	80,281	19,942
Ecocrete, Inc. <sup>3</sup>	Solid	43,512	50,244
Ecocast Builders, Inc. <sup>4</sup>	Solid	43,178	49,143
CEMEX Holdings Philippines, Inc. <sup>12</sup>	Solid	89	-
CAR <sup>5</sup>	Solid	-	25,555
Sandstone Strategic Holdings, Inc. <sup>6</sup>	Solid	-	1,068
Ecocast Builders, Inc. <sup>7</sup>	Ecopavements, Inc.	45,206	40,287
Solid <sup>6</sup>	Ecopavements, Inc.	7	-
Solid <sup>8</sup>	Ecocast Builders, Inc.	14,865	14,583
APO <sup>8</sup>	Ecocast Builders, Inc.	-	6,802
Ecopavements, Inc. <sup>6</sup>	Ecocast Builders, Inc.	-	288
Solid <sup>9</sup>	Ecocrete, Inc.	11	7,114
		P	
		<b>5,776,313</b>	<b>3,667,929</b>

<sup>1</sup> Amount includes a) P40,994 and P75,007 as at December 31, 2017 and 2016, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) P110,171 loan and interest as at December 31, 2016, which is due on demand, with interest at 2.4% per annum and unsecured; c) P4,037 as at December 31, 2016 from sale of production supplies, which is due on demand, noninterest-bearing and unsecured; and d) reimbursable expenses amounting to P11 and P230 as at December 31, 2017 and 2016, respectively, which are due on demand, noninterest-bearing and unsecured.

<sup>2</sup> Amount includes a) P39,590 and P5,513 as at December 31, 2017 and 2016, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; and b) reimbursable expenses amounting to P40,691 and P14,429 as at December 31, 2017 and 2016, respectively, which are due on demand, noninterest-bearing and unsecured.

<sup>3</sup> Amount includes a) P622 and P1,628 as at December 31, 2017 and 2016, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) P81 as at December 31, 2017 from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured; and c) P42,809 and P48,616 as at December 31, 2017 and 2016, respectively, loan and interest, which is due in one year, with interest at 3.63% per annum and unsecured.

<sup>4</sup> Amount includes a) P43,178 and P42,569 as at December 31, 2017 and 2016, respectively, arising from sale of equipment, which has a 30-day term, noninterest-bearing and unsecured; b) P5,859 from sale of goods and P507 from construction service in 2016, which has a 30-day term, noninterest-bearing and unsecured; and c) P208 from reimbursable expenses in 2016, which is due on demand, noninterest-bearing and unsecured.

<sup>5</sup> Amounts were related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

<sup>6</sup> Amounts are from cash advances or reimbursable expenses, which are due on demand, noninterest-bearing and unsecured.

<sup>7</sup> Amount includes a) P45,000 and P40,000 loan as at December 31, 2017 and 2016, respectively, which is due in one year, with interest at 2.6% per annum and unsecured; and b) P206 and P287 as at December 31, 2017 and 2016, respectively, from cash advances, which is due on demand, noninterest-bearing and unsecured.

<sup>8</sup> Amounts pertain to construction services which have 30-day term, noninterest-bearing and unsecured.

<sup>9</sup> Amount includes a) reimbursements amounting to P11 as at December 31, 2017; and b) P6,616 from sale of raw materials and P498 from service fees as at December 31, 2016, where both have 30-day term, noninterest-bearing and unsecured.

<sup>10</sup> Amounts pertain to long-term unsecured loans which are due to be paid in 2021, with interest at 2.5% per annum for CAR and at WAILRF minus 10 basis points annually for Falcon.

<sup>11</sup> Amounts pertain to advisory services in connection with various areas, including general administration and management, which have a 60-day term, noninterest bearing, and unsecured.

<sup>12</sup> Amounts pertain to a) service agreement of Solid with the Parent Company amounting to P87; and b) reimbursements of P2, which is noninterest bearing, and unsecured.

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<b>Sales</b>	<b>Purchases</b>		<b>2017</b>	<b>2016</b>
APO	Solid	P	359,165	853,036
Solid	APO		319,545	110,914
Solid	Ecocast Builders, Inc.		3,451	26,344
Ecocast Builders, Inc.	Solid		951	13,182
Ecocrete, Inc.	Solid		–	36,173
Ecocast Builders, Inc.	APO		–	6,128
Solid	Ecopavements, Inc.		–	4,998
		P	<b>683,112</b>	<b>1,050,775</b>

*Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.*

<b>Royalties and technical assistance</b>	<b>Selling and administrative expenses</b>		<b>2017</b>	<b>2016</b>
CAR	APO	P	1,769,562	2,002,129
CAR	Solid		955,371	1,052,348
		P	<b>2,724,933</b>	<b>3,054,477</b>

*Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.*

<b>Service Income</b>	<b>Selling and administrative expenses</b>		<b>2017</b>	<b>2016</b>
CHP	APO	P	36,495	–
CHP	Solid		19,703	–
		P	<b>56,198</b>	<b>–</b>

*Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.*

<b>Dividend declared by</b>	<b>Dividend received by</b>		<b>2016</b>
APO	Triple Dime Holdings, Inc.	P	2,451,632
Triple Dime Holdings, Inc.	CEMEX Holdings Philippines, Inc.		2,421,949
APO	CEMEX Holdings Philippines, Inc.		1,634,421
Solid	Sandstone Strategic Holdings, Inc.		1,297,390
Sandstone Strategic Holdings, Inc.	CEMEX Holdings Philippines, Inc.		1,219,546
Solid	CEMEX Holdings Philippines, Inc.		864,926
Edgewater Ventures Corporation	CEMEX Holdings Philippines, Inc.		263,364
Sandstone Strategic Holdings, Inc.	Bedrock Holdings, Inc.		77,843
Bedrock Holdings, Inc.	CEMEX Holdings Philippines, Inc.		73,008
Triple Dime Holdings, Inc.	Edgewater Ventures Corporation		6,840
		P	<b>10,310,919</b>

*There were no dividends declared in 2017.*

<b>Interest income</b>	<b>Interest expense</b>		<b>2017</b>	<b>2016</b>
CAR	CEMEX Holdings Philippines, Inc.		P59,130	P10,745
Falcon	CEMEX Holdings Philippines, Inc.		20,636	1,888
Solid	Ecocrete, Inc.		1,224	800
Ecopavements	Ecocast		1,223	–
APO	Solid		110	175
			<b>P82,323</b>	<b>P13,608</b>

*Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.*



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**NOTE 14 - INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS**

Investment in an associate and other investments as at December 31 are detailed as follows:

	Activity	Country	%		2017	2016
Calabar Aggregates Corporation .....	Aggregates	Philippines	40.0	P	11,816	11,816
Greencrete, Inc. ....	–	Philippines	5.0		3,437	3,437
Others .....	–	–	–		154	20
				P	15,407	15,273

The investments above are mainly investments of Solid and APO which were acquired by the Parent Company upon business combination.

**NOTE 15 - OTHER ACCOUNTS RECEIVABLE**

**15A) OTHER CURRENT ACCOUNTS RECEIVABLE**

Other current accounts receivable as at December 31 consisted of:

		2017	2016
Loan receivable <sup>1</sup> .....	P	37,192	36,246
Short-term deposits .....		16,026	14,873
Receivable from employees .....		11,690	15,968
Receivable from contractors .....		8,806	9,092
Insurance claims .....		–	51,022
Others .....		902	145
	P	74,616	127,346

<sup>1</sup> Loan receivable pertains to the amount provided by the Company to CEMEX Philippines Foundation, Inc., with fixed interest at 2.96% per annum and is due on demand.

**15B) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE**

Other assets and noncurrent accounts receivable as at December 31 consisted of:

		2017	2016
Long-term time deposits <sup>1</sup> .....	P	485,476	92,254
Rental guaranty deposits .....		122,386	112,209
Long-term prepayments <sup>2</sup> .....		47,769	47,558
Right of way .....		26,190	30,952
Others <sup>3</sup> .....		34,879	37,516
	P	716,700	320,489

<sup>1</sup> Long-term time deposits are restricted cash pertaining to: a) debt service reserve account amounting to P390,424 and nil as at December 31 2017 and 2016, respectively, arising from the Company's supplemental agreement with BDO Unibank, Inc. (BDO) in relation to refinancing of the U.S. dollar 280 million loan with New Sunward Holding B.V. (see Note 23); and b) cash bonds deposited by customers as collateral and cash restricted for related party tax cases amounting to P95,052 and P92,254 as at December 31, 2017 and 2016, respectively.

