# COVER SHEET

**CS201518815**
S.E.C. Registration Number

**CEMEX HOLDINGS PHILIPPINES, INC.**

**34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City**

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

**JANNETTE VIRATA SEVILLA**
Contact Person

**8849-3600**
Company Telephone Number

First Wednesday of June

**1 2** **3 1**
*Month* *Day*
Fiscal Year

**SEC Form 17-Q dated 14 November 2023 – 3rd Quarter 2023**
FORM TYPE

**0 6** **0 7**
*Month* *Day*
Annual Meeting

**Issuer of Securities under SEC MSRD Order No. 9 series of 2016**
Secondary License Type, If Applicable

M S R
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

**hSECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

**1.** For the quarterly period ended **September 30, 2023**

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 **34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City 1200**

8. Issuer's telephone number, including area code **(02) 8849-3600**

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

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

| Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| Common Shares | 13,489,226,623 |

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

Yes [X] 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 [X] No [ ]

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

Yes [ X] No [ ]

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited condensed consolidated interim financial statements as at September 30, 2023, (with comparative audited consolidated statement of financial position as at December 31, 2022), and for the nine months ended September 30, 2023 and 2022, and the accompanying notes to the unaudited condensed consolidated interim financial statements of CEMEX Holdings Philippines, Inc. and its Subsidiaries are filed as part of this Form 17-Q as Appendix I.

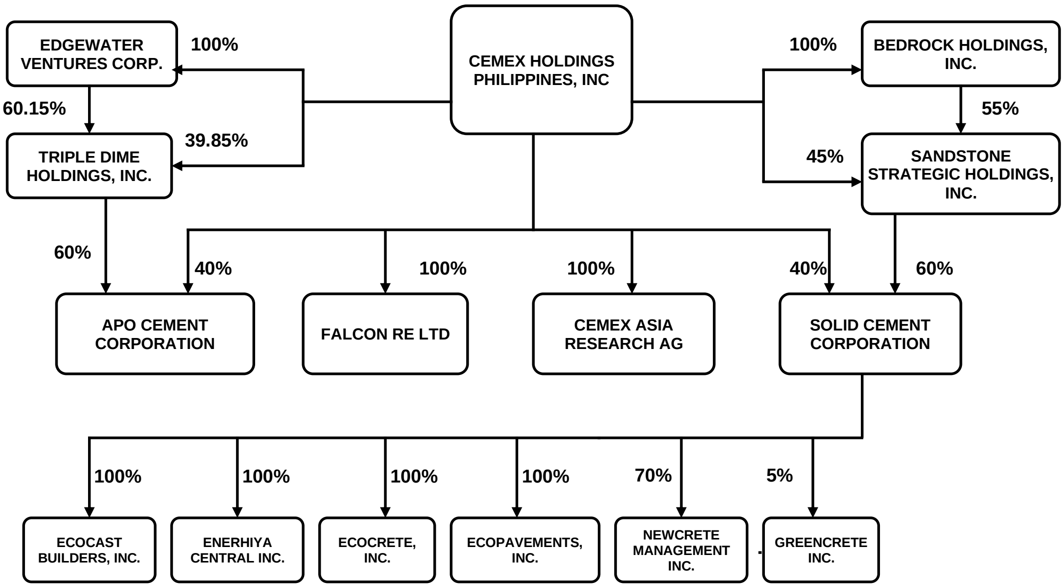
The term "CHP" or "Parent Company" used in this report refers to CEMEX HOLDINGS PHILIPPINES, INC. without its Subsidiaries. Unless the context clearly indicates otherwise, any reference in this report to "the Company", "we", "us", or "our" refers to the Parent Company together with its consolidated Subsidiaries.

The Parent Company is a subsidiary of CEMEX ASIAN SOUTH EAST CORPORATION ("CASEC") which was incorporated as a stock corporation under the laws of the Republic of the Philippines. CASEC is a wholly-owned indirect subsidiary of CEMEX ESPAÑA, S.A. ("CEMEX España"), of which substantially all shares are indirectly owned by CEMEX, S.A.B. de C.V. ("CEMEX"), a publicly traded variable stock corporation (sociedad anónima bursátil de capital variable) incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, San Pedro Garza García, Nuevo León, Mexico.

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 Cement") and APO Cement Corporation ("APO Cement"). Solid Cement has several subsidiaries. The Company also includes Cemex Asia Research AG ("CAR"), a wholly-owned subsidiary incorporated in December of 2015 under the laws of Switzerland. Pursuant to license agreements that CAR entered into with Cemex Research Group AG ("CRG") and CEMEX, respectively, CAR became a licensee for certain trademarks, including the CEMEX trademark, and other intangible assets forming part of the intellectual property portfolio owned and developed by CRG and CEMEX. CAR is engaged primarily in the development, maintenance and customization of these intangible assets for the Asia Region and it in turn provides non-exclusive licenses to Solid Cement and APO Cement to use the CEMEX trademark and other trademarks and intangible assets of CEMEX, and is a part of the subsidiaries that consolidate with 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 property insurance coverage and 100% of the risks associated with political violence and non-damage business interruption programs, professional liability program and cyber risks for the operating subsidiaries of the Parent Company.

The following diagram provides a summary of the Company’s organizational and ownership structure as of September 30, 2023:




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 the outstanding shares of capital stock of the Parent Company consisting of 5,195,395,454 common shares.

During the first quarter of 2017, the remaining balance of the proceeds from the IPO were used in the first quarter of 2017 to partially repay amounts outstanding under the long-term loan with New Sunward Holding B.V. (“NSH Long-term Loan”). New Sunward Holding B.V. was an indirect subsidiary of CEMEX that, effective as of December 1, 2020, merged with and into CEMEX España, with CEMEX España being the surviving corporation.

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 (“2017 BDO Facility Agreement”), to refinance a majority of the Parent Company’s outstanding balance due under the NSH Long-term Loan. Following its availment of the 2017 BDO Facility Agreement, the Parent Company completely repaid the NSH Long-term Loan.

On April 2, 2019, the Board of Directors approved the increase in the Parent Company’s authorized capital stock (“ACS”) from P5,195,395,454 divided into 5,195,395,454 Common Shares with par value P1.00 per share, of which 5,195,395,454 common Shares are issued and fully paid-up, to P18,310,395,454 divided into 18,310,395,454 common Shares with a par value of P1.00 per share. This increase was then authorized by the Parent Company’s shareholders owning more than 2/3 of the total issued and outstanding capital during a special meeting of stockholders held on October 16, 2019. Following said special stockholders’ meeting, the Parent Company initiated the corresponding processes with the SEC and the PSE for a stock rights offering (“Stock Rights Offering”) for the purpose of raising the equivalent in Philippine Peso of up to US$250 million.

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

On January 6, 2020, the Parent Company announced that the Stock Rights Offering would involve the offer of 8,293,831,169 common shares with a par value of P1.00 per share (the "Rights Shares") at an offer price of P1.54 per Rights Share that would be issued from the Parent Company's increased ACS. The proceeds from the Stock Rights Offering would be used primarily (i) to fund the expansion of Solid Cement's plant in Antipolo City, Rizal, involving the construction and installation of a 1.5 million metric tons per year new integrated cement production line (the "Solid New Line Project"), including to pay outstanding amounts owed by Solid Cement under a revolving credit facility agreement dated November 21, 2018, as amended and restated from time to time, between Solid Cement, as the borrower, and Cemex Asia B.V. ("CABV"), as the lender (the "Solid Expansion Facility Agreement"), which facility agreement had been used primarily but not exclusively to fund the Solid New Line Project, and (ii) for other general corporate purposes, including to pay outstanding amounts owed by APO Cement under a master loan agreement dated October 1, 2014, as amended and restated from time to time, between APO Cement, as borrower, and CABV, as lender (as successor by assignment to CEMEX Hungary KFT) (the "APO Operational Facility Agreement").

The offer period for the Stock Rights Offering was concluded on January 24, 2020. The total proceeds raised from the Stock Rights Offering amounted to P12,772,500,000.26.

On February 27, 2020, the SEC approved the Parent Company's application for increase of ACS and on March 4, 2020, the 8,293,831,169 common shares comprising the Rights Shares were listed under the Main Board of the Exchange. After the Stock Rights Offering and the approval by the SEC of the Parent Company's application for increase in ACS, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares at P1 par value per share or total par value of P13,489,226,623.

As of December 31, 2020, the shareholdings in the Parent Company owned by CASEC was 10,500,624,662 common shares at P1 par value per share.

In September 2022, CASEC increased its shareholdings in the Parent Company to 10,507,954,662 common shares at P1 par value per share.

In March 2023, in connection with the voluntary tender offer exercise launched by CASEC, CASEC acquired 1,614,000,000 common shares of CHP at the Tender Offer Price of P1.30 with a total transaction price of P2,098,200,000. The cross sales were executed last 29 March 2023. As a result of the tender offer, CASEC owns and controls 12,121,954,662 common shares of CHP (inclusive of 5 shares held by individuals), which is approximately 89.86% of the issued and outstanding common shares of CHP.

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

The following is a discussion and analysis of CHP's unaudited condensed consolidated interim financial statements as at September 30, 2023 (with comparative audited consolidated statement of financial position as at December 31, 2022) and for the nine months ended September 30, 2023 and 2022, and should be read in conjunction with Appendix I of this report.

<u>Financial Performance</u>
For the nine months ended September 30, 2023 and 2022:

*Revenues*
Revenues for the nine months ended September 30, 2023 and 2022 amounted to P13.5 billion and P15.8 billion, respectively. Revenues were generated mainly from sale of cement products as a result of the Company's ordinary activities. Revenues decreased by P2.3 billion or 15% year-over-year mainly due to lower volume sold, while the Company's cement prices also declined amidst subdued cement demand.

The breakdown of revenue after elimination of transactions between consolidated entities were as follows:

| | For the nine months ended September 30, | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| Segment | **Amount*** | **% Sales** | Amount* | % Sales |
| Cement sales | **P13,390** | **99%** | **P15,757** | **100%** |
| Other businesses | **86** | **1%** | **49** | **0%** |
| Total | **P 13,476** | **100%** | **P15,806** | 100% |

**Amounts in millions*

*Cost of Sales*
Cost of sales for the nine months ended September 30, 2023 and 2022 amounted to P10.3 billion and P10.0 billion, respectively, corresponding to 76% and 63% of revenues, respectively. Cost of sales represents the production cost of goods sold. 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. Total cost of sales increased by P309.5 million or 3% year-over-year mainly due to higher fuel cost, driven by the steep rise in global energy prices in 2022, and higher power cost, resulting from higher power rates due to renegotiations of electricity contracts in the second half of 2022. The Company expects to incur kiln maintenance expenses during the fourth quarter of 2023.

*Gross Profit*
As a result of the above conditions, gross profit for the nine months ended September, 2023 and 2022 reached P3.2 billion and P5.8 billion, corresponding to 24% and 37% of revenues, respectively.

*Operating Expenses*
Operating expenses for the nine months ended September 30, 2023 and 2022 amounted to P3.9 billion and P4.4 billion, respectively, and corresponded to 29% and 28% of revenues for each of the relevant periods, respectively. Operating expenses pertain to administrative, selling, and distribution expenses. Operating expenses increased by P472.6 million or 11% year-over-year and the movement was primarily due to the following items:

- Administrative and selling expenses for the nine months ended September 30, 2023 and 2022 amounted to P2.1 billion and P2.2 billion, respectively, and these corresponded to 15% and 14% of revenues for each of the relevant periods, respectively. These items reflected a decrease of P97.4 million or 4% on a year-over-year basis.
- Distribution expenses for the nine months ended September 30, 2023 and 2022 amounted to P1.9 billion and P2.2 billion, respectively, and corresponded to 14% of revenues for each of the relevant periods. The decrease of P375.3 million or 17% was supported by the Company's supply chain efficiency efforts.

