

# COVER SHEET

SEC Registration Number

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**COMPANY NAME**

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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)**

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<b>Form Type</b>	<b>Department requiring the report</b>	<b>Secondary License Type, If Applicable</b>
SEC Form 17-Q	C F D	

**COMPANY INFORMATION**

<b>Company's email Address</b>	<b>Company's Telephone Number/s</b>	<b>Mobile Number</b>
	849 – 3600	
<b>No. of Stockholders</b>	<b>Annual Meeting (Month / Day)</b>	<b>Fiscal Year (Month / Day)</b>
		March 31

**CONTACT PERSON INFORMATION**

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

<b>Name of Contact Person</b>	<b>Email Address</b>	<b>Telephone Number/s</b>	<b>Mobile Number</b>
Vincent Paul O. Piedad	paul.piedad@cemex.com	(02) 849 3725	

**CONTACT PERSON'S ADDRESS**

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

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **March 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. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**
6. Industry Classification Code:                      (SEC Use Only)
7. Address of issuer's principal office and postal code **34<sup>th</sup> Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City 1200**
8. Issuer's telephone number, including area code **(02) 849-3600**
9. Former name, former address and former fiscal year, if changed since last report - **NA**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

Yes  No

**Stock Exchange:** Philippine Stock Exchange

**Securities Listed:** Common Shares

12. Indicate by check mark whether the registrant:

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

Yes  No

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

## FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited condensed consolidated financial statements as at and for the three-months ended March 31, 2017 and the audited consolidated statement of financial position as at December 31, 2016 and audited statement of profit or loss and other comprehensive income for the three-months ended March 31, 2016, and the related notes to the unaudited condensed consolidated interim financial statements of CEMEX Holdings Philippines, Inc. and its Subsidiaries as at March 31, 2017 are filed as part of this Form 17-Q as Appendix I.

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

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

The Company presents comparative unaudited condensed consolidated financial statements for the three months ended March 31, 2017 and audited financial statements for the three months ended March 31, 2016. On January 1, 2016 the Parent Company acquired, directly and indirectly through intermediate holding companies, a 100% equity interest in each of Solid Cement Corporation ("Solid") and APO Cement Corporation ("APO").

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

In May 2016, the Parent Company incorporated a wholly-owned subsidiary named Falcon Re Ltd. ("Falcon") under the Companies Act of Barbados. Falcon is registered to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance, and received its license to operate as an insurance company in July 2016. Falcon acts as a reinsurer to the extent of 10% of the risks associated with the property of insurance coverage and 100% of the risks associated with political violence and non-damage business interruption programs of the operating subsidiaries 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 under the Main Board of the Philippine Stock Exchange of all of the outstanding shares of capital stock of the Parent Company consisting of 5,195,395,454 common shares.

Several important operational arrangements became effective as a result of the consummation of the IPO: (a) The new operational arrangement that recognizes the limitation of 5% of net sales of the Company with respect to corporate service charges and royalties/license fee payable to certain subsidiaries of CEMEX was implemented with retroactive effect as of January 1, 2016; (b) The new reinsurance

arrangement affecting 100% of the risks associated with political violence and non-damage business interruption and 10% of the risks associated with property insurance coverage of the operating subsidiaries of the Company became effective from August 1, 2016.

The impact of these operational arrangements were not reflected in the audited consolidated financial statements of the Company as at March 31, 2016 which were issued prior to the IPO since these arrangements only became effective upon consummation of the IPO in July 2016. In contrast, the impact of these operational arrangements are reflected in the unaudited condensed consolidated interim financial statements of the Company as at and for the three-months ended March 31, 2017 which form part of this Form 17-Q.

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

Furthermore, on February 1, 2017, the Parent Company signed a senior unsecured peso term loan facility agreement with BDO, Unibank Inc. for an amount of up to the Philippine Peso equivalent of US\$280 Million (“BDO Refinancing Loan”), to refinance a majority of the Parent Company’s outstanding balance due under the NSH Long-term Loan.

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

The following is a discussion and analysis of our unaudited condensed consolidated interim financial condition and results of operations as at and for the three months ended March 31, 2017, the audited consolidated financial condition as at December 31, 2016, and audited consolidated interim results of operations for the three-months ended March 31, 2016, and certain trends, risks and uncertainties that may affect our business. Comparative interim figures for 2016 were available for the discussion of the Company’s financial performance however CARG was still in their pre-operating stage in the first quarter of 2016 that resulted in higher royalty expense compared to the comparative quarter. Also, Falcon Re. Ltd was not yet part of the consolidated figures since it was incorporated only in July 2016.

### Financial Performance

As at and for the three Months ended March 31, 2017 and 2016:

#### *Revenue*

Revenue for the three month period ended March 31, 2017 and 2016 amounted to P5.4 billion and P6.3 billion, respectively. The breakdown of revenue after eliminations for the three months ended March 31, 2017 and 2016 were as follows:

	<b>For the three months ended March 31, 2017</b>		<b>For the three months ended March 30, 2016</b>	
<i>Segment</i>	<i>Amount*</i>	<i>% Sales</i>	<i>Amount*</i>	<i>% Sales</i>
Cement sales	P5,294	99%	P6,226	98.0%
Other business	68	1.0%	102	2.0%
<b>Total</b>	<b>P5,362</b>	<b>100%</b>	<b>P6,328</b>	<b>100%</b>

*\*Amounts in thousands*

For the first quarter of 2017, domestic gray cement volume decreased 8.6% during the first quarter of 2017 versus the same period last year. Adverse weather conditions, especially in January and February, led to 24 additional downtime days compared with the same quarter last year, due to rough sea conditions and mandatory sheltering of our vessels. Strong construction activity before elections during the first quarter of 2016 also resulted in a high base of comparison versus the first quarter of 2017. Year on year, our average selling price for domestic gray cement declined 7.3% for the first three months of 2017.

#### *Cost of Sales*

Cost of sales for the three month period ended March 31, 2017 and 2016 amounted to P2.8 billion and P3.2 billion, respectively. In line with decline in sales, cost of good sold also decreased in proportion to less volume sold versus same period last year.