<sup>2</sup> Long-term prepayments primarily pertain to a) prepaid mining and quarry royalty fees related to the purchase of raw materials amounting to P27,937 and P24,127 as at December 31, 2017 and 2016, respectively; b) option fee to purchase a vessel amounting to P7,203 and P8,820 as at December 31, 2017 and 2016, respectively, c) charter hire amounting to P3,960 and P5,739 as at December 31, 2017 and 2016, respectively, and d) unamortized portion of the SEC filing fee amounting to P8,669 and P8,872 as at December 31, 2017 and 2016, respectively.

<sup>3</sup> Others primarily pertain to prepaid transportation allowance amounting to P34,214 and P36,906 as at December 31, 2017 and 2016, respectively.

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**NOTE 16 - INVENTORIES**

Inventories as at December 31 consisted of:

		2017	2016
At NRV:			
Materials and spare parts.....	P	1,591,842	1,263,740
Work-in-process inventory.....		992,288	726,857
Finished goods.....		359,002	-
Raw materials .....		314,288	220,441
At Cost:			
Inventory in transit.....		832	3,045
Finished goods.....		-	363,494
	P	<u>3,258,252</u>	<u>2,577,577</u>

In 2017 and 2016, the Company recognized in the consolidated statements of comprehensive income the cost of inventories sold amounting to P12,400,901 and P11,885,883 (see Note 6). As at December 31, 2017 and 2016, inventory write-down to NRV amounted to P56,203 and P17,604, respectively. Write-down of inventories to NRV included under "Costs of Sales and Services" account in the consolidated statements of comprehensive income amounted to P48,199 and P17,604 in 2017 and 2016, respectively.

**NOTE 17 - PREPAYMENTS AND OTHER CURRENT ASSETS**

Prepayments and other current assets as at December 31 consisted of:

		2017	2016
Prepayments:			
Prepaid insurance <sup>1</sup> .....	P	542,709	900,531
Prepaid taxes <sup>2</sup> .....		548,850	310,714
Advances to suppliers.....		116,802	96,417
Prepaid freight cost.....		79,059	89,559
Advances to employees.....		9,797	13,989
Prepaid rent.....		9,162	3,660
Noncurrent assets held for sale <sup>3</sup> .....		90,629	-
Others.....		4,125	5,186
	P	<u>1,401,133</u>	<u>1,420,056</u>

<sup>1</sup> Prepaid insurance pertains to unamortized portion of payments on property, non-damage business interruption and political risks insurance.

<sup>2</sup> Prepaid taxes include input VAT, property taxes, creditable withholding taxes, and licenses.

<sup>3</sup> (a) In December 2017, the Company has ceased its ready-mix concrete operations located in Manila Harbour Center. Accordingly, the Company decided to sell the machinery and equipment which were previously being used by the concrete operations. It was assessed by the management that these assets are not impaired before these were reclassified from property, machinery and equipment. As at December 31, 2017, the fair value less costs to sell of these assets is not lower than their carrying amount of P40,160; (b) In 2017, management decided to sell two of its marine vessels. The marine vessels were written-down to their recoverable amount before they were reclassified to noncurrent asset held for sale (see Note 18). As at December 31, 2017, the fair value less costs to sell is not lower than the vessels' carrying amount of P47,932 (see Note 18); and (c) The Company also identified other machinery and equipment as held for sale. It was assessed by the management that these assets are not impaired before these were reclassified from property, machinery and equipment. The fair value less costs to sell is not lower than their carrying amount of P2,537. Efforts to sell the aforementioned assets have started and a sale is expected to happen in 2018.

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**NOTE 18 - PROPERTY, MACHINERY AND EQUIPMENT - Net**

The movements for each class of property, machinery and equipment are as follows:

	Buildings and Improvements	Machinery and Equipment	Constructions in-Progress	Total
<b>Gross Carrying Amount</b>				
December 31, 2015..... P	-	-	-	-
Acquisition through business combination .....	3,848,465	11,600,051	347,958	15,796,474
Additions.....	85,417	316,081	928,711	1,330,209
Disposals.....	(8,244)	(170,975)	(24,621)	(203,840)
Reclassifications.....	56,927	169,914	(226,841)	-
December 31, 2016.....	3,982,565	11,915,071	1,025,207	16,922,843
Additions.....	61,951	516,857	750,187	1,328,995
Disposals.....	(211)	(29,752)	(319)	(30,282)
Reclassifications to assets held for sale .....	-	(376,718)	-	(376,718)
Reclassifications.....	27,925	166,360	(194,285)	-
December 31, 2017 .....	4,072,230	12,191,818	1,580,790	17,844,838
<b>Accumulated Depreciation and Impairment</b>				
December 31, 2015.....	-	-	-	-
Depreciation for the period .....	(161,688)	(1,090,656)	-	(1,252,344)
Disposals.....	8,195	136,117	-	144,312
December 31, 2016.....	(153,493)	(954,539)	-	(1,108,032)
Depreciation for the period .....	(183,818)	(1,091,515)	-	(1,275,333)
Reclassifications to assets held for sale .....	-	286,089	-	286,089
Impairment.....	-	(175,230)	-	(175,230)
Disposals.....	211	10,189	-	10,400
December 31, 2017 .....	(337,100)	(1,925,006)	-	(2,262,106)
<b>Carrying Amounts</b>				
December 31, 2016..... P	3,829,072	10,960,532	1,025,207	15,814,811
December 31, 2017 .....	3,735,130	10,266,812	1,580,790	15,582,732

In 2017, 2016 and 2015, there were no interest expense arising from borrowings that have been capitalized as part of property, machinery and equipment.

The Company recognized impairment loss on property, machinery and equipment amounting to P175,230. In 2017, management has decided to sell two of its marine vessels. Before reclassifying the asset as held for sale, the Company tested the said asset for impairment and recognized an impairment loss of P146,660. The Company's management also identified machinery and equipment that are already obsolete and are no longer used in the Company's operations. Accordingly, impairment loss was recognized on these machinery and equipment amounting to P28,570.

The recoverable amount of the vessels reclassified to assets held for sale amounting to P47,932 pertains to its fair value less costs to sell. The Company used market comparison technique for measuring the fair value of these vessels. Under this method, the valuation is based on the recent sale of a comparable vessel adjusted for age, cargo carrying capacity and vessel specifications. The fair value measurement has been categorized as Level 2 in the fair value hierarchy based on the inputs to the valuation technique used. The recoverable amount of the obsolete machinery and equipment was assessed to be nil which pertains to its fair value less costs to sell.

Impairment losses are recognized under "Other expenses - net" account in the consolidated statements of comprehensive income.

**NOTE 19 - ACQUISITION OF SUBSIDIARIES AND GOODWILL**

As part of CEMEX's overall current priorities, CEMEX has been focusing in strengthening its capital structure. One way of doing so is through the optimization of CEMEX's global corporate structure which should lead to less administration costs and facilitate the implementation of CEMEX's business strategy. Considering these premises and in line with the Parent Company's IPO, the Parent Company was created and on January 1, 2016, the Parent Company acquired interest in the economic benefit of the entities listed in Note 29 (except for CAR, which was incorporated by the Parent Company in 2015 and Falcon, which was incorporated by the Parent Company in 2016). The acquisition price of P47,825,147 was initially financed through accounts payable to a related party, which was eventually paid from proceeds from short-term and long-term loans from a local bank and a related party.

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The Company incurred acquisition-related costs in 2016 amounting to P9,569 on documentary stamp taxes and other costs, which were recognized as part of "Administrative and selling expenses" account in the consolidated statements of comprehensive income.

The amounts of revenue and profit of the acquiree in 2016 included in the consolidated statements of comprehensive income follow:

	<u>Amount</u>
Revenue .....	P 24,286,753
Profit .....	<u>1,413,466</u>

The following table summarizes the recognized amounts and assets acquired and liabilities assumed at the date of the acquisition:

<b>Assets (liabilities)</b>	<b><u>Amounts</u></b>
Cash and cash equivalents.....	P 3,687,632
Trade receivables .....	813,392
Due from related parties .....	999,896
Other current accounts receivable .....	1,459,014
Inventories .....	2,250,415
Prepayments and other current assets .....	1,205,663
Investments in associates and other investments.....	15,273
Other assets and noncurrent accounts receivable.....	344,134
Property, machinery and equipment - net.....	15,796,474
Trade payables .....	(2,258,403)
Due to related parties .....	(619,705)
Income tax payable.....	(249,284)
Other accounts payable and accrued expenses.....	(1,608,339)
Long-term payable to related parties .....	(987,027)
Retirement benefit liability.....	(716,903)
Deferred income taxes.....	(138,473)
Other noncurrent liabilities .....	(28,306)
Total identifiable net assets acquired	<u>P 19,965,453</u>

The valuation techniques used for measuring the fair value of assets acquired were as follows:

<u>Assets acquired</u>	<u>Valuation technique</u>
Property, machinery and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The trade receivables comprise gross contractual amounts due of P883,990, of which P70,598 was expected to be uncollectible at the date of the acquisition. The carrying amount of the acquired property, machinery and equipment acquired in the books of the acquirees at the date of acquisition amounted to P14,026,454.