While the Company's cost base remained elevated year-over-year, the Company continued to show resilience, with three consecutive quarters of sequential decline in cost of sales and in distribution cost, as a percentage of sales. These improvements were mainly driven by significant reductions in energy cost and enhanced operating efficiencies, in line with the implementation the Company's "EVOLVE" efficiency program to counteract headwinds during the year.

*Operating income (loss) before other income (expenses) - net*
For the reasons discussed above, operating income (loss) before other income (expenses) - net for the nine months ended September 30, 2023 and 2022 amounted to (P0.8) billion and 1.4 billion, respectively, and corresponded to (6%) and 9% of revenues for each of the relevant periods, respectively.

*Other income (expenses) - net*
Other income (expenses), net for the nine months ended September 30, 2023 and 2022 amounted to P14.0 million and (P54.0 million), respectively, both corresponding to less than 1% of the revenues for each of the relevant periods. The favorable movement of P68.0 million or more than 100% year-over-year was due to the following: (a) a one-time benefit resulting from the reversal of asset retirement obligation; (b) lower incremental expenses related to COVID-19 Pandemic; and (c) lower structural repairs caused by typhoon.

*Financial and Other Financial Expenses - net*
Financial and other financial expenses - net for the nine months ended September 30, 2023 and 2022 amounted to P183.3 million and P188.7 million, respectively, and corresponded to 1% and (1%) of the revenues for each of the relevant periods, respectively. This account principally pertains to the costs incurred by the Company from borrowings. Despite the increase in total borrowings, the decrease of P5.4 million or 3% year-over-year was mainly due to higher interest capitalization for the Solid New Line Project[1] for the nine months of 2023 as a result of higher project execution.

*Foreign exchange gain (loss) - net*
Foreign exchange gain (loss) - net for the nine months ended September 30, 2023 and 2022 amounted to (P299.4 million) and (P1,502.2 million), respectively, and corresponded to (2%) and (10%) of the revenues for each of the relevant periods, respectively. The favorable movement of P1.2 billion or 80% year-over-year was the result of lower depreciation of Philippine Peso to United States Dollar exchange rate for the first nine months of 2023 as compared with the previous year. The movement mainly relates to intragroup deposits between CHP and its foreign subsidiaries. These intragroup deposits are essentially neutral on a net equity basis.

*Provision for Income Tax*
The provision for income tax for the nine months ended September 30, 2023 and 2022 amounted to P10 thousand and P465.7 million, respectively, and corresponded to less than 1% and 3% of the revenues for each of the relevant periods, respectively. The decrease by P465.7 million or approximately 100% was  mainly due to an increase in deferred tax assets related to Net Operating Loss Carryover (NOLCO).

*Profit (Loss)*
As a result of the abovementioned concepts, profit (loss) for the nine months ended September 30, 2023 and 2022 amounted to (P1.2 billion) and (P0.8 billion), respectively, which corresponded to 9% and 5% of the revenues for each of the relevant periods, respectively.

[1] "Solid New Line Project" refers to the construction and installation of a 1.5 million metric tons per year new integrated cement production line at Solid Cement's manufacturing plant in Antipolo City, Rizal

Financial Position
As at September 30, 2023 and December 31, 2022:

*Cash and Cash Equivalents*
Cash and cash equivalents as at September 30, 2023 and December 31, 2022, amounted to P1.3 billion and P2.7 billion, respectively, and corresponded to 2% and 4% of the total assets for each of the relevant periods, respectively. The cash and cash equivalents pertain to cash in bank and short-term investments of the Company with banks and related parties. Below is the breakdown of P1.4 billion or 53% decrease in cash and cash equivalents:

| | Amount* |
|---|---|
| Net cash used in operating activities | (2,079.9) |
| Net cash used in investing activities | (2,531.0) |
| Net cash provided in financing activities | 3,171.3 |
| Effect of exchange rate changes on cash and cash equivalents | (6.1) |
| Total movement | (P1,445.7) |

**Amounts in millions*

For the nine months ended September 30, 2023, the Company had a loss amounted to P1.2 billion. After considering the adjustments to reconcile profit to net cash flows, the operating profit before working capital changes amounted to P616.7 million. Thereafter considering the working capital changes, interest paid/received, taxes paid, and benefits paid to employees, the net cash used in operating activities amounted to P2.1 billion. The net cash used in investing activities amounted P2.5 billion mainly from additions to property, plant and equipment. The net cash provided by financing activities amounted to P3.2 billion mainly from long-term loan from related parties.

*Trade Receivables - net*
Trade receivables amounted to P654.6 million and P637.4 million as at September 30, 2023 and December 31, 2022, net of allowance for impairment losses amounting to P11.0 million and P22.5 million, respectively. This account corresponded to approximately 1% of the total assets for each of the relevant periods which mainly pertain to receivables from customers.

*Related Party Balances*
Due from related parties as at September 30, 2023 and December 31, 2022 amounted to P109.8 million and P4.1 million, respectively, and corresponded to less than 1% of the total assets for each of the relevant periods. The due from related parties increased by P105.7 million or more than 100% year-over-year, which mainly corresponded to the receivable arising from gross premiums written on property insurance.

The short-term related party payable balances as at September 30, 2023 and December 31, 2022 amounted to P2.9 billion and P4.7 billion, respectively, and corresponded to 12% and 20% of the total liabilities for each of the relevant periods, respectively. The short-term related party balances pertain to service fees, advances between related parties, sale/purchase of goods, central service and license fees, among others. Long-term payable to related party as at September 30, 2023 and December 31, 2022 amounted to P4.8 billion and nil, respectively. The account corresponds to 20% and nil of the total liabilities for each of the relevant periods, respectively. The underlying transactions pertain to the drawdowns under the respective revolving loan agreements of APO Cement and Solid Cement with Cemex Innovation Holding Ltd. (“CIH”) and the Solid Expansion Facility Agreement[2] with CIH during the year. (Additional details are found in Note 10 – Related Party Transactions of Appendix I of this report)

[2] On March 1, 2023, the Solid Expansion Facility Agreement was assigned by CABV to CIH, as lender, and further amended to reduce the amount available to Solid Cement from US$160 million to US$130 million for a term of six (6) years, commencing from March 1, 2023.

*Insurance Claims and Premiums Receivable*
Insurance premiums receivable as at September 30, 2023 and December 31, 2022, amounted to P159.0 million and P526.6 million, respectively. This item is principally related to insurance receivable from a third-party insurance company. The insurance premiums receivable represents premiums on written policies which are collectible within the Company's credit term. The movement of P367.6 million was mainly from the receipt of collection during the year. Claims from insurance amounted to P11.8 million and P12.2 million as at September 30, 2023 and December 31, 2022. *Insurance Claims and Premium Receivables* accounted for less than 1% of the total assets as at September 30, 2023 and December 31, 2022, respectively.

*Other Current Accounts Receivable*
Other current accounts receivable as at September 30, 2023 and December 31, 2022, which pertain to receivables from contractors and employees, short-term deposits, and others, amounted to P181.1 million and P69.2 million, respectively, and corresponded to less than 1% of the total assets for each of the relevant periods. The increase of P111.9 million or 162% was due to the refundable security deposit made to the Company's health care provider and power supplier.

*Inventories*
Inventories as at September 30, 2023 and December 31, 2022 amounted to P4.6 billion and P5.8 billion, respectively, and corresponded to 7% and 9% of the total assets for each of the relevant periods, respectively. The decrease of P1.3 billion or 22% year-over-year was net impact of consumption and receipt of in transit coal and fuel inventories as of the relevant period.

*Derivative Assets*
The total derivative assets as at September 30, 2023, and December 31, 2022 amounted to P45.2 million and P49.6 million, respectively, and corresponding to less than 1% of the total assets for each of the relevant periods. This account includes the unamortized balance of hedge premium and the market value of derivative transactions entered into by the Company to hedge against the volatility of diesel fuel prices and under which the Company bears all the benefits and the risks arising from the hedge arrangement. Movement refers to mark-to-market valuation of the hedge instrument and amortization of the premium paid. The decrease of P4.4 million or 9% was mainly due to the result of mark-to-market valuation.

*Prepayments and Other Current Assets*
Other current assets which amounted to P3.3 billion and P3.1 billion as at September 30, 2023 and December 31, 2022, respectively, pertained mainly to (i) prepayment of insurance of P283.4 million and P722.4 million, respectively, and (ii) prepayment of taxes of P2,719.6 million and P2,877.5 million, respectively. Movement in this account was primarily due to prepaid taxes, unamortized balance of prepaid insurance accounts and advances to suppliers. The aggregate of prepayments and other current assets accounted for 4.9% and 4.5% of the total assets as at September 30, 2023 and December 31, 2022, respectively.

*Advances to Contractors*
In November 2018, the Company made a down payment amounting to P2.1 billion to a third party for the construction and installation of the Solid New Line Project and is presented under noncurrent assets in the consolidated statements of financial position.

On December 7, 2021, Solid Cement issued its Notice of Termination of the Construction Contract due to the delay in the implementation of construction and installation works. Solid Cement has taken measures to address contingencies which have arisen due to this termination. The unapplied down payment at the date of termination amounting to P379.4 million was recovered in full in 2021.

On December 20, 2021 and February 14, 2022, the Company entered into contracts with other third parties to complete the construction of Solid New Line Project. The Company paid advances of P872.0 million to the new contractors.

As at September 30, 2023 and December 31, 2022, the balance of this account amounted to P377.4 million and P768.5 million, respectively, and corresponded to approximately 1% of the total assets for each of the relevant periods. The decrease of P391.1 million or 51% was due to depletion of advances in line with the progress of the Solid New Line Project.

*Other assets and noncurrent accounts receivable*

Other assets amounting to P1.2 billion and P638.8 million as at September 30, 2023 and December 31, 2022, respectively, primarily consisted of (i) debt reserve account and guarantee bonds used in operations amounting to P805.2 million and P241.0 million, respectively, and (ii) long-term performance deposits of P319.4 million and P318.4 million, respectively. The rest of this account mainly referred to the noncurrent portion of the unamortized transportation allowances of employees and other long-term prepayments. The significant movement of the account was due to an increase in the debt reserve account by P564.1 million. The aggregate of other assets and noncurrent accounts receivable accounted for 2% and 1% of the total assets as at September 30, 2023 and December 31, 2022, respectively.

*Property, Machinery, Equipment and Assets for the Right-of-Use - net*

Property, machinery and equipment - net as at September 30, 2023 and December 31, 2022 had a balance of P26.8 billion and P25.2 billion, respectively, and corresponded to 36% and 33% of the total assets for each of the relevant periods, respectively. The increase of P1.8 billion or 8% was mainly due to the capitalization of new fixed assets and additions to construction in progress. Furthermore, For the nine months ended September 30, 2023, and 2022, P107.3 million and P338.5 million, respectively, were incurred for maintenance capital expenditures, while P2.7 billion and P1.0 billion, respectively, were incurred for strategic capital expenditures.

Assets for the right-of-use, net as at September 30, 2023 and December 31, 2022 amounted to P2.4 billion and P2.5 billion, respectively, and both corresponded to 4% of the total assets for each of the relevant periods.  The decrease of P117.0 million or 5% was due to remeasurement and amortization of leases.

*Deferred income taxes - net*

Deferred income tax asset - net (DTA) as at September 30, 2023 and December 31, 2022 amounted to P895.8 million and P615.2 million, respectively, and corresponded to 1.3% and less than 1% of the total assets for each of the relevant periods, respectively. The increase in DTA of P280.6 million or 45.6% pertains mainly to the deferred tax of NOLCO.

*Goodwill*

Goodwill as at September 30, 2023 and December 31, 2022 amounted to P27.9 billion and corresponded to approximately 41% of respective total assets. The Company’s goodwill arose from the business combinations when CHP acquired its subsidiaries in 2016. As of September 30, 2023, no impairment of goodwill is recognized.