Total cost of sales as percentage of revenue was 52.0% and 51.1% for the first three months of 2017 and 2016, respectively. During the three months ended March 31, 2017 and 2016, total power, fuel and production supplies costs represented approximately 63.1% and 67.0%, respectively, of cost of sales.

#### *Gross Profit*

As a result of the above conditions, gross profit for the three months ended March 31, 2017 and 2016 reached P2.6 billion and P3.1 billion, respectively. Gross profit as a percentage of revenue for the three months ended March 31, 2016 and 2017 represented 48.0% and 48.9%, respectively.

#### *Operating Expenses*

Operating expenses amounted to P1.8 billion and P2.6 billion, respectively, for the three months ended March 31, 2017 and 2016. Operating expenses were composed of administrative, selling, and distribution expenses. Administrative and selling expenses amounted to P755.9 million and P1,573.5 million or 14.1% and 24.9% of revenue for the first three months of 2017 and 2016. This is mainly attributable to royalties, amounting to P198.6 million and P787.5 million, respectively and insurance, amounting to P45.6 million and P299.7 million, respectively. Distribution expenses amounted to P1,048.8 million and P990.2 million, respectively, for the three months ended March 31, 2017 and 2016, which accounted for 19.6% and 15.6%, respectively, of net sales.

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

#### *Profit from operations*

For the reasons discussed above, profit from operations amounted to P768.1 million and P533.1 million, respectively, for the three months ended March 31, 2017 and 2016. These comprised 14.3% and 8.4% of revenue, respectively.

#### *Financial Expenses, Net*

Net financial expenses for the three months ended March 31, 2017 and 2016 amounted to P258.5 million and P20.5 million, respectively. For the first quarter of 2017, P249.2 million was incurred mainly due to the finance cost of the NSH Long-term Loan and with the BDO Refinancing Loan, which refinanced the former during the first quarter. The remaining costs were bank charges and interest expense from pension liability.

#### *Net Foreign Exchange Loss, net*

Net foreign exchange loss of P88.0 million and P196.7 million were reported for the three months ended March 31, 2017 and 2016, respectively. Significant reduction of foreign exchange loss reflected two main factors: (a) The full payment of the NSH Long-term Loan by way of refinancing a majority of the balance

of this foreign currency denominated loan into the local currency denominated BDO Refinancing Loan and (b) less currency exchange rate fluctuation in the first quarter 2017 versus same quarter last year.

*Other Income, Net*

Net other income for the three month period ended March 31, 2017 and 2016 was P19.2 million and P8.1 million, respectively.

*Income Tax*

As a result of operations, our income tax expense for the three months ended March 31, 2017 and 2016 amounted to P91.2 million and P109.6 million, respectively.

*Net Income*

As a result of the abovementioned concepts, net income for the three months ended March 31, 2017 and 2016 amounted to P349.5 million and P214.3 million, respectively.

Financial Position

*As at March 31, 2017 and December 31, 2016*

*Cash and Cash Equivalents*

Cash and cash equivalents amounted to P782.1 million and P1,337.1 million as at March 31, 2017 and December 31, 2016, respectively. As at March 31, 2017, cash and cash equivalents of P782.1 million including P725.5 million cash on hand and in banks and P56.6 million in short term investments which are readily convertible to cash. As at December 31, 2016, cash and cash equivalents of P1,337.1 million including P579.6 million cash on hand and in banks and P757.5 million in short term investments which are readily convertible to cash. The sharp decline of cash and cash equivalents during the two consecutive quarters reflected the aggressive repayment of debt.

*Trade Receivables - Net*

Accounts receivables amounted to P1,002.5 million and P909.7 million as at March 31, 2017 and December 31, 2016, net of allowance for impairment losses amounting to P3.7 million and P10.6 million, respectively, which mainly pertained to receivables from customers.

*Due from Related Parties*

Related party balances amounted to P69.6 million and P215.2 million as at March 31, 2017 and December 31, 2016, respectively, resulting primarily from the sale of goods, invoicing of administrative services, and advances and loans between related parties. Please see details in Note 9 in attached unaudited condensed consolidated financial statements.

*Other Current Accounts Receivable*

Other accounts receivables amounted to P131.9 million and P127.3 million as at March 31, 2017 and December 31, 2016, respectively.

*Inventories*

Inventories amounted to P2.7 billion and P2.6 billion as at March 31, 2017 and December 31, 2016, respectively. Inventories amounting to P1.8 billion and P1.4 billion referred to cement, clinker and work in process for the year 2017 and 2016, respectively, and the remaining balance referred to spare parts which were valued at lower of cost and net realizable value.

*Prepayments and Other Current Assets*

Other current assets amounted to P1.8 billion and P1.4 billion as at March 31, 2017 and December 31, 2016 which referred primarily to prepayments of insurance, P757.5 million and P900.5 million, respectively, and prepayment of taxes, P342.1 million and P310.7 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 P318.5 million and P320.5 million as at March 31, 2017 and December 31, 2016, respectively primarily consisted of long term performance deposits of P112.1 million and P112.2 million and guarantee bonds used in operations amounting to P91.9 million and P92.3 million, respectively. The rest mainly referred to unamortized transportation allowances of employees and other long-term prepayments.

*Property, Machinery and Equipment -net*

Property, machinery and equipment had a balance of P15.6 billion and P15.8 billion as at March 31, 2017 and December 31, 2016, respectively. As at March 31 2017 and December 31, 2016, P48.9 million and P 36.9 million, respectively, were incurred for maintenance capital expenditures and P74.1 million and P7.9 million, respectively, for strategic capital expenditures.

*Deferred Income Tax Assets -Net*

The Company's deferred income tax asset amounted to P512.4 million and P444.6 million as at March 31, 2017 and December 31, 2016, respectively which represented future tax benefit from operating losses.