Goodwill arising from the acquisition has been recognized as follows:

	<u>Amount</u>
Amount of the consideration .....	P 47,825,147
Fair value of the identifiable net assets.....	<u>19,965,453</u>
Goodwill.....	<u>P 27,859,694</u>

The goodwill is attributable mainly to the assembled work force and dealer network. None of the goodwill recognized is expected to be deductible for tax purposes.

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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:

	<u>Amount</u>	
APO .....	P	17,648,162
Solid.....		10,211,532
	P	<u>27,859,694</u>

In 2017 and 2016, the Company's pre-tax discount rates and expected growth rates in perpetuity used in the Company's impairment tests, to determine the discounted cash flows in both the CGUs with the main goodwill balances, were as follows:

	<u>APO</u>		<u>Solid</u>	
	2017	2016	2017	2016
Discount rate.....	9.4%	9.5%	9.7%	9.5%
Growth rate .....	6.8%	7.0%	6.8%	7.0%

In connection with the Company's assumptions as at December 31, 2017 and 2016, included in the table above, the Company made sensitivity analyses to changes in assumptions, affecting the value-in-use of all CGUs. The following table shows the amount (in percentage) by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	<u>APO</u>		<u>Solid</u>	
	2017	2016	2017	2016
Discount rate.....	0.4	3.2	3.3	4.3
Growth rate .....	(0.4)	(2.8)	(2.9)	(3.6)

As at December 31, 2017, the estimated recoverable amount of the Company's CGUs exceeds carrying amount by P37,302,135.

**NOTE 20 - UNEARNED REVENUE, OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Unearned revenue, other accounts payable and accrued expenses as at December 31 consisted of:

		<u>2017</u>	<u>2016</u>
Unearned revenue from reinsurance premiums <sup>1</sup> .....	P	453,555	793,320
Unearned revenue from customer loyalty program.....		74,168	40,482
Total Unearned revenue.....		<u>527,723</u>	<u>833,802</u>
Accrued expenses <sup>2</sup> .....		864,463	519,400
Taxes payable .....		298,278	241,687
Advances from customers .....		352,831	301,014
Others .....		65,472	63,070
Total Other accounts payable and accrued expenses .....		<u>1,581,044</u>	<u>1,125,171</u>
	P	<u>2,108,767</u>	<u>1,958,973</u>

<sup>1</sup> Unearned revenue from reinsurance premiums pertain to the portion of reinsurance premiums written by Falcon that relate to unexpired period of the policies.

<sup>2</sup> Accrued expenses includes a) interest on loans amounting to P98,079 in 2017 and nil in 2016; b) utilities and supplies amounting to P335,965 in 2017 and P271,329 in 2016; c) salaries and employee benefits amounting to P252,764 in 2017 and P88,232 in 2016; d) freight cost amounting to P147,940 in 2017 and P127,627 in 2016; e) outside services amounting to P23,336 in 2017 and P25,833 in 2016; and f) royalty fees amounting to P6,379 in 2017 and P6,379 in 2016.

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For the years ended December 31, 2017 and 2016, the roll-forward analyses of unearned revenue from reinsurance premiums are as follows:

		2017	2016
Balance at beginning of period .....	P	793,320	-
Policies written during the period .....		711,945	1,286,843
Premiums earned during the period .....		(1,064,605)	(519,346)
Effect of translation to Philippine peso .....		12,895	25,823
Balance at end of period .....	P	<u>453,555</u>	<u>793,320</u>

For the years ended December 31, 2017 and 2016, the roll-forward analyses of provisions (under "Taxes payable" account) are as follows:

		2017	2016
Balance at beginning of period .....	P	29,312	-
Assumed in a business combination .....		-	284,453
Net reversals made during the period .....		(19,595)	(255,141)
Balance at end of period .....	P	<u>9,717</u>	<u>29,312</u>

**NOTE 21 - FINANCIAL RISK AND INSURANCE RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

**Financial Risk Management Framework**

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

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

The Company's risk management policies are intended to: a) identify and analyze the risks faced by the Company; b) implement appropriate risk limits and controls; and c) monitor the risks and the compliance with the limits. Policies and risk management systems are regularly reviewed to reflect changes in market conditions and in the Company's activities. By means of its policies and procedures for risk management, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations.

**Credit Risk**

Credit risk is the risk of financial loss faced by the Company if a customer or counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade receivables. As at December 31, 2017 and 2016, the maximum exposure to credit risk is represented by the balance of financial assets. Management has developed policies for the authorization of credit to customers. The exposure to credit risk is monitored constantly according to the behavior of payment of the debtors. Credit is assigned on a customer-by-customer basis and is subject to assessments which consider the customers' payment capacity, as well as past behavior regarding due dates, balances past due and delinquent accounts. In cases deemed necessary, the Company's management requires guarantee deposits from its customers and financial counterparties with regard to financial assets.

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

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The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

		2017	2016
Cash and cash equivalents (excluding cash on hand).....	P	1,058,147	1,337,023
Trade receivables .....		833,259	909,667
Due from related parties .....		26,386	215,215
Other current accounts receivable .....		74,616	127,346
Long-term and guaranty deposits (under other assets and noncurrent accounts receivable) .....		607,862	204,463
	P	<u>2,600,270</u>	<u>2,793,714</u>

As at December 31, 2017 and 2016, the aging analysis per class of financial assets are as follows:

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

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
<b>As at December 31, 2016</b>						
Cash and cash equivalents (excluding cash on hand).....	P 1,337,023	-	-	-	-	1,337,023
Trade receivables .....	774,265	66,386	13,994	55,022	10,615	920,282
Due from related parties .....	215,215	-	-	-	-	215,215
Other current accounts receivable .....	127,346	-	-	-	-	127,346
Long-term and guaranty deposits .....	204,463	-	-	-	-	204,463
	<u>2,658,312</u>	<u>66,386</u>	<u>13,994</u>	<u>55,022</u>	<u>10,615</u>	<u>2,804,329</u>
Less allowance for impairment losses.....	-	-	-	-	10,615	10,615
	P <u>2,658,312</u>	<u>66,386</u>	<u>13,994</u>	<u>55,022</u>	<u>-</u>	<u>2,793,714</u>

Considering the Company's best estimates of potential losses based on an analysis of aging and considering management's recovery efforts, the allowance for impairment losses amounted to P36,098 and P10,615 as at December 31, 2017 and 2016, respectively.

Cash in banks, short-term investments and long-term and guarantee deposits are of high grade quality as these are deposited in reputable financial entities. Of the total trade receivables, due from related parties and other current accounts receivable, 76% and 88% are neither past due nor impaired, and are considered of high grade quality as at December 31, 2017 and 2016, respectively. Other financial assets that are not considered of high grade quality are considered standard grade quality financial assets. High grade quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard quality. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

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

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

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The Company sells its products primarily to retailers in the construction industry, with no specific geographic concentration of credit within the country in which the Company operates. As at December 31, 2017 and 2016, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

**Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate in relation to changes in exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to its operational and financing activities. The objective of foreign currency risk management is to manage and control exposures within acceptable parameters while optimizing the return. The Company's revenue and costs are generated and settled mainly in Philippine Peso. For the years ended December 31, 2017 and 2016, approximately less than 5% of the Company's net sales, before eliminations, were generated in U.S. dollars.

The Company had an exposure arising from the dollar-denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As at December 31, 2017 and 2016, the Company has not implemented any derivative financing hedging strategy to address this foreign currency risk.