*Trade Payables*

Trade payables amounted as at September 30, 2023 and December 31, 2022 to P4.1 billion and P5.7 billion, respectively, and corresponded to 17% and 24% of the total liabilities, respectively. The decrease of P1.6 billion or 28% year-over-year was mainly due to payments made.

*Unearned Income, Other Accounts Payable, and Accrued Expenses*

The unearned income, other accounts payable and accrued expenses as at September 30, 2023 and December 31, 2022 amounted to P2.0 billion and P1.7 billion and corresponded to 8% and 7% of the total liabilities for the relevant periods. This account pertains to the unearned income from reinsurance premium, accruals, taxes payable and others. The increase of P278 million or 16% year-over-year was due to accruals for utilities and taxes payable.

*Lease Liabilities*
As at September 30, 2023 and December 31, 2022 the current portion of finance lease liabilities amounted to P386.9 million and P456.6 million, respectively, and noncurrent portion of finance lease liabilities amounted to P2.35 billion and P2.39 billion, for the relevant periods. Total lease liabilities as a percentage of total liabilities were at 11% and 12% as at September 30, 2023 and December 31, 2022, respectively. The decrease of P101.4 million or 4% year-over-year was primarily due to payment of leases.

*Bank Loans*
*Parent Company-BDO Agreements*
The total outstanding balance of the BDO Facility Agreement[3] amounted to P7.2 billion and P7.7 billion as at September 30, 2023 and December 31, 2022, respectively. As at September 30, 2023 and December 31, 2022, the current portion of the bank loan amounted to P0.5 billion and nil, respectively, and the unamortized debt issuance cost of this bank loan amounting to P47.1 million and P74.1 million was deducted from the total bank loan liability for each of the relevant periods, respectively. The outstanding bank loan net of the unamortized debt issuance cost as a percentage of total liabilities were 29% and 32% for each of the relevant periods, respectively. The decrease of P573.0 million or 7% was mainly due to partial pre-payment of the loan under the 2017 BDO Facility Agreement.

*Solid-BDO Loan*
As at September 30, 2023 and December 31, 2022, the loans of Solid Cement under its short-term credit lines or loans with BDO Unibank, Inc.[4] amount to nil and P420.0 million, respectively, and corresponded to less than 1% and 2% of the total liabilities for the relevant periods. The decrease of was due to full settlement of the short-term credit lines.

*Retirement Benefits Liability*
Retirement benefits liability as at September 30, 2023 and December 31, 2022 amounted to P459.6 million and P397.0 million, respectively, and corresponded to 2% of the total liabilities, for the relevant periods. The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all its regular and permanent employee. The increase of P62.5 million or 15.7% year-over-year was mainly due to the provision on service cost and the related interest.

*Deferred income tax liabilities – net*
Deferred income tax liabilities - net (DTL) as at September 30, 2023 and December 31, 2022 amounted to P3.0 million and P2.8 million, respectively, and corresponded to less than 1% of the total liabilities for each of the relevant periods. The decrease in DTL of P250.0 thousand or 9% mainly pertains to the unrealized foreign exchange gain.

[3] "BDO Facility Agreement" refers to refers to (i) the "2017 BDO Facility Agreement" or that senior unsecured peso long-term loan facility agreement that CHP executed with BDO Unibank, Inc. on February 1, 2017 for an amount of up to the Philippine Peso equivalent of US$ 280 million, as from time to time amended or supplemented. The proceeds under this facility was used to refinance a majority of the Parent Company's outstanding long-term loan with a subsidiary of CEMEX, New Sunward Holding B.V. ("NSH"), which loan was fully repaid during the 1st quarter of 2017, and (ii) the 5-year senior unsecured term loan facility agreement that CHP executed with BDO Unibank, Inc. on July 28, 2022, for a principal amount of up to Six Billion Six Hundred Ninety Million Philippine Pesos (₱6,690,000,000.00), the loan proceeds of which was used to repay a *portion* of the outstanding indebtedness under the 2017 BDO Facility Agreement equivalent to approximately ₱6.68 billion.

[4] On March 9, 2022 and September 12, 2022, Solid Cement made a draw down on its short-term credit line with BDO Unibank, Inc. for the amounts of ₱120.0 million and ₱185.0 million, respectively, to cover operational/working capital requirements and the outstanding balances for the relevant periods were fully paid on March 25, 2022 and September 29, 2022, respectively. On September 28, 2022, Solid Cement executed another short-term loan with BDO Unibank, Inc. for ₱160.0 million to cover operational/working capital requirements which was repaid on October 28, 2022. On December 20, 2022, another short-term loan was executed by Solid Cement with BDO Unibank, Inc. amounting to ₱420.0 million which was repaid in January 2023.

*Other non-current liabilities*
Other noncurrent liabilities as at September 30, 2023 and December 31, 2022, amounted to nil and P20.6 million and corresponded to less than 1% of the total liabilities for each of the relevant periods, respectively. The decrease was due to reversal of the provision which pertains to asset retirement obligation.

*Common Stock*
As of September 30, 2023 and December 31, 2022, the total authorized common stock of the *Equity Attributable to Equity Holders* of CHP consisted of 18,810,395,454 shares at a par value of P1 per share and the total issued and outstanding common stock was 13,489,226,623 shares. This is accounted for as approximately 31% of the total equity for each of the relevant periods.

*Additional Paid-in Capital*
As at September 30, 2023 and December 31, 2022, the additional paid-in capital amounted to P26.2 billion and corresponded to 61% and 59% of the total equity for the relevant periods, respectively. The subscription payments received in excess of the par value of shares issued are recognized in this account.

*Other Equity Reserves*
As at September 30, 2023 and December 31, 2022, the other equity reserves amounted to P1.6 billion and P1.5 billion, respectively, and corresponded to 4% and 3% of total equity for the relevant periods, respectively. The amount referred to the cumulative effects of items and transactions that were, temporarily or permanently, recognized directly to equity and includes the elements presented in the other comprehensive income (or loss) such as changes in equity during the period not resulting from the investments by owners and distributions to owners. The increase of P95.8 million or 7% was mainly due to the currency translation of foreign subsidiaries of the Parent Company.

*Retained Earnings*
Retained earnings as at September 30, 2023 and December 31, 2022 amounted to P1.7 billion and P3.0 billion, respectively, and corresponded to 4% and 7% of the total equity for each of the relevant periods, respectively. This item includes the Company’s cumulative net results of operations. The decrease by P1.2 billion or 42% pertains to the consolidated net loss for the nine months ended September 30, 2023.

*Non-controlling interest*
As at September 30, 2023 and December 31, 2022, non-controlling interest amounted to P78.0 thousand and P101.0 thousand, respectively, and corresponded to less than 1% of the total equity for each of the relevant periods. The 23% decrease year-over-year is ascribed to the portion of loss incurred by a subsidiary of CHP which is not wholly-owned.

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 of the relevant periods indicated in the tables below.

| Key Financial Indicators | Formula | For the nine months ended September 30, 2023 | For the year ended December 31, 2022 |
|---|---|---|---|
| Current Ratio | Current Assets / Current Liabilities | **1.01:1** | 0.97:1 |
| Solvency Ratio | Profit (Loss) + Depreciation and Amortization / Total Liabilities | **0.01:1** | 0.04:1 |
| Net debt* to Equity Ratio | Net debt* / Total Equity | **0.54:1** | 0.48:1 |
| Asset to Equity Ratio | Total Assets / Total Equity | **1.57:1** | 1.54:1 |

**Net debt is computed as total liabilities less cash and cash equivalents.*

| Key Financial Indicators | Formula | For the nine months ended September 30, 2023 | 2022 |
|---|---|---|---|
| Interest Rate Coverage Ratio | Operating income before other income (expenses) - net / Interest | **4.8:1** | 10.1:1 |
| Profitability Ratio | Operating income before other income (expenses) - net / Revenue | **-0.1:1** | 0.1:1 |

Aging of Accounts Receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at September 30, 2023:

| | | Current | 1 to 30 days | 31 to 60 days | More than 60 days | Total |
|---|---|---|---|---|---|---|
| Average ECL rates | | 0.1% | 2.9% | 18.6% | 100% | 1.6% |
| Trade receivables - gross carrying amount | P | 629,776 | 23,205 | 3,740 | 8,878 | 665,599 |
| Allowance for ECL | | 707 | 670 | 695 | 8,878 | 10,950 |

**Amounts in Thousands*

**PART II - OTHER INFORMATION**

*The values presented in the other information are stated in thousands.*

*Insurance claims*
On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the "Landslide"), a site located within an area covered by the mining rights of APO Land & Quarry Corporation ("ALQC") who is a principal raw material supplier of APO Cement. The Parent Company does not own any equity stake (directly or indirectly) in ALQC or its parent company, Impact Assets Corporation. Cemex Asian South East Corporation which is a majority shareholder of the Parent Company, owns a minority 40% stake in Impact Assets Corporation.

The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO Cement and implemented to address the disruption in the supply arrangement with ALQC. By the third quarter of 2020, local and national authorities allowed ALQC to resume its mining operations in the affected areas.

On November 19, 2018, the Parent Company and APO Cement were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu, against the Parent Company, APO Cement, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for "Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems".

In the complaint, among other allegations, plaintiffs (i) claim that the Naga Landslide occurred as a result of the defendants' gross negligence; and (ii) seek, among other reliefs, (a) monetary damages in the amount of approximately P4.3 billion, (b) the establishment of a P500 million rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO Cement and the Parent Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund. The records of the case were subsequently transferred to the Regional Trial Court of Cebu City Branch 23.

Among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Parent Company, ALQC and APO Cement hold the position that the Naga landslide occurred due to natural causes and deny liability, fault, and negligence.

In an order dated August 16, 2019, the Regional Trial Court denied plaintiffs' Application for Temporary Environment Protection Order. By denying such application, the Regional Trial Court found that the applicants did not sufficiently establish that they will suffer grave injustice and irreparable injury by the continued operations of ALQC while the proceedings are pending. Plaintiffs moved for reconsideration, but the Court also denied plaintiffs' motion in an Order dated September 30, 2019. Plaintiffs did not appeal this ruling, which became final as of December 5, 2020.

In an order dated September 30, 2019, the Regional Trial Court partially granted the affirmative defenses of the private defendants and ruled, among others, that the subject case against the Parent Company and APO Cement is dismissed for failure to state a cause of action. The court also ruled that: (i) the 22 plaintiffs who failed to sign the verification and certification against forum shopping are dropped as party-plaintiffs; (ii) the subject case is not a proper class suit, and that the remaining 17 plaintiffs can only sue for their respective claims, but not as representatives of the more than 8,000 alleged victims of the landslide incident; (iii) plaintiffs' cause of action against ALQC for violation of Section 19(a) of Republic Act No. 10121 is dismissed; (iv) there is a misjoinder of causes of action between the environmental suit and the damage suit; and (v) the damage suit of the remaining plaintiffs will proceed separately upon payment of the required docket fees within 30 days from receipt of order, otherwise, the case for damages will be dismissed. The plaintiffs filed a motion for reconsideration of the court's order dated September 30, 2019. During the hearing of plaintiffs' motion for reconsideration on September 11, 2020, the Province of Cebu was officially dropped as a party-defendant in the case, on oral motion of plaintiffs. In another order dated November 17, 2021, the Regional Trial Court denied plaintiffs' motion for reconsideration and also granted the motions of the Mines and Geosciences Bureau and the City Government of Naga and dismissed the subject case against them. On January 31, 2022, plaintiffs filed with the Regional Trial Court their Notice of Appeal, indicating their intention to appeal the court's latest order to the Court of Appeals. Defendants (including government defendants) opposed the plaintiff's Notice of Appeal, and, on April 28, 2022, the Regional Trial Court rejected the plaintiffs' Notice of Appeal for having been filed out of time and instructed the entry of judgement and to issue the corresponding certificate of finality. The plaintiffs did not file a Motion for Reconsideration and due to this failure, the Regional Trial Court issued the corresponding certificate of finality. Accordingly, the court's order dated September 30, 2019, partially granting the affirmative defenses of the private defendants and ruling, among others, that the subject case against the Parent Company and APO Cement is dismissed for failure to state a cause of action, is now deemed to be final and executory.