*Goodwill*

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

*Trade Payables*

Trade payables as at March 31, 2017 and December 31, 2016 were at par, amounting to P2.2 billion, 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 P1.1 billion and P1.5 billion as at March 31, 2017 and December 31, 2016, respectively. Long-term payable to related parties amounted to P1.6 billion and P15.9 billion as at March 31, 2017 and December 31, 2016, respectively. The significant decrease of long-term loan was due to the complete repayment of the NSH Long-term Loan and 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 P2.1 billion and P2.0 billion as at March 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 P792.5 million and P769.3 million as at March 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*

Long-term bank loan amounting to P14.0 billion as at March 31, 2017 referred to the Senior Unsecured Peso Term Loan Facility Agreement with BDO, the purpose of which was to refinance a majority of the Parent Company's outstanding long-term loan with NSH.

#### *Other Noncurrent Liabilities*

Other noncurrent liabilities of P14.8 million as at March 31, 2017 and December 31, 2016 referred to provision for asset retirement obligation.

#### *Common Stock*

Total authorized capital stock of the Parent Company consists of 5,195,395,454 shares at a par value of P1 per share. Total issued and outstanding capital stock is 5,195,395,454 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 and its tax and cumulative currency translation of a foreign subsidiary.

#### *Derivative Instrument*

The amount was the unrealized gains and losses arising from coal hedge contract accounted for as cash flow hedge which is recognized in other comprehensive income. Such amount will be reclassified to profit or loss once gains or losses are realized from settlement.

#### *Retained Earnings*

Retained earnings of P1.8 billion and P1.4 billion as at March 31, 2017 and December 31, 2016, respectively, included the Company's cumulative net results of operations.

#### Key Performance Indicators

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

<b>Key Financial Indicators</b>	<b>Formula</b>	<b>For the period ended March 31, 2017</b>	<b>For the year ended December 31, 2016</b>
Current Ratio	Current Assets/Current Liabilities	1.2 : 1	1.2 : 1
Solvency Ratio	Profit + Depreciation /Total Liabilities	0.03 : 1	0.12 : 1
Net debt to Equity Ratio	Total liabilities less cash and cash equivalents/Total Equity	0.7 : 1	0.7 : 1
Asset to Equity Ratio	Total Assets/Total Equity	1.7 : 1	1.8 : 1



Key Financial Indicators	Formula	For the period ended March 31, 2017	For the period ended March 31, 2016
Interest Rate Coverage Ratio	Operating income before other expense-net/financial expense	3.0 : 1	26.0 : 1
Profitability Ratio	Operating income before other expense-net/Revenue	0.14: 1	0.08 : 1

#### Aging of Accounts Receivables

As at March 31,2017 the aging analysis of various accounts receivable are as follows:

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Trade receivables	908,305	23,433	16,978	53,771	3,679	1,006,166
Receivables from related parties	69,619	-	-	-	-	69,619
Other current accounts receivables	131,870	-	-	-	-	131,870
	1,109,794	23,433	16,978	53,771	3,679	1,207,655
Allowance for impairment losses	-	-	-	-	(3,679)	(3,679)
	1,109,794	23,433	16,978	53,771	P-	1,203,976

*[Signature Page Follows]*

**SIGNATURES**

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

**CEMEX HOLDINGS PHILIPPINES, INC.**


By:



PEDRO JOSE PALOMINO  
President & Chief Executive Officer  
15 May 2017



VINCENT PAUL PIEDAD



Treasurer  
15 May 2017

## Item 1. Financial Statements.

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

(Amounts in Thousands)

		March 31 2017 (Unaudited)	December 31 2016 (Audited)
	<i>Note</i>		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	P782,084	P1,337,155
Trade receivables - net	12	1,002,487	909,667
Due from related parties	9, 12	69,619	215,215
Other current accounts receivables	12	131,870	127,346
Inventories		2,729,999	2,577,577
Prepayments and other current assets		1,750,714	1,420,056
<b>Total Current Assets</b>		<b>6,466,773</b>	<b>6,587,016</b>
<b>Noncurrent Assets</b>			
Investments in an associate and other investments		15,273	15,273
Other assets and noncurrent accounts receivable	12	318,473	320,489
Property, machinery and equipment - net	7	15,623,365	15,814,811
Deferred income taxes – net		512,373	444,601
Goodwill		27,859,694	27,859,694
<b>Total Noncurrent Assets</b>		<b>44,329,178</b>	<b>44,454,868</b>
		<b>P50,795,951</b>	<b>P51,041,884</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade payables		P2,158,392	P2,170,646
Due to related parties	9	1,081,068	1,482,096
Unearned revenue, other accounts payable and accrued expenses		1,951,108	1,958,973
Income tax payable		102,932	42,490
<b>Total Current Liabilities</b>		<b>5,293,500</b>	<b>5,654,205</b>
<b>Noncurrent Liabilities</b>			
Long-term bank loan	11	14,012,281	-
Long-term payable to related party	9	1,634,746	15,919,322
Retirement benefits liability		792,540	769,340
Other noncurrent liabilities		14,805	14,805
<b>Total Noncurrent Liabilities</b>		<b>16,454,372</b>	<b>16,703,467</b>
<b>Total Liabilities</b>		<b>21,747,872</b>	<b>22,357,672</b>

		<b>March 31</b>	December 31
	<i>Note</i>	<b>2017</b>	2016
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Equity</b>			
Controlling interest:			
Common stock	8	<b>P5,195,395</b>	P5,195,395
Additional paid-in capital		<b>21,959,159</b>	21,959,159
Other equity reserves		<b>134,884</b>	120,556
Retained earnings		<b>1,758,403</b>	1,408,856
Total controlling interest		<b>29,047,841</b>	28,683,966
Non-controlling interest		<b>238</b>	246
<b>Total Equity</b>		<b>29,048,079</b>	28,684,212
<b>Total Liabilities and Equity</b>		<b>P50,795,951</b>	P51,041,884

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

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED**  
**INTERIM STATEMENTS OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME**  
(Amounts in Thousands, Except Per Share Data)