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

As at December 31, 2017 and 2016, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the top management on the basis of its risk management policy as follows:

Amounts in thousands of dollars	2017		2016	
	in U.S. dollar	in Euro	in U.S. dollar	in Euro
Cash and cash equivalents.....	\$9,919	€-	\$2,307	€-
Due from related parties .....	402	-	254	-
Trade payables .....	(3,855)	(301)	(19,022)	(8,477)
Due to related parties .....	(43,842)	-	(342,591)	-
Net liabilities denominated in foreign currency ....	<b>(\$37,376)</b>	<b>(€301)</b>	<b>(\$359,052)</b>	<b>(€8,477)</b>

The most significant closing exchange rates and the approximate average exchange rates of Philippine Peso per U.S. dollar and Euro used in the consolidated financial statements were as follows:

Currency	2017		2016	
	Closing	Average	Closing	Average
U.S. dollar .....	49.93	50.38	49.72	47.67
Euro .....	59.93	57.27	52.30	52.60

**Sensitivity analysis on Foreign Currency Risk**

The following table demonstrates the sensitivity to a reasonably possible change in various foreign currencies, with all other variables held constant, of the Company's earnings before income tax and equity as at December 31, 2017 and 2016:

USD	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2017	+0.4%	7,882	5,517
	-0.4%	(7,882)	(5,517)
2016	+5.0%	892,603	624,822
	-5.0%	(892,603)	(624,822)



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EUR	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2017	+14.6%	2,632	1,842
	-14.6%	(2,632)	(1,842)
2016	+5.0%	22,167	15,517
	-5.0%	(22,167)	(15,517)

**Interest Rate Risk**

As at December 31, 2017, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P8 billion of the long-term bank loan with BDO (see Note 23) while as at December 31, 2016, the exposure is mainly from its short-term investments in New Sunward Holding B.V. and long-term loan payable to CEMEX Asia B.V. The short-term investments in New Sunward Holding B.V. bear interest at a rate equivalent to the higher of WAILRF rate minus 10 basis points and zero interest (see Note 11). The long-term loan from CEMEX Asia B.V. bears interest at an annual rate equal to 6-month LIBOR plus 369 basis points and 450 basis points in 2017 and 2016, respectively (see Note 13).

**Sensitivity analysis on Interest Rate Risk**

As at December 31, 2017 and 2016, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the years ended December 31, 2017 and 2016 would have decreased by approximately P57,165 and P9,165, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its obligations. The Company has fulfilled its operational liquidity needs primarily through its own operations and expects to continue to do so for both the short and long-term liabilities. Although cash flow from the Company's operations has historically covered its overall liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions. In order to meet its liquidity needs, the Company also relies on cost-control and operating improvements to optimize capacity utilization and maximize profitability. The Company's consolidated net cash flows provided by operating activities, as presented in its consolidated statements of cash flows, was P2,117,807 and P3,747,812 as at December 31, 2017 and 2016, respectively. The Company's trade payables, due to related parties, taxes payable and other accounts payable and accrued expenses are expected to be settled within one year. Trade payables are noninterest-bearing and are normally settled on a 30-days' term. There is no significant concentration of a specific supplier relating to the purchase of raw materials. The maturities of the Company's long-term contractual obligations are included in Note 27 to the consolidated financial statements.

**Insurance Risk Management**

As mentioned in Note 1, the Parent Company incorporated Falcon to create its own reserves and reinsure in respect of the Company's property, non-damage business interruption and political risks insurance. Falcon is expected to retain 10% of the risk in connection with property insurance and 100% of the risk in connection with earthquake and wind stop loss, non-damage business interruption and political risks insurance of the Parent Company's operating subsidiaries. As a result of these arrangements, the Company will effectively self-insure these risks to the extent of Falcon's retained liability. There can be no assurance that the reserves established by Falcon will exceed any losses in connection with the Company's self-insured risks.

In addition, the Company's insurance coverage is subject to periodic renewal. If the availability of insurance coverage is reduced significantly for any reason, the Company may become exposed to certain risks for which it is not and, in some cases could not be, insured. Moreover, if the Company's losses exceed its insurance coverage, or if the Company's losses are not covered by the insurance policies it has taken up, or if Falcon is required to pay claims to its insurer pursuant to the reinsurance arrangements, the Company may be liable to cover any shortfall or losses. The Company's insurance premiums may also increase substantially because of such claim from the Company's insurers.

The foregoing risk exposure is mitigated, through making reasonable approximation after an evaluation of reported claims in the past of the Parent Company's operating subsidiaries, by retaining only insurance risk from insurance policies in which the operating subsidiaries have low probability of incurring losses.

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**Fair Values of Financial Assets and Financial Liabilities**

The recurring fair value measurement of the derivative asset is categorized as level 2 of the fair value hierarchy. The fair value is determined using quoted commodity price at the reporting date, adjusted by the fixed price under the commodity swap agreement. The fair values of cash and cash equivalents, trade receivables, amounts due from and due to related parties, other current accounts receivable, other accounts payable and accrued expenses reasonably approximate their carrying amounts considering the short-term maturities of these financial instruments. The fair value of the long-term payable to CEMEX Asia B.V., which is based on the present value of future cash flows discounted at market rate of interest at the reporting date (discounted cash flows under level 2 of the fair value hierarchy), approximates its carrying amount as at December 31, 2017 and 2016 as the said financial instruments bear interest at LIBOR rates, which is approximately similar to the market interest rate. The fair values of long-term time deposits and long-term payable to New Sunward Holding B.V., which are also based on the present value of future cash flows discounted at market rate of interest at the reporting date (discounted cash flows under level 2 of the fair value hierarchy), approximate their carrying amounts as at December 31, 2017 and 2016 as these financial instruments bear interest at rates which are approximately similar to market interest rates. The fair value of the rental guaranty deposits approximate its carrying amount since the Company does not anticipate its carrying amount to be significantly different from the actual amount that the rental guarantee deposits would eventually be collected.

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

<b>Bank loan</b>	<b>2017</b>	<b>2016</b>
Carrying amount .....	P <b>13,740,598</b>	-
Fair value .....	<b>14,688,476</b>	-

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

**NOTE 22 - RETIREMENT BENEFIT LIABILITY**

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date was made on December 31, 2017. Valuations are obtained on an annual basis.

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement and Late Retirement Benefit" and "Voluntary Separation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

*Normal Retirement, Early Retirement and Late Retirement*

In 2017, the Company had an agreement to revise the retirement package for union members. The total benefit that will be received by a retired non-union member employee and a union member (\*\*) employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

<b>YOS</b>	<b>Retirement Benefit*</b>
20 & Below	100% of the plan salary for every year of credited service
Above 20 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

\*covering Normal, Early and Late Retirement

\*\*for YOS rendered before January 1, 2011

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The following retirement benefit formula table applies to a union member employee for services rendered on or after January 1, 2011:

YOS	Retirement Benefit*
20 & Below	110% of the plan salary for every year of credited service
Above 20 to 25	130% of the plan salary for every year of credited service
Above 25	150% of the plan salary for every year of credited service

\*covering Normal, Early and Late Retirement

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service unless approved by the Company. The late retirement may be availed only beyond age sixty (60) but not beyond sixty-five (65), on a case-to-case and yearly extension basis and subject to the consent of the Company.

*Voluntary Separation*

The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit
10 to 15	79% of the plan salary for every year of credited service
16 to 20	99% of the plan salary for every year of credited service
21 to 25	119% of the plan salary for every year of credited service
Above 25	139% of the plan salary for every year of credited service

*Total and Permanent Disability and Death Benefit*

In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least five (5) years and three (3) years of credited service for Solid and APO, respectively.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

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*a) Movement in Retirement Benefit Liability*

The following table shows reconciliation from the opening balances to the closing balances for retirement benefit liability and its components:

	Present Value of Defined Benefit Obligation		Fair Value of Plan Assets		Retirement Benefit Liability	
	2017	2016	2017	2016	2017	2016
Balance at January 1	P849,055	P –	(P79,715)	P –	P769,340	P –
Net retirement benefit liability assumed during business combination	–	796,064	–	(79,160)	–	716,904
Included in profit or loss						
Service costs:						
Current service cost	57,918	57,652	–	–	57,918	57,652
Past service cost <sup>1</sup>	26,882	17,171	–	–	26,882	17,171
Interest cost, net	47,467	37,841	(7,335)	(7,877)	40,132	29,964
Settlement gain	(776)	–	–	–	(776)	–
	131,491	112,664	(7,335)	(7,877)	124,156	104,787
Included in OCI						
Actuarial loss (gain) from:						
Change in financial assumptions	(37,717)	(77,471)	–	–	(37,717)	(77,471)
Change in demographic assumptions	(320)	(5,658)	–	–	(320)	(5,658)
Experience adjustments	(66,659)	59,761	–	–	(66,659)	59,761
Return on plan assets excluding interest income	–	–	(1,778)	7,322	(1,778)	7,322
	(104,696)	(23,368)	(1,778)	7,322	(106,474)	(16,046)
Others						
Benefits paid	(26,014)	(36,305)	–	–	(26,014)	(36,305)
Balance at December 31	P849,836	P849,055	(P88,828)	(P79,715)	P761,008	P769,340

<sup>1</sup> The past service cost is the result of the following: a) amendment on the retirement benefit plan for union members in 2017; and b) amendment on the retirement benefit plan of APO to align with the retirement benefit plan of Solid in 2016.