As of September 30, 2023, only ALQC remains as a private defendant in the subject case.

*Impact of COVID-19*
On March 11, 2020, the World Health Organization declared as a pandemic the outbreak of the novel strain of the coronavirus identified in China in late 2019 (the "COVID-19 Pandemic"), due to its rapid spread throughout the world. On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to the COVID-19 Pandemic which resulted in the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020. The President announced several social distancing measures which were implemented including extension of suspension of school classes in all levels in Metro Manila, prohibition of mass gatherings or events, imposition of community quarantine measures, when necessary, restriction of mass public transport system (MRT, LRT, etc.), and most importantly, suspension of land, domestic air and domestic sea travel to and from the Metro Manila beginning March 15, 2020. While transportation was heavily regulated, on March 19, 2020, the Department of Trade and Industry issued Memorandum Circular No. 20-06 mandating that the movement of all types of cargo should be left unhampered. On March 24, 2020, the Philippine Government enacted Republic Act No. 11469, also known as the Bayanihan Act, to effectively enact measures to address the pressing problems caused by the COVID-19 Pandemic. On March 26, 2020, the Governor of the Province of Cebu announced the implementation of ECQ measures for the entire island of Cebu, effective March 30, 2020. Beginning May 16, 2020, several cities and provinces, including Metro Manila and Cebu City, were placed under modified enhanced community quarantine, while other cities and provinces, including the Province of Rizal and other cities in the Province of Cebu, were placed under general community quarantine.

Consistent with the ECQ implementation in Luzon, the Company initiated steps to temporarily suspend the production of cement products at, and distribution of cement products from, Solid Cement plant in the third week of March 2020. On May 20, 2020, after taking the corresponding measures to fully comply with government regulations, operations at Solid Cement plant were resumed and have been able to operate continuously since then. APO Cement plant has remained operational as of the date of this report in accordance with government regulations and the necessary hygiene and safety measures. Since then, provinces and cities have been placed from time to time under different community quarantine levels with corresponding restrictions, respectively. Subsequent to the recommendations of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) in its Resolution No. 146-F (s. 2021) dated October 28, 2021, the President of the Philippines issued Executive Order No. 151 dated November 11, 2021 adopting the Alert Level System for all areas of the Philippines through a nationwide roll-out which was designed to allow the reinvigoration of the economy through the opening of more sectors, while protecting the people's health through the continuous observance of public health protocols and interventions and the heightened implementation of lockdowns in smaller areas, also known as granular lockdowns. Restrictions and/or limitations affecting intrazonal and interzonal movement as well as the level of operations and activities undertaken by establishments and persons in areas nationwide were defined depending on the applicable Alert Level Status (ranging from 1 to 5). At any level, minimum public health standards and precautions such as the wearing of face masks and social distancing protocols may be mandated. On December 15, 2021, it was announced that all areas of the Philippines would be under Alert Level 2 until December 31, 2021 then extended to January 15, 2022. Thereafter, due to the surge of the Omicron COVID-19 variant, the Alert Levels in Metro Manila, Cebu City, Cebu Province (including Naga City), and the Province of Rizal (including Antipolo City) were increased to Alert Level 3 beginning on January 16, 2022. The Alert Levels for these areas started to be downgraded at their respective pace in the month of February 2022. The Alert Levels for Metro Manila, Cebu City, and the Province of Rizal (including Antipolo City) have been at Alert Level 1 since March 1, March 16, and April 1, 2022, respectively. The Province of Cebu (including Naga City) has been at Alert Level 2 since March 1, 2022. The National Capital Region (NCR) is under Alert Level 1 effective July 16, 2022 until further notice according to the IATF. Meanwhile, Cebu City has been downgraded to Alert Level 1 effective August 16, 2022, while Cebu Province remains in Alert Level 2. Since October 28, 2022, the wearing of face masks is only mandatory in healthcare facilities, medical transport, and public transportation by land, air or sea. In other settings, wearing of facemasks is voluntary. Based on the latest IATF Resolution No. 6-C , series 2023 dated April 14, 2023, provinces, cities and municipalities throughout the country were placed under Alert Levels 1 and 2, respectively, for the period from April 15 to 30, 2023. NCR, Cebu City, Naga City in Cebu and the Province of Rizal (including Antipolo City) remained at Alert Level 1, while certain areas of Cebu Province were among those localities at Alert Level 2.

On July 21, 2023, President Ferdinand Marcos, Jr. signed Proclamation No. 297 lifting the State of Public Health Emergency throughout the country due to COVID-19 Pandemic, thereby withdrawing or revoking all prior orders, memoranda and issuances that are effective only during this public health emergency.

The consequences resulting from the COVID-19 Pandemic have negatively affected the Company. For the nine months ended September 30, 2023, and 2022, additional expenses were incurred by the Company associated with measures designed to address the adverse impact of COVID-19 Pandemic amounting to P3,366 and P26,730, respectively. These additional expenses were presented under “Operating expenses and cost of sales” and “Other income (expenses) - net” account in the condensed consolidated interim statements of comprehensive income for the nine months ended September 30, 2023, and 2022, respectively. The Company implemented, and continues to implement, hygiene protocols in its operations and modified its manufacturing, sales, and delivery processes to implement physical distancing, so as to protect the health and safety of its employees and their families, customers and suppliers, and drastically reduce the possibility of contagion during the COVID-19 Pandemic. It will continue to place emphasis on the use of the CEMEX Go platform for a digital, contactless and/or limited contact experiences for customers, and enable additional online channels to promote engagement, manage communications and facilitate transactions with customers.

*Russia-Ukraine Conflict*
The Company has no exposure to investments in Russia or Ukraine. It currently has no business, investments, customers, or suppliers from any of these countries. However, this event has given rise and may continue to give rise to circumstances with the potential to further cause world trade disruptions and rising prices of basic commodities, including oil and power, among others.

*Arbitration Proceedings*
In July 2023, Solid Cement initiated arbitration proceedings with the Philippine Dispute Resolution Center Inc. against Limay Power, Inc. (formerly known as SMC Consolidated Power Corporation; “LPI”), on the ground that LPI has wrongfully terminated the retail power supply agreement for electricity to Solid Cement’s plant located in Antipolo City, Province of Rizal. This retail power supply agreement between Solid Cement and LPI would have expired in December 2025. Despite its dispute

with LPI, Solid Cement has successfully taken alternative measures to achieve uninterrupted supply of electricity to its cement plant.

At this time, we are not able to determine if a final adverse resolution on the arbitration proceedings would have a material adverse impact on the Company's consolidated results of operations, liquidity and financial condition.

**** 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:

LUIS GUILLERMO FRANCO CARRILLO
President & Chief Executive Officer
14 November 2023

STEVE KUANSHENG WU
Treasurer and Chief Financial Officer
14 November 2023

**Cautionary Statement Regarding Forward-Looking Statements**

The information contained in this report includes forward-looking statements. These forward-looking statements and information are necessarily subject to risks, uncertainties, and assumptions, including but not limited to CEMEX HOLDINGS PHILIPPINES, INC.'s ("CHP") plans, objectives, expectations (financial or otherwise), and typically can be identified by the use of words such as "will", "may," "assume," "might," "should," "could," "continue," "would," "can," "consider," "anticipate," "estimate," "expect," "envision," "plan," "believe," "foresee," "predict," "potential" "target," "strategy,", "intend", and similar terms. Although CHP believes that its expectations are reasonable, it can give no assurance that these expectations will prove to be correct, and actual results may vary materially from historical results or results anticipated by forward-looking statements due to various factors. These forward-looking statements reflect, as of the date on which such forward-looking statements are made, CHP's current expectations and projections about future events based on CHP's knowledge of present facts and circumstances and assumptions about future events, as well as CHP´s current plans based on such facts and circumstances unless otherwise indicated. These statements necessarily involve risks, uncertainties, and assumptions that could cause actual results to differ materially from historical results or those anticipated by in this report. Among others, such risks, uncertainties, and assumptions include those discussed in CHP's most recent annual report and those detailed from time to time in CHP's filings with the Philippine Securities and Exchange Commission, which are incorporated by reference, including, but not limited to: impact of pandemics, epidemics or outbreaks of infectious diseases and the response of governments and other third parties, including with respect to the novel strain of the coronavirus identified in China in late 2019 and its variants ("COVID-19"), which have affected and may continue to adversely affect, among other matters, the ability of our operating facilities to operate at full or any capacity, supply chains, international operations, availability of liquidity, investor confidence and consumer spending, as well as the availability of, and demand for, our products and services; the cyclical activity of the construction sector; CHP's and its subsidiaries (together, the "CHP Group") exposure to other sectors that impact the CHP Group's business, such as, but not limited to, the energy sector; availability of raw materials and related fluctuating prices; volatility in pension plan asset values and liabilities, which may require cash contributions to the pension plans; the impact of environmental cleanup costs and other liabilities relating to existing and/or divested businesses; our ability to secure and permit aggregates reserves in strategically located areas; the timing and amount of federal, state and local funding for infrastructure; changes in the level of spending for private residential and private nonresidential construction; changes in our effective tax rate; competition in the markets in which the CHP Group offers its products and services; general political, social, economic, health, and business conditions in the markets in which the CHP Group operates or that affect its operations and any significant economic, health, political, or social developments in those markets, including any nationalization or privatization of any assets or operations; the regulatory environment, including environmental, tax, labor, antitrust and acquisition-related rules and regulations; CHP Group's ability to satisfy its debt obligations and the ability of CEMEX, S.A.B. de C.V. ("CEMEX"), the ultimate parent company of the major shareholder of CHP, to satisfy CEMEX's obligations under its material debt agreements, the indentures that govern CEMEX's notes and CEMEX's other debt instruments; CHP Group's and CEMEX's ability to refinance their existing indebtedness; availability of short-term credit lines, which can assist the CHP Group in connection with market cycles; the impact of CEMEX's below investment grade debt rating on the CHP Group's and CEMEX's cost of capital; loss of reputation of the CHP Group's brands; CHP Group's and CEMEX's ability to consummate asset sales and fully integrate newly acquired businesses; CHP Group's ability to achieve cost-savings with its cost-reduction initiatives and implement the CHP Group's pricing initiatives for its products; the increasing reliance on information technology infrastructure for the CHP Group's operations, sales in general, sales invoicing, procurement, financial statements and other processes that can adversely affect operations in the event that the infrastructure does not work as intended, experiences technical difficulties or is subject to cyber-attacks; changes in the economy that affect demand for consumer goods, consequently affecting the demand for the CHP Group's products and services; weather conditions, including but not limited to, excessive rain and snow, and disasters such as earthquakes and floods; trade barriers, including tariffs or import taxes and changes in existing trade policies or changes to, or withdrawals from free trade agreements; availability and cost of trucks, railcars, barges and ships, as well as their licensed operators, for transport of our materials; labor shortages and constraints; terrorist and organized criminal activities as well as geopolitical events, such as war and armed conflicts, including the current war between Russia and Ukraine; declarations of insolvency or bankruptcy or becoming subject to similar proceedings; and, natural disasters and other unforeseen events (including global health hazards such as COVID-19). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from historical results, performance or achievements and/or results, performance or achievements expressly or implicitly anticipated by the forward-looking statements, or that otherwise could have an impact on the CHP Group. Any or all of CHP's forward-looking statements may turn out to be inaccurate and the factors identified above are not exhaustive. Accordingly, undue reliance on forward-looking statements should not be placed, as such forward-looking statements speak only as of the dates on which they are made. These factors may be revised or supplemented, but CHP is not under, and expressly disclaims, any obligation to update or correct the information contained in this report or any forward-looking statement that it may make from time to time, whether as a result of new information, future events or otherwise. Readers should review future reports filed by us with the Philippine Securities and Exchange Commission. Unless the context indicates otherwise, all references to pricing initiatives, price increases or decreases, refer to the CHP Group's prices for the CHP Group's products. We generated some of this data internally, and some was obtained from independent industry publications and reports that we believe to be reliable sources. We have not independently verified this data nor sought the consent of any organizations to refer to their reports in this report.