<i>Note</i>	<b>For The Three Months Ended March 31 2017 (Unaudited)</b>	<b>For The Three Months Ended March 31 2016 (Audited)</b>
	<b>REVENUE</b>	P6,328,209
	<b>COST OF SALES</b>	(3,231,475)
	<b>GROSS PROFIT</b>	3,096,734
	<b>OPERATING EXPENSES</b>	
	Administrative and selling expenses	(1,573,479)
	Distribution expenses	(990,180)
	<b>TOTAL OPERATING EXPENSES</b>	(2,563,659)
	<b>OPERATING INCOME BEFORE OTHER EXPENSES -</b>	
	Net	533,075
	<b>FINANCIAL EXPENSES</b>	(20,503)
	<b>FOREIGN EXCHANGE LOSS - Net</b>	(196,743)
	<b>OTHER INCOME - Net</b>	8,116
	<b>EARNINGS BEFORE INCOME TAX</b>	323,945
	<b>INCOME TAX EXPENSE</b>	(109,643)
	<b>PROFIT</b>	214,302
	5	
	<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	
	<b>Items that will not be reclassified subsequently to profit or loss</b>	
	Remeasurement of employee benefits liability	(2,551)
	Income tax recognized directly in other comprehensive income	765
	<b>918</b>	<b>(1,786)</b>
	<b>Items that will be reclassified subsequently to profit or loss</b>	
	Currency translation of a foreign subsidiary	(98)
	Cash flow hedge	
	<b>13,410</b>	
	<b>14,328</b>	<b>(1,884)</b>
	<b>COMPREHENSIVE INCOME</b>	212,418
	<b>Non-controlling interest comprehensive loss</b>	6
	<b>CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME</b>	P212,424
	<b>Basic / Diluted Earnings Per Share</b>	P5.70
	5	
	<b>P0.07</b>	

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

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
(Amounts in Thousands)

	For The Three Months Ended March 31, 2017 (Unaudited)				For The Three Months Ended March 31, 2016 (Audited)			
	Common Stock (see Note 8)	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings (Deficit)	Total Controlling Interest	Non-controlling Interest	Total Stockholders' Equity	
As at January 1, 2017	P5,195,395	P21,959,159	P120,556	P1,408,856	P28,683,966	P246	P28,684,212	
Total comprehensive income for the period	-	-	14,328	349,547	363,875	(8)	363,867	
<b>As at March 31, 2017</b>	<b>P5,195,395</b>	<b>P21,959,159</b>	<b>P134,884</b>	<b>P1,758,403</b>	<b>P29,047,841</b>	<b>P238</b>	<b>P29,048,079</b>	
	Common Stock	Deposit for future stock subscription	Other Equity Reserves	Retained Earnings (Deficit)	Total Controlling Interest	Non-controlling Interest	Total Stockholders' Equity	
As at January 1, 2016	P9,400	P-	(P34)	(P4,634)	P4,732	P-	P4,732	
Issuance of capital stock capital	28,200	-	-	-	28,200	-	28,200	
Deposits received for future stock subscription	-	2,819,868	-	-	2,819,868	-	2,819,868	
Changes in non-controlling interest	-	-	-	-	-	270	270	
Total comprehensive income for the period	-	-	(1,884)	214,308	212,424	(6)	212,418	
Share-based compensation	-	-	3,402	-	3,402	-	3,402	
<b>As at March 31, 2016</b>	<b>P37,600</b>	<b>P2,819,868</b>	<b>P1,484</b>	<b>P209,674</b>	<b>P3,068,626</b>	<b>P264</b>	<b>P3,068,890</b>	

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

**CONDENSED CONSOLIDATED INTERIM**

**STATEMENT OF CASH FLOWS**

(Amounts in Thousands)

	<b>Note</b>	<b>For The Three Months Ended March 31 2017 (Unaudited)</b>	<b>For The Three Months Ended March 31 2016 (Audited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit		<b>P349,539</b>	P214,308
Allocation for non-controlling interest		-	(6)
Adjustments for:			
Financial expenses, other financial expenses and unrealized foreign exchange result		<b>304,994</b>	237,269
Depreciation of property, machinery and equipment	7	<b>313,736</b>	304,973
Provisions during the period		<b>8,344</b>	123
Retirement benefit expense		<b>24,513</b>	21,764
Impairment losses on trade receivables		<b>2,140</b>	6,778
Stock-based compensation expense		-	3,402
Income tax expense		<b>91,217</b>	109,643
Results from the sale of assets		<b>698</b>	(367)
Other non-cash items		-	760
Operating profit before working capital changes		<b>1,095,181</b>	898,647
Changes in working capital, excluding income taxes:			
Decrease (increase) in:			
Trade receivables - net		<b>(103,735)</b>	(175,968)
Due from related parties		<b>146,169</b>	284,850
Other current accounts receivable and other current assets		<b>(247,562)</b>	(393,886)
Inventories		<b>(152,422)</b>	(50,905)
Other current assets		<b>(4,371)</b>	-
Increase (decrease) in:			
Trade payables		<b>(55,917)</b>	516
Due to related parties		<b>(405,708)</b>	920,562
Unearned revenue, other accounts payable and accrued expenses		<b>(13,112)</b>	191,996
Cash generated from operations		<b>258,523</b>	1,675,812
Financial expenses paid		<b>(375,486)</b>	(453)
Financial income received in cash		<b>1,318</b>	478
Income taxes paid		<b>(102,038)</b>	-
Net cash (used in) provided by operating activities		<b>(217,684)</b>	1,675,837

*Forward*

**CASH FLOWS FROM FINANCING  
ACTIVITIES**

Decrease in other asset and noncurrent accounts receivable		<b>P2,018</b>	P38,550
Additions to property, machinery and equipment	7	<b>(79,753)</b>	(33,494)
Cash and cash equivalents acquired through business combination		-	3,687,632
Collection from sale of investments in shares of stock		-	1,472,422
Net cash (used in) provided by investing activities		<b>(77,735)</b>	5,165,110