*b) Plan Assets*

Plan assets consisted of the following:

	2017	2016
Unit investment trust fund (UITF)		
Equities - local currency .....	P 35,833	24,777
Fixed income - local currency .....	9,238	21,806
Money market .....	4,977	3,497
Mutual funds .....	30,255	16,342
Debt instruments .....	7,125	9,368
Government securities .....	1,133	539
Cash in bank .....	117	44
Foreign currency .....	82	152
Exchange traded funds .....	–	2,915
Others .....	68	275
	P 88,828	79,715

Equity UITF investments are placed in a concentrated portfolio of stocks listed in the PSE which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Fixed income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities such as special deposit accounts from the BSP and treasury notes with weighted average term to maturity of up to five (5) years.

Mutual funds are invested in listed equity instruments which are actively traded in globally developed markets. Other mutual funds are invested in debt instruments with terms generally ranging from five (5) to more than ten (10) years which were issued by low and middle income developing countries and are rated mostly at "BBB," "BB" and "B" by Standard and Poor's Financial Services. Investments in bonds have quoted prices in active market and are rated "Aaa," based on ratings made by Philippine Rating Services Corporation.

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The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The objective of BPI AMTG is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTG, and to be able to provide and fund benefits as they fall due.

*c) Defined Benefit Obligation*

*(i) Assumptions*

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	Solid		APO		Ecocrete, Inc.		Ecocast Builders, Inc.	
	2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	5.75%	5.34%	5.76%	5.30%	5.80%	5.67%	5.80%	5.58%
Future salary growth	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

The following are the turnover rate assumption in 2017 and 2016:

Age	Turnover Rates (%)
18 – 30	5 to <7
31 – 34	4 to <5
35 – 37	3 to <4
38 – 42	2 to <3
42 – 50	1 to <2
51 – 59	0 to <1

Mortality rates in 2017 and 2016 are based on the "2017 Philippine Intercompany Mortality Study" from the Actuarial Society of the Philippines and the "1994 Group Annuity Mortality Table" from the Society of Actuaries, respectively. Disability rate is based on "1952 Disability Study," Period 2, Benefit 5.

*ii) Sensitivity Analysis*

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31, 2017 and 2016 by the amounts shown below:

	2017		2016	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(P40,853)	P44,088	(P43,400)	P46,902
Future Salary Increase rate (0.5% movement)	46,225	(43,182)	48,827	(45,564)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

*d) Maturity Analysis*

Maturity analysis of the benefit follow:

	Carrying Amount	Contractual Cash Flows	Within >1 Year	Within 1 - 5 Years	More than 5 Years
2017	P849,836	P4,021,872	P42,641	P164,730	P3,814,501
2016	P849,055	P4,029,901	P31,130	P170,328	P3,828,443

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As at December 31, 2017 and 2016, the weighted average duration in years of the defined benefit obligation are as follows:

	2017	2016
Solid.....	19.09	18.97
APO.....	17.14	17.39
Ecocrete, Inc.....	28.08	26.38
Ecocast Builders, Inc.....	23.39	24.80

The Company does not expect to contribute to its pension plan in 2018.

*e) Retirement Benefit Expense*

Retirement benefit expense is recognized in the following line items in the consolidated statements of comprehensive income:

	2017	2016	2015
Costs of sales and services..... P	39,192	41,390	-
Administrative expenses.....	44,832	33,433	-
Other financial expenses - net.....	40,132	29,964	-
P	124,156	104,787	-

**NOTE 23 - BANK LOAN**

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

The debt issuance cost of this bank loan, corresponding to P166,591 on unamortized basis, was deducted from the total loan liability as at December 31, 2017. Interest expense incurred in 2017, excluding amortized direct cost, amounted to P571,808 million which is recognized under "Financial expenses" account in the consolidated statements of comprehensive income.

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually.

On December 8, 2017, the Parent Company also entered into a Supplemental Agreement with BDO wherein both parties agreed to fix the commencement date for compliance with financial covenants under the Facility Agreement in June 2020 and include debt service reserve accounts and additional debt incurrence restrictions. The Company's actual financial ratio as at December 31, 2017 is well within the limit of the aforementioned additional debt incurrence restriction. The debt service reserve account is recognized as "Long-term time deposits" under "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position (see Note 15B).

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

	Bank Loan	Accrued Interest	Total
Balance as at January 1, 2017..... P	-	-	-
Proceeds.....	13,831,596	-	13,831,596
Interest expense.....	14,094	571,808	585,902
Payment of:			
Principal.....	(105,092)	-	(105,092)
Interest.....	-	(473,729)	(473,729)
Balance as at December 31, 2017..... P	13,740,598	98,079	13,838,677

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Accrued interest from this bank loan amounting to P98,079 as at December 31, 2017 is recognized under "Unearned revenue, other accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 20).

**NOTE 24 - INCOME TAXES**

**24A) INCOME TAXES FOR THE PERIOD**

The amounts of income taxes recognized in profit or loss for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016	2015
Current tax expense.....	P	652,115	1,151,631	-
Deferred tax benefit arising from origination and reversal of temporary differences.....		(642,186)	(587,887)	-
Write-down of previously recognized deferred tax asset.....		129,615	-	-
	P	139,544	563,744	-

The Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until	Amount	Addition During the Period	Expired/Utilized During the Period	Ending Balance
2017	2020	P-	P2,363,198	P-	P2,363,198
2016	2019	1,780,808	809,850	(60)	2,590,598
2015	2018	28,040	-	(607)	27,433
2014	2017	12,871	-	(12,871)	-
		P1,821,719	P3,173,048	(P13,538)	P4,981,229

The Company has MCIT that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until	Amount	Addition During the Period	Expired/Utilized During the Period	Ending Balance
2017	2020	P-	P199,428	P-	P199,428
2016	2019	90	-	(21)	69
		P90	P199,428	(P21)	P199,497

**24B) DEFERRED INCOME TAXES**

For the years ended December 31, 2017 and 2016, the income tax effects of the temporary differences, NOLCO and MCIT that resulted in deferred income tax assets and liabilities are presented below:

2017	Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets (liabilities):				
NOLCO.....	P278,061	P424,069	P-	P702,130
Accrued retirement benefit liability and past service cost.....	229,379	32,214	(31,942)	229,651
MCIT.....	90	199,252	-	199,342
Write-down of:				
Property, machinery and equipment to recoverable amount.....	9,232	60,173	-	69,405
Inventories to NRV.....	23,451	11,395	-	34,846
Allowance for impairment losses on receivables.....	24,365	3,982	-	28,347
Unearned revenue.....	12,145	10,106	-	22,251
Unrealized foreign exchange loss (gain).....	303,694	(289,847)	-	13,847
Provisions.....	5,340	1,263	-	6,603
Accrued employee severance pay.....	3	-	-	3
Fair value adjustment on property, machinery and equipment.....	(447,060)	80,557	-	(366,503)
Accrued documentary stamp tax.....	-	(18,658)	-	(18,658)
Other items.....	5,901	(1,935)	-	3,966
	P444,601	P512,571	(P31,942)	P925,230

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2016	Balance at January 1	Additions from business combination	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets (liabilities):					
Unrealized foreign exchange loss (gain).....	P –	(P36,825)	P340,519	P –	P303,694
NOLCO .....	–	14,140	263,921	–	278,061
Accrued retirement benefit liability and past service cost .....	–	215,813	18,380	(4,814)	229,379
Allowance for impairment losses on receivables .....	–	21,181	3,184	–	24,365
Write-down of:					
Inventories to NRV.....	–	57,627	(34,176)	–	23,451
Property, machinery and equipment to recoverable amount .....	–	9,232	–	–	9,232
Unearned revenue.....	–	11,998	147	–	12,145
Provisions .....	–	85,258	(79,918)	–	5,340
Accrued employee severance pay .....	–	1,321	(1,318)	–	3
Fair value adjustment on property, machinery and equipment .....	–	(531,006)	83,946	–	(447,060)
Other items .....	–	12,789	(6,798)	–	5,991
	P –	(P138,472)	P587,887	(P4,814)	P444,601

Deferred income tax assets have not been recognized in respect of the following items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom:

	2017		2016	
	Gross amount	Tax effect	Gross amount	Tax effect
NOLCO	P2,640,797	P792,239	P894,850	P268,455
Allowance for impairment losses on accounts receivable	4,790	1,437	–	–
Allowance for write-down of inventories	626	188	–	–
Accrued retirement benefit liability	347	104	–	–
Excess MCIT over RCIT	155	155	–	–
Unrealized foreign exchange losses	3	1	–	–
Others	87	26	7	2
	P2,646,805	P794,150	P894,857	P268,457

As at December 31, 2017 and 2016, based on the forecasts of future cash flows and operating results, the Company believes that sufficient taxable income will be generated so that it is probable that it will realize the tax benefits associated with the recognized deferred income tax assets related to tax loss carryforwards prior to their expiration. In addition, the Company concluded that the deferred income tax liabilities that were considered in the analysis of recoverability of its deferred income tax assets will reverse in the same period and tax jurisdiction of the related recognized deferred income tax assets. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, currently recognized deferred income tax assets would be evaluated and derecognized if necessary against the results of the period.