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

| | *Notes* | **September, 2023** (Unaudited) | December 31, 2022 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *6,14* | **P1,274,637** | P2,720,304 |
| Trade receivables - net | *14* | **654,649** | 637,410 |
| Due from related parties | *10,14* | **109,785** | 4,108 |
| Insurance claims and premiums receivable | *11,14* | **170,735** | 538,740 |
| Other current accounts receivable | *14* | **181,100** | 69,249 |
| Inventories | | **4,561,859** | 5,813,896 |
| Derivative asset | *14,15* | **38,838** | 49,605 |
| Prepayments and other current assets | | **3,299,457** | 3,056,051 |
| **Total Current Assets** | | **10,291,060** | 12,889,363 |
| **Noncurrent Assets** | | | |
| Investment in an associate and other investments | | **13,173** | 13,173 |
| Advances to contractors | *7* | **377,402** | 768,525 |
| Other assets and noncurrent accounts receivable | | **1,191,172** | 638,789 |
| Property, machinery and equipment and assets for the right-of-use - net | *7* | **26,829,571** | 25,167,401 |
| Derivative asset - net of current portion | *14,15* | **6,373** | – |
| Deferred income tax assets - net | | **895,771** | 615,170 |
| Goodwill | | **27,859,694** | 27,859,694 |
| **Total Noncurrent Assets** | | **57,173,156** | 55,062,752 |
| | | **P67,464,216** | P67,952,115 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade payables | *14* | **P4,127,468** | P5,730,604 |
| Due to related parties | *10,14* | **2,903,950** | 4,674,927 |
| Unearned income, other accounts payable and accrued expenses | | **2,014,696** | 1,736,691 |
| Current portion of: | | | |
| Lease liabilities | *8,14* | **386,943** | 456,625 |
| Long-term bank loan | *13,14,15* | **513,958** | 420,000 |
| Contract liabilities | *14* | **257,722** | 273,692 |
| Income tax payable | | **209** | 5,712 |
| **Total Current Liabilities** | | **P10,204,946** | P13,298,251 |

*Forward*

| | Note | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|---|---|
| **Noncurrent Liabilities** | | | |
| Long-term bank loan - net of current portion | *13,14,15* | **P6,636,664** | P7,723,630 |
| Lease liabilities - net of current portion | *8,14* | **2,354,247** | 2,385,963 |
| Long term payable to related party | *10* | **4,830,592** | – |
| Retirement benefits liability | | **459,576** | 397,084 |
| Deferred income tax liabilities - net | | **3,014** | 2,764 |
| Other noncurrent liabilities | | **–** | 20,610 |
| **Total Noncurrent Liabilities** | | **14,284,093** | 10,530,051 |
| **Total Liabilities** | | **24,489,039** | 23,828,302 |
| **Equity** | | | |
| Common stock | *9* | **13,489,227** | 13,489,227 |
| Additional paid-in capital | | **26,217,799** | 26,217,799 |
| Other equity reserves | *9* | **1,555,120** | 1,459,326 |
| Retained earnings | | **1,712,953** | 2,957,360 |
| Equity Attributable to Equity Holders of the Parent Company | | **42,975,099** | 44,123,712 |
| Non-controlling interest | | **78** | 101 |
| **Total Equity** | | **42,975,177** | 44,123,813 |
| | | **P67,464,216** | P67,952,115 |

## CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED
## INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Amounts in Thousands, Except Per Share Data)
(Unaudited)

| | | For the Nine Months Ended September 30 | | For the Three Months Ended September 30 | |
|---|---|---|---|---|---|
| | ***Note*** | **2023** | 2022 | **2023** | 2022 |
| **REVENUES** | *4* | **P13,476,110** | P15,806,820 | **P4,390,650** | P5,132,152 |
| **COST OF SALES** | | **(10,308,187)** | (9,998,711) | **(3,268,095)** | (3,426,807) |
| **GROSS PROFIT** | | **3,167,923** | 5,808,109 | **1,122,555** | 1,705,345 |
| **OPERATING EXPENSES** | | | | | |
| Administrative and selling expenses | | **(2,075,142)** | (2,172,502) | **(710,219)** | (724,695) |
| Distribution expenses | | **(1,868,455)** | (2,243,743) | **(587,628)** | (772,514) |
| **TOTAL OPERATING EXPENSES** | | **(3,943,597)** | (4,416,245) | **(1,297,847)** | (1,497,209) |
| **OPERATING INCOME (LOSS) BEFORE OTHER INCOME – Net** | | **(775,674)** | 1,391,864 | **(175,292)** | 208,136 |
| OTHER INCOME (EXPENSES) – Net | | **13,988** | (53,999) | **4,773** | (25,216) |
| **OPERATING INCOME (LOSS) AFTER OTHER INCOME – Net** | | **(761,686)** | 1,337,865 | **(170,519)** | 182,920 |
| FINANCIAL AND OTHER FINANCIAL EXPENSES – Net | | **(183,319)** | (188,748) | **(73,719)** | (40,584) |
| FOREIGN EXCHANGE GAIN (LOSS) – Net | | **(299,415)** | (1,502,167) | **(383,539)** | (788,857) |
| **LOSS BEFORE INCOME TAX** | | **(1,244,420)** | (353,050) | **(627,777)** | (646,521) |
| **BENEFIT (PROVISION) FOR INCOME TAX** | | **(10)** | (465,723) | **45,198** | 94,447 |
| **LOSS** | | **(1,244,430)** | (818,773) | **(582,579)** | (552,074) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | | | |
| Loss on remeasurement on retirement benefits liability | | **(26,403)** | (15,909) | **(8,795)** | 2,054 |
| Tax effect | | **6,601** | 3,977 | **2,199** | (514) |
| | *9* | **(19,802)** | (11,932) | **(6,596)** | 1,540 |
| *Items that will be reclassified subsequently to profit or loss* | | | | | |
| Currency translation gain (loss) of a foreign subsidiary | | **93,372** | 1,263,428 | **203,837** | 583,392 |
| Cash flow hedges - effective portion of changes in fair value | | **135** | 7,622 | **27,943** | (83,665) |
| Cash flow hedges - reclassified to profit or loss | | **(279)** | – | – | – |
| | | **93,228** | 1,271,050 | **231,780** | 499,727 |
| **TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX** | | **73,426** | 1,259,118 | **225,184** | 501,267 |
| **TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX** | | **(1,171,004)** | 440,345 | **(357,395)** | (50,807) |
| **Non-controlling interest comprehensive loss** | | **23** | 19 | **7** | 5 |
| **CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)** | | **(P1,170,981)** | P440,364 | **(P357,388)** | (P50,802) |
| **Basic / Diluted Loss Per Share** | *5* | **(P0.09)** | (P0.06) | **(P0.04)** | (P0.04) |

## CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Unaudited)

| | *Note* | For the Nine Months Ended September 30 **2023** | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss | | **(P1,244,430)** | (P818,773) |
| Adjustments for: | | | |
| Depreciation and amortization of property, machinery and equipment and assets for the right-of-use | | **1,449,013** | 1,403,852 |
| Financial expenses, other financial expenses (income) and unrealized foreign exchange result | | **445,124** | 2,008,056 |
| Retirement benefits expense | | **60,922** | 42,565 |
| Share-based compensation expense | | **22,368** | 1,082 |
| Income tax expense | | **10** | 465,724 |
| Impairment loss on trade receivables, inventory write-down and provisions during the period | | **(14,099)** | 20,128 |
| Loss (Gain) on disposal of property, machinery and equipment | | **(14,775)** | 5,844 |
| Gain on remeasurement of lease liability and derecognition of asset for the right-of-use from lease termination and sublease | | **(87,460)** | 7,453 |
| Operating profit before working capital changes | | **616,673** | 3,135,931 |
| Changes in working capital: | | | |
| Decrease (increase) in: | | | |
| Trade receivables | | **(5,886)** | 42,172 |
| Due from related parties | | **35,820** | 975,167 |
| Insurance claims and premiums receivable | | **368,005** | (132,054) |
| Other current accounts receivable | | **(98,254)** | 8,320 |
| Inventories | | **1,209,294** | (2,593,914) |
| Derivative asset | | **4,250** | (5,692) |
| Prepayments and other current assets | | **(336,167)** | (373,973) |
| Increase (decrease) in: | | | |
| Trade payables | | **(1,310,307)** | (362,282) |
| Due to related parties | | **(2,093,353)** | (29,924) |
| Unearned income, other accounts payable and accrued expenses | | **281,450** | 65,989 |
| Contract liabilities | | **(15,970)** | 13,586 |
| Cash generated from (absorbed by) operations | | **(1,344,445)** | 743,326 |
| Interest received | | **21,158** | 23,608 |
| Interest paid | | **(521,579)** | (377,343) |
| Income taxes paid | | **(186,500)** | (153,672) |
| Benefits paid to employees | | **(48,503)** | (55,944) |
| Net cash provided (used) in operating activities | | **(2,079,869)** | P179,975 |

*Forward*

| | Note | For the Nine Months Ended September 30 | |
|---|---|---|---|
| | | **2023** | 2022 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, machinery and equipment | | **P19,056** | 580 |
| Decrease (Increase) in other assets and noncurrent accounts receivable | | **15,906** | P2,343 |
| Additions to property, machinery and equipment and assets for the right of use | | **(2,001,864)** | (707,101) |
| Payment of debt service reserve account | | **(564,149)** | – |
| Advances to contractors | *7* | – | (872,079) |
| Net cash used in investing activities | | **(2,531,051)** | (1,576,257) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Bank loan | *13* | **4,855,000** | 7,098,622 |
| Related parties | | **4,698,148** | – |
| Payments of: | | | |
| Bank loan | *13* | **(5,875,000)** | (8,137,740) |
| Lease liabilities - net of interest | | **(438,234)** | (415,937) |
| Related parties | | **(68,606)** | – |
| Net cash provided (used in) financing activities | | **3,171,308** | (1,455,055) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(1,439,612)** | (2,851,337) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **(6,055)** | 5,866 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | | **2,720,304** | 5,811,635 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | | **P1,274,637** | P2,966,164 |

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

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**
(Amounts in Thousands)
(Unaudited)

**For the Nine Months Ended September 30, 2023**

| | | **Common Stock** | **Additional Paid-in Capital** | **Other Equity Reserves** | **Retained Earnings** | **Total Controlling Interest** | **Non-controlling Interest** | **Total Equity** |
|---|---|---|---|---|---|---|---|---|
| As at January 1, 2023 | **P** | **13,489,227** | **26,217,799** | **1,459,326** | **2,957,360** | **44,123,712** | **101** | **44,123,813** |
| Transactions with the owners of the Company | | | | | | | | |
| Share-based compensation | | **–** | **–** | **22,368** | **–** | **22,368** | **–** | **22,368** |
| Total comprehensive income: | | | | | | | | |
| Profit for the period | | **–** | **–** | **–** | **(1,244,407)** | **(1,244,407)** | **(23)** | **(1,244,430)** |
| Other comprehensive income for the period | | **–** | **–** | **73,426** | **–** | **73,426** | **–** | **73,426** |
| As at September 30, 2023 | **P** | **13,489,227** | **26,217,799** | **1,555,120** | **1,712,953** | **42,975,099** | **78** | **42,975,177** |

For the Nine Months Ended September 30, 2022

| | | Common Stock | Additional Paid-in Capital | Other Equity Reserves | Retained Earnings | Total Controlling Interest | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| As at January 1, 2022 | P | 13,489,227 | 26,217,799 | 528,221 | 3,971,553 | 44,206,800 | 125 | 44,206,925 |
| Transactions with the owners of the Company | | | | | | | | |
| Share-based compensation | | – | – | 1,082 | – | 1,082 | – | 1,082 |
| Total comprehensive income: | | | | | | | | |
| Profit for the period | | – | – | – | (818,754) | (818,754) | (19) | (818,773) |
| Other comprehensive income for the period | | – | – | 1,259,118 | – | 1,259,118 | – | 1,259,118 |
| As at September 30, 2022 | P | 13,489,227 | 26,217,799 | 1,788,421 | 3,152,799 | 44,648,246 | 106 | 44,648,352 |

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

## NOTE 1 - DESCRIPTION OF BUSINESS

CEMEX HOLDINGS PHILIPPINES, INC. (the "Parent Company"), a subsidiary of CEMEX ASIAN SOUTH EAST CORPORATION (CASEC), was incorporated as a stock corporation on September 17, 2015 under Philippine laws, primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties, such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that the Parent Company shall not engage either in the stock brokerage business or in the dealership of securities, and in the business of an open-end investment company as defined in Republic Act 2629, Investment Company Act.