**CASH FLOWS FROM FINANCING  
ACTIVITIES**

Proceeds from bank loan		<b>14,012,281</b>	-
Proceeds on loan from related parties	9	<b>520,870</b>	14,135
Payment of loan to related parties		<b>(14,790,972)</b>	-
Proceeds from issuance of common stock		-	28,200
Deposit received for future stock		-	2,819,868
Net cash (used in) provided by financing activities		<b>(257,821)</b>	2,862,203

**NET (DECREASE) INCREASE IN  
CASH AND CASH EQUIVALENTS** **(553,240)** 9,703,150

**EFFECT OF EXCHANGE RATE  
CHANGES ON CASH AND CASH  
EQUIVALENTS** **(1,831)** (259,457)

**CASH AND CASH EQUIVALENTS AT  
BEGINNING OF PERIOD** **1,337,155** 4,922

**CASH AND CASH EQUIVALENTS AT  
END OF PERIOD** **P782,084** P9,448,615

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



## CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### 1. Reporting Entity

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

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

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

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

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

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

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

property of insurance coverage and 100% of the risks associated with political violence and non-damage business interruption programs of the operating subsidiaries of the Parent Company.

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

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

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## **2. Basis of Preparation**

### Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required for a complete set of financial statements and should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2016.

### Basis of Measurement

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

### Functional and Presentation Currency

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

### Use of Judgments and Estimates

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

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

During the three months ended March 31, 2017, management reassessed its estimates in respect of the allowance for impairment losses on receivables. As at March 31, 2017 and December 31, 2016, allowance for impairment losses on receivables amounted to P3.7 million and P10.6 million respectively (see Note 12).

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### 3. Significant Accounting Policies

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

#### Changes in Accounting Policies

The following amendments to standards are effective for the three months ended March 31, 2017, and have been applied in preparing these condensed consolidated interim financial statements. The adoption of these amendments to standards did not have any significant impact on the Company's condensed consolidated interim financial statements:

- *Disclosure initiative (Amendments to PAS 7, Statement of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes)*. The amendments clarify that:
  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies the relief, it shall disclose that fact.

### New Standards and Amendments to Standards Not Yet Adopted

The new standards and amendments to standards discussed below is effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these condensed interim financial statements.

*Effective January 1, 2018*

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

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

The Company has decided not to early adopt PFRS 9 (2014) for its 2016 financial reporting. Based on management's review, the new standard will potentially have an impact on the classification of its financial assets, but will have no significant impact on the measurement of its outstanding financial assets and financial liabilities.

- *Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2)*. The amendments cover the following areas:
  - *Measurement of cash-settled awards*. The amendments clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments –i.e. the modified grant date method.
  - *Classification of awards settled net of tax withholdings*. The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if:
    - the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement (the net settlement feature); and
    - the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.

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

- *Modification of awards from cash-settled to equity settled*. The amendments clarify that when a share-based payment is modified from cash-settled to equity-settled, at modification date, the liability for the original cash-settled share-based payment is derecognized and the equity-settled share-based payment is measured

at its fair value, recognized to the extent that the goods or services have been received up to that date. The difference between the carrying amount of the liability derecognized, and the amount recognized in equity, is recognized in profit or loss immediately.

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

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

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 15.

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

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

- *Annual Improvements to PFRSs 2014 - 2016 Cycle*. This cycle of improvements contains amendments to three standards. The following is the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018, which is applicable to the Company. Such improvements or amendments has no significant effect on the condensed consolidated interim financial statements of the Company:
  - *Measuring an associate or joint venture at fair value (Amendments to PAS 28, Investments in Associates and Joint Ventures)*. The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value

accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments are applied retrospectively, with early application permitted.

*Effective January 1, 2019*

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

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

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

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

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

- *Deferral of the local implementation of Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

Philippine Interpretation IFRIC 15 applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e.,

before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11 or PAS 18 and the timing of revenue recognition.

The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 until the final Revenue standard is issued by the International Accounting Standards Board (“IASB”) and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

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#### 4. Seasonality of Operations

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

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#### 5. Basic/Diluted Loss Per Share

Basic and diluted loss per share is computed as follows:

	<b>For the Three Months Ended March 31 2017 (Unaudited)</b>	<b>For the Three Months Ended March 31 2016 (Audited)</b>
Net profit	<b>P349,539</b>	<b>P214,302</b>
Add: non-controlling interest net loss	<b>8</b>	<b>6</b>
Controlling interest in net income (a)	<b>P349,547</b>	<b>P214,308</b>
Weighted average number of shares outstanding - Basic/Diluted (b)	<b>5,195,395,454</b>	<b>37,600,000</b>
Basic/Diluted EPS (a/b)	<b>P0.07</b>	<b>P5.70</b>

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

## 6. Cash and Cash Equivalents

Consolidated cash and cash equivalents as at March 31, 2017 and December 31, 2016, consisted of:

	2017 (Unaudited)	2016 (Audited)
Cash and cash in bank	P725,476	P579,622
Short-term investments	56,608	757,533
	<b>P782,084</b>	<b>P1,337,155</b>

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest ranging from 0.63% to 0.70% in 2017. For the three months ended March 31, 2017 interest income amounted to P1,317.

As of March 31, 2017 and as of December 31, 2016, Short-term investments include deposits of the Company in related parties which are considered highly liquid investments readily convertible to cash, as follows:

	2017 (Unaudited)	2016 (Audited)
New Sunward Holding B.V. <sup>1</sup>	P53,118	P52,543
Citibank, N.A	3,490	24,990
BDO Unibank, Inc.	-	680,000
	<b>P56,608</b>	<b>P757,533</b>

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

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

## 7. Property, Machinery and Equipment

The movements in this account are as follows:

	Building	Machinery and equipment	Construction In-progress	Total
<b>Gross Carrying Amount</b>				
January 1, 2017	P3,829,072	P10,960,532	P1,025,207	P15,814,811
Additions	-	952	122,036	122,988
Disposals	(2,263)	(23,623)	-	(25,886)
Reclassifications	15,751	74,414	(90,165)	-
<b>March 31, 2017 (Unaudited)</b>	<b>3,842,560</b>	<b>11,012,275</b>	<b>1,057,078</b>	<b>15,911,913</b>
<b>Accumulated depreciation</b>				
Depreciation for the period	(41,962)	(271,774)	-	(313,736)
Disposals	2,263	22,925	-	25,188
<b>March 31, 2017 (Unaudited)</b>	<b>(39,699)</b>	<b>(248,849)</b>	<b>-</b>	<b>(288,548)</b>
<b>Carrying Amount March 31, 2017 (Unaudited)</b>	<b>P3,802,861</b>	<b>P10,763,426</b>	<b>P1,057,078</b>	<b>P15,623,365</b>



## 8. Equity

### Common Stock

This account consists of:

	March 31, 2017		December 31, 2016	
	(Unaudited)*		(Audited)	
	Shares	Amount	Shares	Amount
Authorized – P1.00 par value per share	5,195,395,454	P5,195,395	5,195,395,454	P5,195,395
Issued, fully paid and outstanding balance at beginning/end of period	5,195,395,454	P5,195,395	5,195,395,454	P5,195,395

\*Refer to Note 1

The Parent Company's application for the increase in authorized capital stock was approved by the SEC on May 20, 2016. Consequently, the Parent Company's outstanding shares were split from 376,000 shares at P100 par value per share to 37,600,000 at P1 par value per share. On May 20, 2016, the Parent Company also issued additional 2,819,867,500 shares for the subscription deposit received from CASEC on February 18, 2016. During the IPO, the Parent Company issued additional 2,337,927,954 common shares at the offer price of P10.75.

### Capital Management

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

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

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

	March 31 2017 (Unaudited)	December 31 2016 (Audited)
Total liabilities	P21,747,872	P22,357,672
Less cash and cash equivalents	(782,084)	(1,337,155)
Net debt	20,965,788	21,020,517
Total equity	29,048,079	P28,684,212
Net debt to equity ratio	P0.72:1	P0.73:1

## 9. Related Party Transactions

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

Related party transactions are shown under the appropriate accounts in the condensed consolidated interim financial statements as at and for the period ended March 31, 2017 and December 31, 2016 are as follows:

	2017 (Unaudited)	2016 (Audited)
<b>Receivables – current</b>		
<i>Ultimate Parent</i>		
CEMEX S.A.B de CV <sup>2</sup> .....	P-	P10,326
<i>Other related parties</i>		
Island Quarry and Aggregates Corporation <sup>1</sup> .....	62,482	197,904
CEMEX Research Group, AG <sup>6</sup> .....	2,620	2,306
CEMEX Strategic Philippines Inc. <sup>5</sup> .....	2,249	-
APO Land & Quarry Corporation <sup>3</sup> .....	2,229	3,513
CEMEX Concrete Malaysia <sup>4</sup> .....	-	1,084
Others .....	39	82
Total accounts receivable from related parties .....	<b>P69,619</b>	<b>P215,215</b>
	2017 (Unaudited)	2016 (Audited)
<b>Payables – current</b>		
<i>Ultimate Parent</i>		
CEMEX S.A.B de C.V <sup>2</sup> .....	3,203	-
<i>Other related parties</i>		
CEMEX Construction Materials South, LLC <sup>7</sup> .....	P589,737	P573,836
Transenergy, Inc. <sup>8</sup> .....	282,290	533,517
CEMEX Asia Pte Ltd <sup>10</sup> .....	82,412	105,381
Island Quarry and Aggregates Corporation <sup>9</sup> .....	58,095	221,396
APO Land & Quarry Corporation <sup>11</sup> .....	33,257	28,723
CEMEX Asia B.V. <sup>15</sup> .....	24,326	426
CEMEX Strategic Philippines Inc. <sup>12</sup> .....	7,539	10,950
CEMEX Research Group, AG <sup>5</sup> .....	44	6,940
Others <sup>13</sup> .....	165	927
	<b>1,081,068</b>	<b>1,482,096</b>
<b>Payable - non current</b>		
CEMEX Asia B.V. <sup>15</sup> .....	1,634,746	1,361,862
New Sunward Holding B.V. <sup>14</sup> .....	-	14,557,460
Total accounts payable to related parties .....	<b>P1,634,746</b>	<b>P15,919,322</b>

<sup>1</sup> The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand includes a) advances related to purchase of raw materials amounting to P180,723 for 2016; b) receivables arising from the sale of goods with a 30-day term and without interest amounting to for 2017 and 2016 are P60,303 and P9,821, respectively; c) receivables from service agreements amounting to P1,707 and P4,174, respectively; d) project income P1,989 for 2016; and d) others amounting to P472 and P1,197, respectively. In 2016, Solid entered into an agreement with IQAC wherein the former shall provide back-office and other support services to the latter. Fees are calculated at cost incurred plus arm's length mark-up;

<sup>2</sup> The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to diesel hedge;

<sup>3</sup> In 2016, Solid and APO entered into an agreement with ALQC wherein Solid and APO shall provide back-office and other support services to the latter. The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand includes a) receivables from service agreement amounting to for 2017 and 2016 are P2,179 and P3,492, respectively; and b) others amounting to P50 and P21, respectively;

<sup>4</sup> The balance, which is unsecured, with no impairment, noninterest-bearing and due on demand, pertains to receivables arising from billed expenses;

<sup>5</sup> The balance is generated from reimbursable expenses, which is unsecured, noninterest-bearing and due on demand;

<sup>6</sup> The balance is generated from royalties/license fees of the Company, which is unsecured, noninterest-bearing and due on demand;

<sup>7</sup> The balance, which is unsecured, noninterest-bearing and due on demand, is generated for the purchase of equipment for the expansion of Solid plant;

<sup>8</sup> The balance pertains to purchase of coal with a term of 30 days, no interest and unsecured;

<sup>9</sup> The balance includes a) fees related to purchases of raw materials amounting for 2017 and 2016 are P58,002 and P218,350, respectively, which is unsecured, noninterest-bearing and due on demand; b) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P3,023 for 2016; c) unsecured payable arising from land rental with a 30-day term and noninterest-bearing amounting to P4 for 2016; and d) other non-trade payables amounting to P93 and P19, respectively, which are unsecured, noninterest-bearing and due on demand;