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**24C) EFFECTIVE TAX RATE**

Differences between the financial basis and the corresponding tax basis of assets and liabilities and the different income tax rates and laws applicable to the Company, among other factors, give rise to permanent differences between the average statutory tax rate of the entities included in the consolidated financial statements, and the effective tax rate presented in the consolidated statements of comprehensive income, which were as follows:

	2017	2016
Statutory income tax rate.....	30.00%	30.00%
Movement in NOLCO .....	35.46	13.63
Non-deductible expense.....	6.62	0.61
CAR and FALCON tax rate difference.....	(53.19)	(14.01)
Non-taxable income.....	(1.69)	(0.10)
Others.....	0.28	(1.62)
Consolidated effective income tax rate.....	<u>17.48%</u>	<u>28.51%</u>

**24D) SIGNIFICANT TAX PROCEEDINGS**

As at December 31, 2017, APO and Solid are the subject of the following tax investigations conducted by the Philippine tax authorities:

Taxable Year	Covered Taxes
2013 .....	All internal revenue taxes
2016 .....	VAT

As at March 8, 2018, no preliminary tax audit findings or issues have been raised arising from these investigations.

**24E) IMPACT OF NEW TAX LAW**

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018.

The TRAIN Law, which took effect on January 1, 2018, represents Package 1 of the comprehensive tax reform program of the current administration that aims to correct gaps in the present tax system, allowing it to be more effective and equitable. Below are the salient points of the TRAIN Law:

- Reduction in personal income taxes
- Changes in capital income taxes
  - Final withholding tax on interest from foreign-currency deposits increased to 15% (from 7.5%)
  - Capital gains tax on unlisted/untraded shares increased to 15% (from 5%/10%)
  - Stock transaction tax on listed/traded shares increased to 6/10 of 1% (from ½ of 1%)
- Amendments to other taxes
  - VAT
    - Certain VAT zero-rated transactions to become subject to 12% VAT upon implementation of VAT refund system
    - VAT exemption threshold for sale of goods and services increased to P3.0 million (from P1.9 million)
    - Included in VAT-exempt transactions, among others: transfers of properties pursuant to a tax-free merger; association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations
  - Increased documentary stamp taxes (DST) rates by 50% to 100% on certain transactions
  - Excise taxes
    - Revised excise tax rates on cigars and cigarettes, manufactured oils and other fuels, petroleum products, automobiles, and minerals
    - Expanded scope of excise tax to include non-essential services and sweetened beverages

**CEMEX Holdings Philippines, Inc. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**As at and for the years ended December 31, 2017 and 2016**

**And for period from September 17 to December 31, 2015**

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

**NOTE 25 - STOCKHOLDERS' EQUITY**

**25A) COMMON STOCK**

As at December 31, 2017, 2016 and 2015, information on the Parent Company's common stock is summarized as follows:

	Authorized			Issued and Outstanding		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
Balance at September 17, 2015/ December 31, 2015	1,504,000	P100	P150,400	94,000	P100	P9,400
Full payment of previously subscribed common stock	-	-	-	282,000	100	28,200
Effect of decrease in par value on previously authorized and subscribed shares	148,896,000	-	-	37,224,000	-	-
Effect of increase in authorized capital stock	5,044,995,454	1	5,044,995	2,819,867,500	1	2,819,867
Shares issued during IPO	-	-	-	2,337,927,954	1	2,337,928
<b>Balance at December 31, 2016</b>	<b>5,195,395,454</b>	<b>P1</b>	<b>P5,195,395</b>	<b>5,195,395,454</b>	<b>P1</b>	<b>P5,195,395</b>
<b>Balance at December 31, 2017</b>	<b>5,195,395,454</b>	<b>P1</b>	<b>P5,195,395</b>	<b>5,195,395,454</b>	<b>P1</b>	<b>P5,195,395</b>

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Parent Company at P100 par value per share. Of the agreed subscription price of P37,600, only P9,400 was paid in 2015, while the remainder of P28,200 was paid in 2016. In 2016, the Parent Company's BOD approved the amendment of and increase in the authorized capital stock of the Parent Company from P150,400, divided into 1,504,000 common shares with par value of P100 per share, to P5,195,395, divided into 5,195,395,454 common shares with par value of P1 per share.

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

**25B) OTHER EQUITY RESERVES**

Other equity reserves as at December 31 consisted of:

		2017	2016
Remeasurements on retirement benefit liability .....	P	85,764	11,232
Cumulative translation of foreign subsidiaries .....		77,339	90,864
Share-based compensation reserve .....		36,826	11,655
Hedge reserve .....		-	6,805
	P	<b>199,929</b>	<b>120,556</b>

**25C) NON-CONTROLLING INTERESTS**

Non-controlling interest represents the 30% share of non-controlling stockholders in the results and equity of Newcrete Management, Inc. As at December 31, 2017 and 2016, non-controlling interest in equity amounted to approximately P221 and P246, respectively.

**25D) SHARE BASED PAYMENTS**

As part of CEMEX's share-based payments programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX's CPOs, pursuant to which new CPOs are issued by the ultimate parent company under each annual program over a four (4) year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a one (1) year restriction on sale.

**CEMEX Holdings Philippines, Inc. and Subsidiaries**

**Notes to the Consolidated Financial Statements  
As at and for the years ended December 31, 2017 and 2016  
And for period from September 17 to December 31, 2015**

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

Under these programs, CEMEX issued new shares to certain executives of the Company for approximately 429,761 and 765,586 CPOs in 2017 and 2016, respectively, that were subscribed and pending for payment in the ultimate parent company's treasury. As at December 31, 2017 and 2016, there are approximately 634,636 and 1,200,262 CPOs, respectively, associated with these annual programs that are expected to be issued in the future as the Company's executives render services.

The compensation expense related to these programs for the year ended December 31, 2017 and 2016, for approximately P25,171 and P11,655 corresponding to the fair value of the number of CEMEX's CPOs at the date of grant, was recognized in the Company's profit or loss against other equity reserves. The weighted average fair value, which pertains to the market price of CPOs granted, is 14.28 and 13.79 Mexican Pesos in 2017 and 2016, respectively. As at December 31, 2017 and 2016, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's own stock (intrinsic value).

**25E) RETAINED EARNINGS**

As at December 31, 2017 and 2016, the Company's retained earnings include unappropriated retained earnings of its significant operating subsidiaries, Solid and APO, amounting to P831,756 and P1,534,978, respectively, which pertains to the result of the operations of both Solid and APO from the date the Parent Company obtained control over these subsidiaries. Such amount was offset by the net results of the Parent Company and its remaining subsidiaries. The retained earnings of both Solid and APO are not available for distribution as dividends by the Parent Company until declared by the respective investees.

**25F) CAPITAL MANAGEMENT**

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

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

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

		2017	2016
Total liabilities.....	P	22,329,280	22,357,672
Less cash and cash equivalents.....		(1,058,267)	(1,337,155)
Net debt (excess cash) .....	P	21,271,013	21,020,517
Total equity.....	P	29,422,396	28,684,212
Net debt to equity ratio .....	P	0.72:1	0.73:1

**NOTE 26 - BASIC AND DILUTED EARNINGS PER SHARE**

The earnings per share (EPS) calculation reflects the effect of the stock split resulting from the decrease in par value of the common stock from P100 to P1 per share, which was approved by the SEC on May 20, 2016 (see Note 25A). The change resulted in an increase in the weighted average number of shares outstanding used in the 2015 computation from 109,195 shares to 10,919,452 shares. The amounts considered for the calculation of EPS for 2017, 2016 and 2015 are as follows:

		2017	2016	2015
Profit (loss) (a) .....	P	658,811	1,413,466	(4,446)
Add: non-controlling interest net loss.....		25	24	-
Controlling interest in net income.....		658,836	1,413,490	(4,446)
Weighted average number of shares outstanding - Basic/Diluted (b) .....		5,195,395,454	2,845,589,135	37,600,000
Basic/Diluted earnings (loss) per share (a/b).....	P	0.13	0.50	(0.12)

**CEMEX Holdings Philippines, Inc. and Subsidiaries**

**Notes to the Consolidated Financial Statements  
As at and for the years ended December 31, 2017 and 2016  
And for period from September 17 to December 31, 2015**

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

As at December 31, 2017, 2016 and 2015, the Company has no dilutive equity instruments.