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

On a consolidated group basis, the Parent Company is an indirect subsidiary of CEMEX, S.A.B. de C.V. (CEMEX), a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, San Pedro Garza García, 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. Unless otherwise indicated or the context otherwise requires, all references in these accompanying notes to the consolidated financial statements to "CEMEX Group" refer to CEMEX and its consolidated subsidiaries (other than the Company).

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 the CEMEX Group, 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 the CEMEX Group. 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 the CEMEX Group.

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

On June 30, 2016, the Philippine Securities and Exchange Commission (SEC) resolved to render effective the Registration Statement of the Parent Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Parent Company. On July 18, 2016, the Parent Company's initial public offering (IPO) of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading of shares of stocks under the Main Board of the Philippine Stock Exchange (PSE), resulting in an increase in capital stock of P2,337,928 and additional paid-in capital of P21,959,159, net of P835,639 transaction cost that is accounted for as a reduction in equity. A total of 5,195,395,454 common shares of the Parent Company was initially listed on the PSE.

On April 2, 2019 and October 16, 2019, the Board of Directors (BOD) and stockholders of the Parent Company, respectively, approved the amendment of the Seventh Article of the Amended Articles of Incorporation of the Parent Company to reflect an increase in the Parent Company's authorized capital stock (ACS) from P5,195,395, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395, consisting of

18,310,395,454 common shares with a par value of P1 per share. In connection with the proposed capital increase, a stock rights offering (SRO) was pursued by the Parent Company. On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Revised Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Parent Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to the Parent Company having obtained the SEC's approval of the increase in its ACS.

On January 6, 2020, the Parent Company announced that the Stock Rights Offering would involve the offer of 8,293,831,169 common shares with a par value of ₱1.00 per share (the "Rights Shares") at an offer price of ₱1.54 per Rights Share that would be issued from the Parent Company's increased ACS. The proceeds from the Stock Rights Offering would be used primarily (i) to fund the expansion of Solid's plant in Antipolo City, Rizal, involving the construction and installation of a 1.5 million metric tons per year new integrated cement production line (the "Solid New Line Project"), including to pay outstanding amounts owed by Solid under a revolving credit facility agreement dated November 21, 2018, as amended and restated from time to time, between Solid, as the borrower, and CABV, as the lender (the "Solid Expansion Facility Agreement"), which facility agreement had been used primarily but not exclusively to fund the Solid New Line Project, and (ii) for other general corporate purposes, including to pay outstanding amounts owed by APO under a master loan agreement dated October 1, 2014, as amended and restated from time to time, between APO, as borrower, and CABV, as lender (as assignee to CEMEX Hungary KFT) (the "APO Operational Facility Agreement").

The offer period for the Stock Rights Offering was concluded on January 24, 2020. The total proceeds raised from the Stock Rights Offering amounted to P12,772,500,000.26.

On 27 February 2020, the SEC approved the Parent Company's application for increase of ACS and on March 4, 2020, the 8,293,831,169 common shares comprising the Rights Shares were listed under the Main Board of the Exchange. After the Stock Rights Offering and the approval by the SEC of the Parent Company's application for increase in authorized capital stock, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares at P1 par value per share or total par value of P13,489,226,623.

As at December 31, 2020, the shareholdings in the Parent Company owned by CASEC increased to 10,500,624,662 common shares at P1 par value per share.

In September 2022, CASEC increased its shareholdings in the Parent Company to 10,507,954,662 common shares at P1 par value per share.

In March 2023, as part of the voluntary tender offer exercise launched by CASEC, CASEC acquired 1,614,000,000 common shares of the Parent Company at the Tender Offer Price of P1.30 with a total transaction price of P2,098,200,000. The cross sales were executed last 29 March 2023. As a result of the tender offer, CASEC owns and controls 12,121,954,662 common shares of the Parent Company (inclusive of the 5 shares held by individuals), which is approximately 89.86% of the issued and outstanding common shares of the Parent Company.

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

## NOTE 2 - BASIS OF PREPARATION

### A) STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The 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, 2022.

## B) BASIS OF MEASUREMENT

The condensed consolidated interim financial statements have been prepared on the historical cost basis of accounting, except for retirement benefits liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets and derivative financial asset and other investments, under "Investment in an associate and other investments", that are measured at fair value.

## C) PRINCIPLES OF CONSOLIDATION

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

If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income (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.

The Company has P78 and P101 non-controlling interest as at September 30, 2023 and December 31, 2022, respectively.

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.

## D) DEFINITION OF TERMS

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

## E) FUNCTIONAL AND PRESENTATION CURRENCY

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

## F) USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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. These estimates and underlying assumptions are reviewed on an ongoing basis using available information. Actual results may differ from these estimates.

*Judgment on the lease term to be considered in computing for lease liabilities*

From the accounting perspective, the determination of whether an arrangement is a lease, or contains a lease component, is if the contract conveys a right to control the use of an identified asset (whether or not exclusive) for a period of time in exchange for consideration.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Company has contracts that include extension option to lease parcels of land. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Company included the complete renewal period as part of the lease term for such leases of parcels of land as this is reasonably certain to be exercised considering the costs and business disruption required to replace the leased asset. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

*Expected credit losses on trade receivables*

During the nine months ended September 30, 2023, management reassessed its estimates in respect of the allowance for impairment losses on receivables. As at September 30, 2023 and December 31, 2022, allowance for impairment losses on receivables amounted to P10,950 and P22,479, respectively (see Note 14).

## NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

## A) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2022. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's consolidated financial statements.

### 1. Adoption of Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's consolidated financial statements.

*1.1 COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases).* The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

*1.2 Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment)*. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

*1.3 Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets)*. The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

*1.4 Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to the following relevant standards:

- *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, Financial Instruments).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

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

A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Company has not early adopted the following 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.

*Effective January 1, 2023*

*2.1 Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

*2.2 Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are

themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

*2.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes)*. The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

*Effective January 1, 2024*

*2.4 Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendments confirm the following:*

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

*2.5 Classification of Liabilities as Current or Non-current (2020 amendments and Non-Current Liabilities with Covenants – 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date;
- provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.
*Effective January 1, 2025*

*2.6 PFRS 17, Insurance Contracts,* replaces the interim standard, PFRS 4 Insurance Contracts. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

- combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all

insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

## NOTE 4 - REVENUES

*Disaggregation of Revenues from Contracts with Customers*
Revenues for the nine months ended September 30,2023 and 2022 are detailed by major product lines and timing of revenue recognition as follows:

| | Timing of revenue recognition | | **September 30, 2023** | September 30, 2022 |
|---|---|---|---|---|
| *Revenue from sale of goods* | | | | |
| Cement.......................................... | At a point in time | P | **13,389,934** | 15,757,297 |
| Admixtures..................................... | At a point in time | | **8,263** | 5,610 |
| Rewards (non-cement) and others . | At a point in time | | **30,288** | 9,543 |
| | | | **13,428,485** | 15,772,450 |
| *Revenue from services* | | | | |
| Co-processing of alternative fuel resources.................................... | Over time | | **47,625** | 34,370 |
| | | P | **13,476,110** | 15,806,820 |

Breakdown of cement sales per customer for the nine-month period ended September 30, 2023 and 2022 is as follows:

| | | **September 30, 2023** | September 30, 2022 |
|---|---|---|---|
| Retailers.................................................................................... | P | **10,658,428** | 12,757,863 |
| Institutional................................................................................ | | **2,668,251** | 2,905,345 |
| Others ....................................................................................... | | **63,255** | 94,089 |
| Total.......................................................................................... | P | **13,389,934** | 15,757,297 |

The Company does not depend on any single or few customers, and no single customer represented more than 10% of the Company's consolidated Revenue.

*Contract Balances*

The following table provides information about the opening and closing balances of trade receivables - net and contract liabilities from contracts with customers:

| | | **September 30, 2023** | December 31, 2022 |
|---|---|---|---|
| Trade receivables - net | P | **654,649** | 637,410 |
| Contract liabilities | | | |
| Advances from customers | P | **254,063** | 243,375 |
| Customer loyalty program | | **3,659** | 30,317 |
| | P | **257,722** | 273,692 |

The contract liabilities include unredeemed customer loyalty points and advances from customers. These will be recognized as revenue when the points are redeemed by customers or when the goods are delivered to the customer and when the right to redeem expires, which is expected to occur the following year. Contract liabilities as at September 30, 2023 are expected to be recognized as revenue within 12 months. The amount recognized in contract liabilities as at December 31, 2022 is expected to be recognized as revenue within 12 months from the reporting date. There is no other unperformed obligation other than those already included in contract liabilities.

*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.

## NOTE 5 – BASIC/ DILUTED EARNINGS PER SHARE

For the nine months ended September 30, 2023 and 2022, basic and diluted earnings per share is computed as follows:

| | **September 30, 2023** | September 30, 2022 |
|---|---|---|
| Profit (Loss) | **(P1,244,430)** | (P818,773) |
| Add: non-controlling interest in net loss | **23** | 19 |
| Controlling interest in profit (a) | **(P1,224,407)** | (P818,754) |
| Weighted average number of shares outstanding - Basic/Diluted (b) | **13,489,226,623** | 13,489,226,623 |
| Basic/Diluted EPS (a/b) | **(P0.09)** | (P0.06) |

As at September 30, 2023 and 2022, the Company has no dilutive equity instruments.

## NOTE 6 – CASH AND CASH EQUIVALENTS

The cash and cash equivalents as at September 30, 2023 and December 31, 2022 consisted of:

| | | **September 30, 2023** | December 31,2022 |
|---|---|---|---|
| Cash in banks | P | **844,455** | 1,700,203 |
| Short-term investments | | **430,182** | 1,020,101 |
| | P | **1,274,637** | 2,720,304 |

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.

For the nine months ended September 30, 2023 and 2022, interest income earned on cash and cash equivalents amounted to P21,158 and P23,608 respectively.

Effective January 1, 2021, the short-term investments with Lomez were transferred to Cemex Innovation Holding Ltd.(CIH) which bears interest at a rate equivalent to the Western Asset Institutional Liquid Reserves Fund (WAILRF) rate minus 10 basis points and zero interest. Beginning January 1, 2022, the 10 basis points spread applied to investments using the WAILRF rate was removed.

As at September 30, 2023 and December 31, 2022, short-term investments include deposits of the Company with CIH (a related party) amounting to P430,182 and P1,020,101, respectively (see Note 10).

The Company´s exposures to credit risk, foreign currency risk, and interest rate risk related to cash and cash equivalents are disclosed in Note 14 to the condensed consolidated interim financial statements.