<sup>10</sup> The balance includes corporate services and administrative services received by the Company which has a term of 30 days, noninterest-bearing and is unsecured;

<sup>11</sup> The balance includes a) purchase of raw materials with a 30-day term amounting to P32,831 for 2017 and P27,716 for 2016; and b) advances amounting P426 and P1,007 for 2017 and 2016; . These transactions are unsecured and are noninterest-bearing;

<sup>12</sup> The balance is generated from corporate services and administrative services rendered to the Company which has a term of 30 days, noninterest-bearing and is unsecured;

<sup>13</sup> The balance includes purchases of materials and spare parts from Beijing CXP Import & Export Co amounting to P165 as at March 31, 2017 and P662 as at December 31, 2016 and CEMEX Admixtures GmbH amounting to P265 as at December 31, 2016 which are both unsecured, noninterest-bearing and are due on demand;

<sup>14</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; The Company paid the loan as at March 31, 2017.

<sup>15</sup> The balance pertains to the Company's loan to CEMEX Asia B.V. The loan bears interest at 5.9% - 6.8% for the period ended March 31, 2017. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively.

The main transactions entered by the Company with related parties for the three months ended March 31, 2017 and 2016 are shown below:

		2017 (Unaudited)	2016 (Audited)
<b>Purchases of raw materials</b>			
Transenergy, Inc.....	P	359,987	618,635
Island Quarry and Aggregates Corporation.....		83,578	28,560
APO Land & Quarry Corporation.....		68,809	73,803
	P	<u>512,374</u>	<u>720,998</u>
<b>Land Rental</b>			
APO Land & Quarry Corporation.....	P	14,552	14,553
Island Quarry and Aggregates Corporation.....		3,061	8,232
	P	<u>17,613</u>	<u>22,785</u>
<b>Royalties and trademarks</b>			
CEMEX Research Group AG.....	P	198,558	787,506
<b>Purchase of equipment</b>			
CEMEX Construction Materials South, LLC.....	P	15,901	-
<b>Corporate services and administrative services</b>			
CEMEX Asia Pte. Ltd. - Philippine Headquarters.....	P	110,897	111,984
CEMEX Strategic Philippines, Inc.....		23,227	17,005
Island Quarry and Aggregates Corporation.....		2,020	-
APO Land & Quarry Corporation.....		997	-
	P	<u>137,141</u>	<u>128,989</u>
<b>Sales of goods</b>			
Island Quarry and Aggregates Corporation.....	P	23,355	28,005
APO Land & Quarry Corporation.....		46	-
CEMEX Cement Bangladesh Ltd.....		-	3,535
	P	<u>23,401</u>	<u>31,540</u>
<b>Interest income</b>			
New Sunward Holding B.V.....	P	109	367
APO Land & Quarry Corporation.....		-	48
Others.....		-	48
	P	<u>109</u>	<u>415</u>

<b>Interest expense</b>			
New Sunward Holding B.V.			
Long-term.....	P	144,327	-
CEMEX Asia B.V.....		28,049	14,128
	P	172,376	14,128

## 10. Segment Information

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 three months ended March 31, 2017 and December 31, 2016 the cement sector represented approximately 84.3% and 85.9% of total net revenues before eliminations resulting from consolidation.

Based on PFRS 8, the Company represents a single geographical operating segment.

The main indicator used by the Company's management to evaluate performance is "Operating EBITDA", representing operating earnings before other expenses, net, plus 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.

### *Major Customer*

The Company does not have any single customer from which sales revenue generated amounted to 10% or more of the net sales.

## 11. Long-term bank loan

February 1, 2017, the Parent Company signed a Senior Unsecured Peso Term Loan Facility Agreement with BDO, Unibank Inc. ("BDO") for an amount of up to the Philippine Peso equivalent of U.S. dollar 280 million, to refinance a majority of the Parent Company's outstanding long-term loan with New Sunward Holding B.V. The term loan provided by BDO will have a tenor of seven (7) years from the date of the initial drawdown on the facility and will consist of a fixed rate and a floating rate tranche. The drawdowns on this facility totaled P14.0 billion and the interest expense incurred for the three month period ended March 31, 2017 amounted to P76.4 million.

## 12. Financial Instruments and Financial Risk Management

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

### *Risk management framework*

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

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

*Credit risk*

Credit risk is the risk of financial loss faced by the Company if a customer or a counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade accounts receivable. As at March 31, 2017 and December 31, 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 guarantees from its customers and financial counterparties with regard to financial assets.

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2017 and December 31, 2016 is as follows:

	2017 (Unaudited)	2016 (Audited)
Cash and cash equivalents (excluding cash on hand)	P781,952	P1,337,023
Trade receivables - net	1,002,487	909,667
Receivables from related parties	69,619	215,215
Other current accounts receivables	131,870	127,346
Long-term guarantee deposits (under other assets and noncurrent receivables)	204,049	204,463
	<b>P2,189,977</b>	<b>P2,793,714</b>

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

As at March 31, 2017 (Unaudited)	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Cash and cash equivalents (excluding cash on hand)	P781,952	P-	P-	P-	P-	P781,952
Trade receivables	908,305	23,433	16,978	53,771	3,679	1,006,166
Due from related parties	69,619	-	-	-	-	69,619

As at March 31, 2017 (Unaudited)	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Other current accounts receivables	131,870	-	-	-	-	131,870
Long-term deposits (under other noncurrent accounts receivables)	204,049	-	-	-	-	204,049
	2,095,795	23,433	16,978	53,771	3,679	2,193,656
Less: allowance for impairment losses	-	-	-	-	(3,679)	(3,679)
	P2,095,795	P23,433	P16,978	P53,771	P-	P2,189,977

As at December 31, 2016 (Audited)	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Cash and cash equivalents (excluding cash on hand)	P1,337,023	P-	P-	P-	P-	P1,337,023
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 receivables	127,346	-	-	-	-	127,346
Long-term deposits (under other noncurrent accounts receivables)	204,463	-	-	-	-	204,463
	P2,658,312	66,386	13,994	55,022	10,615	2,804,329
Allowance for impairment losses	-	-	-	-	(10,615)	(10,615)
	P2,658,312	P66,386	P13,994	P55,022	P-	P2,793,714

As at March 31, 2017 and December 31, 2016 the amount of allowance for impairment losses of the Company's subsidiaries amounted to P3,679 and P10,615 considering the Company's best estimates of potential losses based on an analysis of aging and considering management's recovery efforts.