**NOTE 27 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

As at December 31, 2017 and 2016, the Company had the following contractual obligations. The interest payments on floating rate bank loans reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for this financial liability, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Obligations	2017			
	Less than 1 year	1-5 Years	More than 5 Years	Total
Bank loan .....	P 786,759	14,847,076	1,682,734	17,316,569
Long-term payable to related parties <sup>1</sup> .....	326,601	1,147,467	–	1,474,068
Operating leases <sup>2</sup>				
Land lease .....	87,002	435,010	1,566,038	2,088,050
Warehouse lease .....	77,073	879,642	150,376	1,107,091
Vessel lease .....	141,523	107,137	–	248,660
Office lease .....	16,491	92,551	43,823	152,865
Retirement plans and other benefits <sup>3</sup> .....	42,641	164,730	3,814,501	4,021,872
Total contractual obligations .....	P 1,478,090	17,673,613	7,257,472	26,409,175

Obligations	2016			
	Less than 1 year	1-5 Years	More than 5 Years	Total
Long-term payable to related parties <sup>1</sup> .....	P 1,219,843	17,995,563	4,744,420	23,959,826
Operating leases <sup>2</sup>				
Vessel lease .....	141,952	125,541	–	267,493
Land lease .....	91,139	455,695	1,640,502	2,187,336
Warehouse lease .....	27,594	173,024	–	200,618
Office lease .....	16,711	88,683	64,182	169,576
Retirement plans and other benefits <sup>3</sup> .....	31,130	170,328	3,828,443	4,029,901
Total contractual obligations .....	P 1,528,369	19,008,834	10,277,547	30,814,750

<sup>1</sup> The payables pertain to the Company's loan from CEMEX Asia B.V. The loan bears interest at an annual rate equal to 6-month LIBOR plus 369 basis points and 450 basis points in 2017 and 2016, respectively, for Solid and fixed interest rate at 7.68% for APO. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively (see Note 13).

<sup>2</sup> The Company leases vessels, land, warehouses and office premises under operating leases with periods ranging from 1 - 25 years. Total rental expenses pertaining solely to minimum lease payments recognized in profit or loss by the Company from these operating leases amounted to P460,935 and P439,564 for the years ended December 31, 2017 and 2016, respectively. The amounts of payments under operating leases have been determined on the basis of nominal cash flows. Some of these operating leases with a term of more than one (1) year have escalation clauses, whereby rental fees increase over the lease term. In addition, these lease agreements provided renewal options subject to the mutual agreement of both the lessor and the Company.

<sup>3</sup> Represents the estimated payments for retirement benefits over the expected maturity of the retirement and other benefit liabilities (see Note 22). Future payments include an estimation of new pensioned personnel over those years.

**NOTE 28 - CONTINGENCIES FROM LEGAL PROCEEDINGS**

As at December 31, 2017, the Company is involved in various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) national and local tax assessments; 2) labor claims; and 3) other diverse civil actions. The Company considers that in those instances in which obligations have been incurred, the Company has accrued adequate provisions to cover the related risks. The Company believes these matters will be resolved without any significant effect on its business, consolidated financial position or consolidated financial performance. In addition, in relation to ongoing legal proceedings, the Company is able to make a reasonable estimate of the expected loss or range of possible loss, as well as disclose any provision accrued for such loss. However, for a limited number of ongoing proceedings, the Company may not be able to make a reasonable estimate of the expected loss or range of possible loss or may be able to do so but believes that disclosure of such information on a case-by-case basis would seriously prejudice Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed qualitative information with respect to the nature and characteristics of the contingency, but has not disclosed the estimate of the range of potential loss.

**CEMEX Holdings Philippines, Inc. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**As at and for the years ended December 31, 2017 and 2016**

**And for period from September 17 to December 31, 2015**

(Amounts in Thousands of Philippine Peso, Except Number of Shares and Per Share Data)

**NOTE 29 - MAIN SUBSIDIARIES**

The Parent Company's direct and indirect subsidiaries as at December 31, 2017 and 2016 are as follows:

Entities	Country of Incorporation	Main activity	% of interest
CAR .....	Switzerland	Services	100.0
Falcon .....	Barbados	Insurance	100.0
Edgewater Ventures Corporation .....	Philippines	Holdings	100.0
Triple Dime Holdings, Inc. ....	Philippines	Holdings	100.0
APO .....	Philippines	Cement	100.0
Bedrock Holdings, Inc. ....	Philippines	Holdings	100.0
Sandstone Strategic Holdings, Inc. ....	Philippines	Holdings	100.0
Solid .....	Philippines	Cement/Concrete	100.0
Ecocast Builders, Inc. ....	Philippines	Construction	100.0
Ecocrete, Inc. ....	Philippines	Services	100.0
Ecopavements, Inc. ....	Philippines	Construction	100.0
Enerhiya Central Inc. ....	Philippines	Energy	100.0
Newcrete Management, Inc. ....	Philippines	Services	70.0

**NOTE 30 – RECLASSIFICATION**

The insurance revenue previously reported as part of "Revenue" in the consolidated statements of comprehensive income in 2016 have been reclassified as an offset to "Insurance expense" under "Administrative and Selling Expenses" account in the consolidated statements of comprehensive income to conform to the current presentation.

*Summary of Quantitative Impacts*

The following table summarizes the impact of the above change on the Company's consolidated financial performance.

The effect of the reclassification in 2016 is as follows:

		As Previously Reported	Effect of Reclassification	As Restated
Revenue	P	24,806,099	(519,346)	24,286,753
Administrative and selling expenses		4,012,940	(519,346)	3,493,594

The reclassification did not have an impact on the Company's consolidated statements of cash flows.



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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, 2017 and 2016 and for the years ended December 31, 2017 and 2016 and for the period from September 17 to December 31, 2015, included in this Form 17-A, and have issued our report thereon dated March 22, 2018.

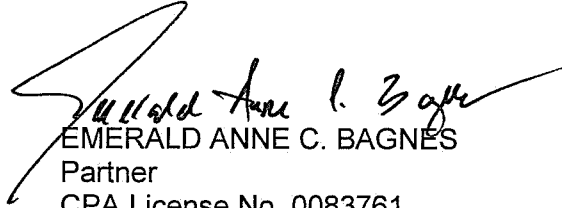
Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration;
- Map of Group of Companies within which the Group belongs;
- Schedule of Philippine Financial Reporting Standards and Interpretations; and
- Supplementary Schedules of Annex 68-E.