## NOTE 7 – PROPERTY, MACHINERY, EQUIPMENT AND ASSETS FOR THE RIGHT-OF-USE - NET

The consolidated balance of this item is broken down as follows:

| | | **September 30, 2023** | December 31, 2022 |
|---|---|---|---|
| Property, machinery and equipment - net………………………………… | P | **24,490,201** | 22,710,996 |
| Assets for the right-of-use - net…………………………………………… | | **2,339,370** | 2,456,405 |
| | P | **26,829,571** | 25,167,401 |

*Property, Machinery and Equipment - net*
The movements for each class of property, machinery and equipment are as follows:

| | | **Buildings and improvements** | **Machinery and equipment** | **Construction In-progress** | **Total** |
|---|---|---|---|---|---|
| **Gross Carrying Amount** | | | | | |
| January 1, 2022 | P | 4,615,247 | 14,252,947 | 10,307,386 | 29,175,580 |
| Additions…………………………………………. | | 72,849 | 207,675 | 2,494,371 | 2,774,895 |
| Disposals………………………………………… | | – | (163,855) | – | (163,855) |
| Transfers………………………………………… | | 90,287 | 128,250 | (218,537) | – |
| December 31, 2022 | | 4,778,383 | 14,425,017 | 12,583,220 | 31,786,620 |
| Additions………………………………………… | | **2,435** | **251,449** | **2,517,857** | **2,771,741** |
| Transfers………………………………………… | | **47,278** | **298,189** | **(345,467)** | **–** |
| Disposals………………………………………… | | **–** | **(28,487)** | **–** | **(28,487)** |
| **September 30, 2023** | | **4,828,096** | **14,946,168** | **14,755,610** | **34,529,874** |
| **Accumulated depreciation and impairment** | | | | | |
| January 1, 2022 | | (1,466,582) | (6,473,347) | – | (7,939,929) |
| Depreciation for the year……………….......... | | (210,684) | (1,072,093) | – | (1,282,777) |
| Disposals………………………………………… | | **–** | 147,082 | – | 147,082 |
| **December 31, 2022** | | **(1,677,266)** | **(7,398,358)** | **–** | **(9,075,624)** |
| Depreciation for the period……………………... | | **(166,785)** | **(821,470)** | **–** | **(988,255)** |
| Disposals………………………………………… | | **–** | **24,206** | **–** | **24,206** |
| **September 30, 2023** | | **(1,844,051)** | **(8,195,622)** | – | **(10,039,673)** |
| **Carrying Amounts** | | | | | |
| December 31, 2022 | P | 3,101,117 | 7,026,659 | 12,583,220 | 22,710,996 |
| **September 30, 2023** | **P** | **2,984,045** | **6,750,546** | **14,755,610** | **24,490,201** |

In relation to the Solid New Line Project, the Company capitalized borrowing cost amounting to P589,596 and 249,201 for the nine months ended September 30, 2023 and 2022, respectively. The average capitalization rate used to determine the amount of borrowing cost eligible for capitalization during the nine months ended September 30, 2023 and 2022 is 5.71% and 3.66%, respectively.

*Assets for the Right-of-Use - net*

The movements in the balance of assets for the right-of-use are as follows:

| | | Land and Buildings | Machinery and Equipment | Total |
|---|---|---|---|---|
| **Gross Carrying Amount** | | | | |
| January 1, 2022 | P | 1,935,338 | 1,565,007 | 3,500,345 |
| Additions ............................................................. | | 1,336,206 | 249,135 | 1,585,341 |
| Cancellation and remeasurements ....................... | | (22,958) | (5,863) | (28,821) |
| December 31, 2022 | | 3,248,586 | 1,808,279 | 5,056,865 |
| Additions ............................................................. | | **183,125** | **225,111** | **408,235** |
| Termination and Remeasurement......................... | | **(91,428)** | **(13,013)** | **(104,440)** |
| **September 30, 2023** | | **3,340,283** | **2,020,377** | **5,360,660** |
| **Accumulated amortization** | | | | |
| January 1, 2022 | | (725,657) | (1,222,320) | (1,947,977) |
| Amortization for the year....................................... | | (251,939) | (415,896) | (667,835) |
| Lease termination................................................. | | 15,352 | – | 15,352 |
| December 31, 2022 | | (962,244) | (1,638,216) | (2,600,460) |
| Amortization for the period.................................... | | **(198,959)** | **(236,921)** | **(435,880)** |
| Lease termination................................................. | | **15,050** | – | **15,050** |
| **September 30, 2023** | | **(1,146,153)** | **(1,875,137)** | **(3,021,290)** |
| **Carrying Amounts** | | | | |
| December 31, 2022 | P | 2,286,342 | 170,063 | 2,456,405 |
| **September 30, 2023** | P | **2,194,130** | **145,240** | **2,339,370** |

**NOTE 8 – LEASE LIABILITIES**

The roll forward analyses of opening and closing balance of lease liabilities are as follow:

| | | September 30, 2023 | December 31, 2022 |
|---|---|---|---|
| Balance at beginning of the period ........................................................ | P | **2,842,588** | 1,807,905 |
| Additions................................................................................... | | **405,734** | 1,578,972 |
| Accretion of interest............................................................................... | | **140,370** | 183,911 |
| Effect of changes in exchange rates..................................................... | | **5,475** | 49,839 |
| Payments................................................................................... | | **(563,554)** | (764,788) |
| Remeasurement due to lease termination............................................ | | **(89,423)** | (13,251) |
| Balance at end of the period.................................................................. | P | **2,741,190** | 2,842,588 |

Pursuant to PFRS 16, the determination of whether an arrangement is, or contains a lease is, if the contract conveys a right to control the use of an identified asset (whether or not exclusive) for a period of time in exchange for consideration. Such assessment is made at the inception of the contract.

**NOTE 9 – EQUITY**

Common Stock

As at September 30, 2023 and December 31, 2022 the account consists of:

| | Number of Shares | Amount |
|---|---|---|
| Authorized - P1.00 par value per share | 18,310,395,454 | P18,310,395 |
| Paid, Issued and Outstanding shares | 13,489,226,623 | P13,489,227 |
| Total Common Stock | 13,489,226,623 | P13,489,227 |

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

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

The BOD and stockholders of the Parent Company approved on April 2, 2019 and October 16, 2019, respectively, the amendment of the Seventh Article of the Amended Articles of Incorporation of the Company, to reflect an increase in the Parent Company's ACS from P5,195,395, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395, consisting of 18,310,395,454 common shares with a par value of P1 per share.

In connection with the proposed ACS increase, the Company's BOD on September 3, 2019 approved the conduct of SRO. The shares subject of the SRO will come from an increase in Parent Company's ACS.

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

As at December 31, 2019, the shareholdings in the Parent Company owned by CASEC increased to 3,469,412,498 common shares at P1 par value per share or P3,469,412. As at December 31, 2019, deferred share issuance costs relating to the stock rights offering amounted to P95,105, which is presented as "Deferred share issuance cost" under "Prepayments and other current assets" account in the condensed consolidated interim financial statements.

On January 6, 2020, the Parent Company defined the final terms of the SRO which involved 8,293,831,169 common shares which was sourced from the increase in the Parent Company's ACS, offered at an offer price of P1.54 per share during an offer period from January 20 to 24, 2020. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares.

On February 27, 2020, the SEC approved the Parent Company's application for increase in ACS and on March 4, 2020, 8,293,831,169 common shares, comprising the Rights Shares, were listed under the Main Board of the Exchange. After the SRO and the approval by the SEC of the Parent Company's application for increase in ACS, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares at P1 par value per share or a total par value of P13,489,227.

As of December 31, 2020, the shareholdings in the Parent Company owned by CASEC was 10,500,624,662 common shares at P1 par value per share, which correspond to approximately 77.84% of the total issued and outstanding capital stock of the Parent Company.

CASEC increased its shareholdings in the Parent Company to 10,507,954,662 common shares at P1 par value per share as at December 31, 2022.

In March 2023, as part of the voluntary tender offer exercise launched by CASEC, CASEC acquired 1,614,000,000 common shares of the Parent Company, and as a result of the tender offer, CASEC owned and controlled 12,121,954,662 common shares of the Parent Company (inclusive of the 5 shares held by individuals), which is approximately 89.86% of the issued and outstanding common shares of the Parent Company. As of September 30, 2023, CASEC maintained its shareholdings in the Parent Company.

Other Equity Reserves

The movements on components of Other equity reserves as at September 30, 2023 and December 31, 2022 is as follow:

| | | Cumulative translation of foreign subsidiaries | Remeasurements on retirement benefits liability | Share-based compensation reserve | Hedge reserve | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2022 | P | 209,938 | 231,039 | 74,870 | 12,374 | 528,221 |
| Currency translation loss of foreign subsidiaries .............................. | | 887,489 | – | – | – | 887,489 |
| Gain on remeasurement on retirement benefits liability, net of tax.......... | | – | 22,723 | – | – | 22,723 |
| Share-based compensation ......... | | – | – | 1,082 | – | 1,082 |
| Cash flow hedges - effective portion of changes in fair value.................. | | – | – | – | 19,532 | 19,532 |
| Cash flow hedges – reclassified to profit or loss........................................... | | – | – | – | 279 | 279 |
| Balance at December 31, 2022 | P | 1,097,427 | 253,762 | 75,952 | 32,185 | 1,459,326 |
| Currency translation gain of foreign subsidiaries .............................. | | **93,372** | – | – | – | **93,372** |
| Loss on remeasurement on retirement benefit liability, net of tax ........... | | – | **(19,802)** | – | – | **(19,802)** |
| Share-based compensation | | – | – | **22,368** | – | **22,368** |
| Cash flow hedges - effective portion of changes in fair value.................. | | – | – | – | **135** | **135** |
| Cash flow hedges – reclassified to profit or loss........................................... | | – | – | – | **(279)** | **(279)** |
| Balance at September 30, 2023 | P | **1,190,799** | **233,960** | **98,320** | **32,041** | **1,555,120** |

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 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 "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:

| | | **September 30, 2023** | December 31, 2022 |
|---|---|---|---|
| Total liabilities.............................................................................. | P | **24,489,039** | 23,828,302 |
| Less: cash and cash equivalents ................................................ | | **1,274,637** | 2,720,304 |
| Net debt (a) .................................................................................. | P | **23,214,402** | 21,107,998 |
| Total equity (b) ............................................................................ | P | **42,975,177** | 44,123,813 |
| Net debt to equity ratio (a/b)........................................................ | P | **0.54:1** | 0.48:1 |

**NOTE 10 – 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).

The Company has an approval requirement and limits on the amount and extent of related party transactions in compliance with the Revised Securities Regulation Code Rule 68 and the SEC Memorandum Circular 10-2019 - *Rules on Material Related Party Transactions for Publicly-Listed Companies*. Transactions entered into with a related party amounting to 10% or more of the total consolidated assets based on the latest audited consolidated financial statements are considered material. All individually material related party transactions shall be reviewed and evaluated by the Audit Committee and endorsed to the BOD for approval. The material related party transaction shall require the approval of at least two-thirds (2/3) votes of the members of the BOD, with at least the majority of the independent directors voting to approve the material related party transaction. For aggregate related party transactions within 12-month period with the same related party that breaches the materiality threshold, the same review and approval procedures mentioned above is required.