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

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

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

### Foreign currency risk

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

The Company had an exposure arising from the foreign currency denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenues denominated in dollars to cover such dollar-denominated obligations are those generated by exports. As at March 31, 2017 and December 31, 2016 the Company does not have any derivative financing hedge for foreign currency denominated financial obligation to address this foreign currency risk.

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

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

Amounts in thousands of dollars	As at March 31, 2017	
	(in USD)	(in EUR)
Cash and cash equivalents .....	\$3,643	€-
Receivable from related parties.....	52	-
Trade payables .....	(19,924)	(8,525)
Payable to related parties.....	(50,525)	-
Net assets denominated in foreign currency ...	(\$66,754)	(€8,525)

Amounts in thousands of dollars	As at December 31, 2016	
	(in USD)	(in EUR)
Cash and cash equivalents.....	\$2,307	€-
Receivable from related parties.....	254	-
Trade payables.....	(19,022)	(8,477)
Payable to related parties.....	(342,591)	-
Net assets denominated in foreign currency..	(\$359,052)	(€8,477)

### Sensitivity Analysis

As at March 31, 2017 and December 31, 2016, a hypothetical 5% appreciation of the Philippine Peso against the U.S. Dollar and Euro, with all other variables held constant, the Company's net income for three months ended March 31, 2017 and for the year ended December 31, 2016 would have increased by approximately P131,232 and P640,339 due to lower foreign exchange losses on the Company's dollar-denominated net monetary assets held by consolidated entities with other functional currencies. Conversely, a hypothetical 5% instant depreciation of the dollar against the Philippine peso would have the opposite effect.

### Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As of March 31, 2017 the Company is exposed to interest rate risk primarily on its investment in New Sunward Holding B.V, with a rate equivalent to the higher of WAILRF rate minus 10 basis points or zero interest and its long-term liability to CEMEX Asia BV, with LIBOR based interest rates. The Parent Company executed a long-term facility agreement with BDO, for an aggregate principal amount of up to the Philippine Peso equivalent to \$280 million. The borrowings or drawdown on this facility totaled P14.0 billion, with a floating interest rate tranche corresponding to P8.4 billion.

### Sensitivity analysis on Interest Rate Risk

As at March 31, 2017, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the three-months ended March 31, 2017 would have decreased by approximately P69,766. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its obligations. The Company has fulfilled its operational liquidity needs primarily through its own operations and expects to continue to do so for both the short and long-term liabilities. Although cash flow from the Company's operations has historically covered its overall liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions, the consolidated entities are exposed to risks from changes in foreign currency exchange rates, prices and currency controls, interest rates, inflation, governmental spending, social instability and other political, economic and/or social developments in the countries in which they operate, any one of which may materially decrease the Company's net income and reduce cash flows from operations. Accordingly, in order to meet its liquidity needs, the Company also relies on cost-control and operating improvements to optimize capacity utilization and maximize profitability. The Company's consolidated net cash flows (used in) provided by operating activities, as presented in its unaudited condensed consolidated interim statement of cash flows, was (P217,684) and P1,675,837 as at March 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. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

### Insurance Risk management

As mentioned in Note 1, the Parent Company incorporated Falcon to create its own reserves and reinsure in respect of the Company's property, non-damage business interruption and political risks insurance. Falcon is expected to retain 10% of the risk in connection with property insurance and 100% of the risk in connection with earthquake and wind stop loss, non-damage business interruption and political risks insurance of the Parent Company's operating subsidiaries. As a result of these arrangements, the Company will effectively self-insure these risks to the extent of Falcon's retained liability. There can be no assurance that the reserves established by Falcon will exceed any losses in connection with the Company's selfinsured risks. In addition, the Company's insurance coverage is subject to periodic renewal. If the availability of insurance coverage is reduced significantly for any reason, the Company may become exposed to certain risks for which it is not and, in some cases could not be, insured. Moreover, if the Company's losses exceed its insurance coverage, or if the Company's losses are not covered by the insurance policies it has taken up, or if Falcon is required to pay claims to its insurer pursuant to the reinsurance arrangements, the Company may be liable to cover any shortfall or losses. The Company's insurance premiums may also increase substantially because of such claim from the Company's insurers. The foregoing



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

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

The fair values of cash and cash equivalents, trade receivables, amounts due from and due to related parties, other current accounts receivable, 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 March 31, 2017 as the said financial instruments bear interest at LIBOR rates, which is approximately similar to the market interest rate. The fair values of long-term time deposits and long-term payable to New Sunward Holding B.V. and BDO Unibank, Inc., 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 March 31, 2017 as these financial instruments bear interest at rates which are approximately similar to market interest rates. The fair value of the rental guarantee deposits approximate its carrying amount since the Company does not anticipate its carrying amount to be significantly different from the actual amount that the rental guarantee deposits would eventually be collected.

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### **14. Contingencies**

As at March 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) claims for environmental damages; 2) claims to revoke permits and/or licenses; 3) national and local tax assessments; 4) labor claims; and 5) other diverse civil actions. The Company considers that in those instances in which obligations have been incurred, the Company has accrued adequate provisions to cover the related risks. The Company believes these matters will be resolved without any significant effect on its business, condensed consolidated interim financial position or condensed consolidated interim financial performance. In addition, in relation to ongoing legal proceedings, the Company is sometimes 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 in its annual financial statements with respect to the nature and characteristics of the contingency, but has not disclosed the estimate of the range of potential loss.