This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**



EMERALD ANNE C. BAGNES  
Partner

CPA License No. 0083761

SEC Accreditation No. 0312-AR-3, Group A, valid until April 30, 2018

Tax Identification No. 102-082-332

BIR Accreditation No. 08-001987-12-2016

Issued April 12, 2016; valid until April 11, 2019

PTR No. 6615124MD

Issued January 3, 2018 at Makati City

March 22, 2018

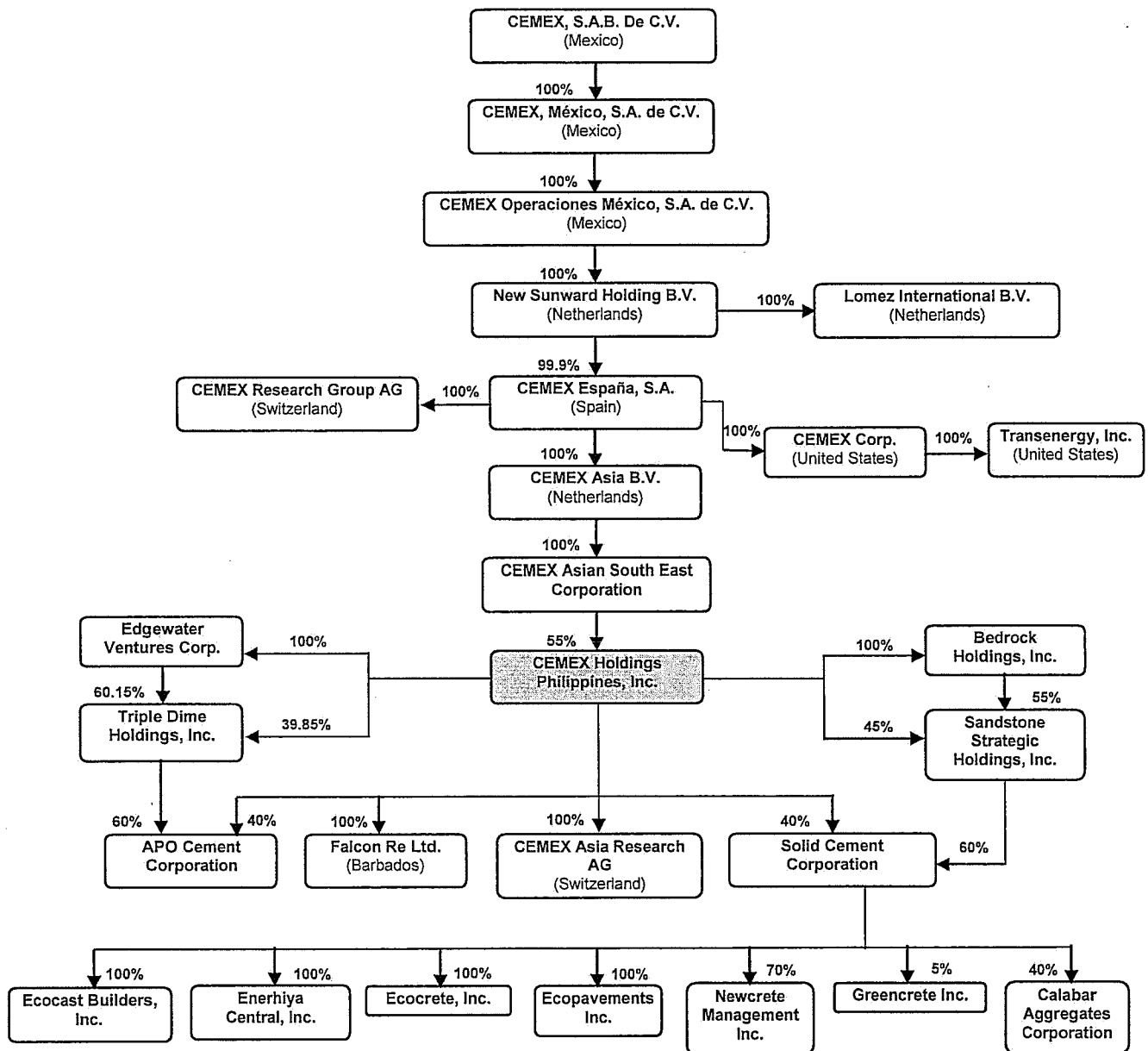
Makati City, Metro Manila

**CEMEX HOLDINGS PHILIPPINES, INC.**  
34th Floor, Petron Mega Plaza Building  
358 Sen. Gil J. Puyat Avenue, Makati City  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**

<b>Unappropriated Retained Earnings, January 1, 2017</b>	<b>P4,415,323,111</b>
<b>Adjustments:</b>	
Adjustments in previous years' reconciliation	<b>(549,827,278)</b>
<b>Unappropriated Retained Earnings, as adjusted, January 1, 2017</b>	<b>3,865,495,833</b>
<b>Add: Net income actually earned/realized during the year</b>	
Net loss during the period closed to Retained Earnings	(P962,049,160)
<b>Less: Non-actual/unrealized income net of tax</b>	
Equity in net income (loss) of associate/ joint venture	-
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	27,154,279
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting in gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
<b>Add: Non-actual losses</b>	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Deferred income tax expense for the year	10,842,178
<b>Net income actually earned/realized during the year</b>	<b>(978,361,261)</b>
<b>Add (Less):</b>	
Dividends declaration during the period	-
Appropriation of retained earnings during the period	-
Reversal of appropriations	-
Effect of prior period adjustments	-
Treasury shares	-
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2017</b>	<b>P2,887,134,572</b>



**CEMEX Holdings Philippines, Inc. and Subsidiaries**  
**Map of the Group of Companies Within which the Company Belongs**  
**As at December 31, 2017**



Note: The diagram provides the organizational and ownership structure as at December 31, 2017 and has been simplified to show only the relevant intermediate holding companies of CEMEX, S.A.B. de C.V.

## CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
<b>PFRS 2</b>	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
<b>PFRS 4</b>	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements	✓		
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments (2014)		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
	Amendments to PAS 40: Transfers of Investment Property		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
<b>Philippine Interpretations Committee Questions and Answers</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01- Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	✓		
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	✓		
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts		✓	
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017	✓		
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	✓		
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures	✓		
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	✓		
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	✓		
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	✓		
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property	✓		
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy	✓		
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test	✓		
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost	✓		
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease	✓		
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items	✓		
PIC Q&A 2018-10	Scope of disclosure of inventory write-down	✓		

**Legend:**

**Adopted** - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

**Not Adopted** - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

**Not Applicable** - means the standard or interpretation is not relevant at all to the operations of the entity.

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**SCHEDULE A. FINANCIALS ASSETS**  
 December 31, 2017  
 (Amounts in Thousands)

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued
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NOT APPLICABLE

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).**  
 December 31, 2017  
 (Amounts in Thousands)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (iii)	Current	Not Current	Balance at end of period
VIDAL, APRIL	P7,020	P -	(P920)	P -	P6,100	P -	P6,100
RAMOS, ARTURO	-	3,826	-	-	3,826	-	3,826
CARPIO, EDMUND	827	-	(32)	-	795	-	795
BLANCO, HERMINIA	470	4	(67)	-	407	-	407
SORONGON, JOAN	140	-	-	-	140	-	140
FESTEJO, ALEXANDER	-	131	-	-	131	-	131
	P8,457	P3,961	(P1,019)	P -	P11,399	P -	P11,399

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS**  
 December 31, 2017  
 (Amounts in Thousands)

Related party name	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
CEMEX Holdings Philippines, Inc.	P -	P296,975	P241,875	P -	P55,100	P -	P55,100
Solid Cement Corporation	145,952	897,638	876,530	-	167,060	-	167,060
APO Cement Corporation	189,445	1,876,732	2,025,172	-	41,005	-	41,005
Bedrock Holdings, Inc.	109,617	200	-	-	200	109,617	109,617
Ecocast Builders, Inc.	21,673	63,681	70,489	-	14,865	-	14,865
Ecopavements, Inc.	40,287	107,529	102,603	-	213	45,000	45,213
Ecocrete, Inc.	7,114	27,749	34,852	-	11	-	11
Cemex Asia Research AG	1,686,245	4,631,426	3,159,042	-	3,158,629	-	3,158,629
Falcon Re Ltd.	1,467,596	737,711	20,694	-	2,184,613	-	2,184,613
	P3,667,929	P8,639,641	P6,531,257	P -	P5,621,696	P154,617	P5,776,313

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS**  
 December 31, 2017  
 (Amounts in Thousands)

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
Goodwill	P27,859,694	P -	P -	P -	P -	P27,859,694

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**SCHEDULE E. LONG TERM DEBT\***  
 December 31, 2017  
 (Amounts in Thousands)

Title of issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Expense	Number of Periodic Installments (Quarterly)	Final Maturity Date
Senior Unsecured Peso Term Loan Facility Agreement	BDO Unibank, Inc.	P13,740,598	P140,123	P13,600,475	P571,808 (Fixed rate tranche - as agreed by the parties; Floating rate tranche - based on prevailing market rate plus spread)	28	February 2, 2024

\* Please see Schedule F for the long-term debt with related parties.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES  
 SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)  
 December 31, 2017  
 (Amounts in Thousands)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
New Sunward Holding B.V.	P14,557,460	P -
CEMEX Asia B.V.	1,361,862	1,288,334
	P15,919,322	P1,288,334



**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
 December 31, 2017  
 (Amounts in Thousands)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (i)
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NOTHING TO REPORT

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**SCHEDULE H. CAPITAL STOCK**  
 December 31, 2017

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common shares	5,195,395,454	5,195,395,454	Not applicable	2,857,467,498	400,202	2,337,527,754

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
Current ratio (Current assets over current liabilities)	1.0:1	1.2:1
Solvency ratio (Profit plus depreciation and amortization over total liabilities)	0.1:1	0.1:1
Bank debt-to-equity ratio (Bank debt over total equity)	0.5:1	N/A
Asset-to-equity ratio (Total assets over total equity)	1.8:1	1.8:1
Interest rate coverage ratio (Operating income before other expenses over interest expense)	2.3:1	4.0:1
Operating profit margin (Operating profit over net sales)	8%	19%
Net profit margin (Profit over net sales)	3%	6%