Set out below are the Company's balances of related party short-term investments, due from related parties, due to related parties, and lease liabilities as at September 30, 2023 and December 31, 2022:

| | | **September 30, 2023** | December 31, 2022 |
|---|---|---|---|
| **Short-term investments** | | | |
| ***Other related party*** [15] | | | |
| CIH (Note 6) | P | **430,182** | 1,020,101 |
| | | | |
| **Due from related parties** | | | |
| ***Ultimate Parent*** | | | |
| CEMEX [1] | P | **15,116** | 384 |
| ***Parent*** | | | |
| CASEC [6] | | **–** | 2,759 |
| ***Other related parties*** [15] | | | |
| Torino Re Ltd[10] | | **88,212** | – |
| Beijing CXP Import & Export Co.[4] | | **5,076** | – |
| IQAC [3] | | **826** | 544 |
| CEMEX Admixtures GmbH[14] | | **300** | – |
| APO Land & Quarry Corporation (ALQC) [2] | | **255** | 319 |
| CEMEX Operaciones México, S.A. de C.V.[5] | | **–** | 102 |
| | P | **109,785** | 4,108 |
| | | | |
| **Due to related parties** | | | |
| ***Ultimate Parent*** | | | |
| CEMEX [1] | P | **420,521** | 253,134 |
| ***Other related parties*** [15] | | | |
| CEMEX Operaciones México, S.A. de C.V.[5] | | **961,829** | 947,581 |
| CEMEX International Trading LLC[7] | | **711,777** | 2,782,897 |
| CIH[11] | | **561,615** | 418,923 |
| IQAC [3] | | **179,237** | 247,085 |
| ALQC [2] | | **25,298** | 2,642 |
| Sunbulk Shipping Limited [8] | | **24,178** | 2,624 |
| Beijing CXP Import & Export Co.[4] | | **11,892** | 5,130 |
| Servicios Profesionales Cemex[9] | | **7,603** | 7,284 |
| CEMEX Internacional, S.A. de C.V. [12] | | – | 7,627 |
| | P | **2,903,950** | 4,674,927 |

| | | | |
|---|---|---|---|
| **Long term payable to related party** | | | |
| ***Other related parties*** [15] | | | |
| CIH [11] | P | **4,830,592** | – |
| | | | |
| **Lease liabilities on land** [13] | | | |
| ALQC | P | **1,839,594** | 1,775,443 |
| IQAC | | **453,309** | 528,859 |
| | P | **2,292,903** | 2,304,302 |

[1]The due from related party balance as at September 30, 2023 and December 31, 2022 includes:

a) hedge settlement received by CEMEX on behalf of the Company which is due on demand and unimpaired, which amounted to the receivable of P3,068 and P384, respectively;
b) Others pertain to reimbursements and/or advances amounting to P12,048 and nil, respectively.

The due to related party balance that is unsecured, noninterest-bearing and payable upon demand as at September 30, 2023 and December 31, 2022 includes:

a) The use of CEMEX "marks" which is payable in 30 days after receipt of invoice and is unsecured and noninterest bearing which amounted to P17,499 and P26,760, respectively. On January 1, 2016, CAR entered into an agreement with CEMEX for the right to use of its "marks" and to further license the "marks" with other CEMEX group companies operating in the Asia territories;
b) The payable balance pertains to service fee amounting to P401,517 and P224,281, respectively;
c) The payable balance pertains to hedge premium paid by CEMEX on behalf of the Company amounting P1,505 and P12,324, respectively; and
d) Others pertain to reimbursements and/or advances amounting to nil and P623, respectively.

[2]The due from related party balance, which is unimpaired, unsecured, noninterest-bearing and due on demand as at September 30, 2023 and December 31, 2022 includes:

a) The service agreements entered by Solid and APO with ALQC wherein Solid and APO provides back-office and other support services to ALQC. Fees are calculated at cost incurred plus fixed mark-up. Outstanding receivable amounted to P167 and P200, respectively; and
b) Others pertain to reimbursements and/or advances amounting to P88 and P119, respectively.

The due to related party balance that is unsecured, noninterest-bearing and payable upon demand as at September 30, 2023 and December 31, 2022 includes:

a) Purchase of raw materials which amounting to P25,296 and P2,642, respectively
b) Others pertain to reimbursements and/or advances amounting to P2 and nil, respectively.

[3]The due from related party balance as at September 30, 2023 and December 31, 2022, which is unimpaired, unsecured, noninterest-bearing and due on demand includes:

a) The service agreements were entered by Solid with IQAC wherein Solid provides back-office and other support services to IQAC. Fees are calculated at cost incurred plus fixed mark-up. Outstanding receivable amounted to P171 and P223, respectively.
b) receivable of nil and P194, respectively, arising from sales of scrap materials;
c) reimbursable expenses amounting to P115 and P127, respectively; and
d) pertains to advance payment on royalties transferred to IQAC amounting to P540 and nil, respectively

The due to related party balance as at September 30, 2023 and December 31, 2022, respectively, includes the following:

a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P179,236 and P245,665, respectively. Solid purchases the majority of its limestone, pozzolan and clay requirements from IQAC pursuant to a long-term supply agreement; and
b) collections from housing loan on behalf of IQAC amounting to nil and P1,420, respectively, which are unsecured, noninterest-bearing and payable on demand; and
c) reimbursable expenses amounting to P1 and nil, respectively.

[4]The due from related party balance as at September 30, 2023 and December 31, 2022 pertains to advances which are unimpaired, unsecured, noninterest-bearing and due on demand amounting to P5,076 and nil, respectively.

The due to related party balance as at September 30, 2023 and December 31, 2022, pertains to the outstanding liability for the purchases of materials, supplies and spare parts, which is unsecured, noninterest-bearing and payable on demand.

[5]The due from related party balance as at September 30, 2023 and December 31, 2022, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to reimbursement of fringe benefit tax on share-based compensation amounting to nil and P102, respectively.

The due to related party balances as at September 30, 2023 and December 31, 2022, is the business support services received by the Company which is unsecured, noninterest-bearing and payable on demand. In 2009, Solid and APO entered into separate service agreements with CAPL, 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. ("CEMEX Central") and, accordingly, CAPL-PHQ collected from each of Solid and APO as reimbursement of the fees billed by CEMEX Central for services rendered. In 2017, the arrangement between CAPL-PHQ and CEMEX Central was changed resulting in Solid and APO entering into separate service agreements directly with CEMEX Central wherein the latter shall provide to the companies those particular services previously performed by CEMEX Central through the service agreements with CAPL-PHQ. CEMEX Operaciones, S.A. de C.V., a CEMEX subsidiary organized and existing under the laws of Mexico, was merged with CEMEX Central, whereby CEMEX Operaciones was the surviving entity pursuant to an agreement with respect to such merger dated August 1, 2019. Effective from January 1, 2022, the business support services will be provided by CEMEX, S.A.B. de C.V. to Solid and APO, respectively, pursuant to separate service agreements, the terms and conditions of which are substantially similar to those under the previous service agreements. The payable balance amounted to P961,829 and P947,581, respectively.

[6]The due from related party balance pertains to reimbursable expenses, which is unsecured, not impaired, noninterest-bearing and due on demand.

[7]The due to related party balance as at September 30, 2023 and December 31, 2022, pertains to the purchase of coal with a term of 30 days, noninterest-bearing and unsecured. On November, 28, 2022, Transenergy, Inc merged with Cemex Trading International, LLC.

[8]The due to related party balance as at September 30, 2023 and December 31, 2022, which is unimpaired, unsecured, noninterest-bearing and has 30-days term pertains to purchase of raw materials and international freight services.

[9]The due to related party balance as at September 30, 2023 and December 31, 2022, which is unsecured, noninterest-bearing and due on demand pertains to services acquired related to Solid's new line expansion project.

[10]The due from related party balance which is unsecured, not impaired, noninterest-bearing and due on demand as at September 30, 2023 and

December 31, 2022, pertains to gross premiums written on property insurance

[11]The due to related party – current portion balance as at September 30, 2023 and December 31, 2022, which is unsecured, noninterest-bearing and payable on demand includes the following:

a) royalties amounted to P483,324 and P418,923, respectively, and
b) accrued interest from the long-term loan P78,291 and nil, respectively.

The long-term loan, which is unsecured and interest-bearing, comprised of the following:

a) Revolving Loan Agreement of Solid with CIH dated December 1, 2022, covering a 3-year term loan under a revolving framework, for a principal amount up to US$75,000. Solid is permitted to use the loan proceeds for general corporate purposes. The borrowings under this loan agreement carry a fixed interest rate of 7.32% per annum;
b) Revolving Loan Agreement of APO with CIH dated January 1, 2023, covering a 3-year term loan under a revolving framework, for a principal amount up to US$75,000. APO is permitted to use the loan proceeds for general corporate purposes. The borrowings under this loan agreement carry a fixed interest rate of 7.32% per annum; and
c) Solid Expansion Facility Agreement[1] which was assigned to CIH, as lender, on March 1, 2023 was amended to reduce the amount available to Solid from US$160,000 to US$130,000 for a term of six (6) years, commencing from March 1, 2023, with a fixed interest rate of 9.44% per annum.

[12]The due to related party balance as at September 30, 2023 and December 31, 2022 pertains to the purchase of other production supplies including additives, fuel and others with a 30-day term which is unsecured and noninterest-bearing, which amounted to nil and P7,627, respectively.

[13]The balances, which are recognized under “Lease liabilities” account, are unsecured, noninterest-bearing and payable on an annual basis. These land rentals and the fees for right to use 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 ALQC or IQAC, respectively, under long-term lease agreements or right to use arrangements.

[14]The due from related party balance pertains to credit note as a result of purchase of raw materials which is unsecured, not impaired, noninterest-bearing and due on demand as at September 30, 2023 and December 31, 2022

[15]Other related parties pertain to entities under common control of CEMEX, except for IQAC and ALQC.

The reconciliation of opening and closing balances of loans from a related party payables follows:

| | | Principal | Interest | Total |
|---|---|---|---|---|
| Balance as at January 1, 2023 | P | **–** | **–** | **–** |
| Proceeds from drawdown | | **4,698,148** | **–** | **4,698,148** |
| Interest | | **–** | **172,962** | **172,962** |
| Effect of exchange rate changes | | **123,178** | **497** | **123,675** |
| Others | | **–** | **(17,296)** | **(17,296)** |
| Capitalization of accrued interest | | **77,872** | **(77,872)** | **–** |
| Payment | | **(68,606)** | **–** | **(68,606)** |
| Balance as at September 30, 2023 | P | **4,830,592** | **78,291** | **4,908,883** |

The main transactions entered by the Company with related parties for the nine months ended September 30,2023 and 2022 are shown below:

| | | **September 30, 2023** | September 30, 2022 |
|---|---|---|---|
| ***Transactions with ultimate parent*** | | | |
| **Trademarks** | | | |
| CEMEX[1] | P | **17,763** | 20,878 |
| ***Transactions with other related parties*** [3] | | | |
| **Purchases of raw materials, supplies and/or spare parts** | | | |
| Cemex International Trading, LLC[1] | P | **1,399,912** | 4,135,928 |
| IQAC[1] | | **280,155** | 318,175 |
| ALQC[1] | | **184,142** | 202,429 |
| Beijing CXP Import & Export Co.[1] | | **53,012** | 39,070 |
| Sunbulk Shipping Limited [1] | | **26,467** | – |
| CEMEX Internacional, S.A. de C.V.[1] | | **6,407** | – |
| CEMEX Admixtures GmbH[1] | | **2,221** | – |
| Transenergy, Inc.[1] | | – | 23,482 |
| | P | **1,952,316** | 4,719,084 |

[1] On November 21, 2018, Solid, as borrower, executed a revolving facility agreement with CABV for a principal amount of up to US$75 million under a revolving framework (as amended from time to time, herein referred to as the “Solid Expansion Facility Agreement”). The borrowings under the Solid Expansion Facility Agreement consisted of a tenor of six (6) years and carried a fixed interest rate depending on our consolidated debt to EBITDA leverage ranging from 8.2% to 10.2% per annum. The Solid Expansion Facility Agreement was amended in February 2019, to increase the available principal amount to US$100 million. In November 2019, the Solid Expansion Facility Agreement was further amended to increase the amount available under the facility to US$160 million. The Solid Expansion Facility Agreement was further amended in December 2019 to (i) convert any unpaid interest as of January 3, 2020 (or such other date on which the Offer Price for the Offer Shares in the Rights Offer is determined) (such date, the “SEFA Reference Date”) on account of any borrowings made under this Solid Expansion Facility Agreement from U.S. dollar-denominated indebtedness to Philippine peso-denominated indebtedness, (ii) convert any outstanding balances owed by Solid under this facility agreement (including any accrued but unpaid interest) that have been accrued in connection with a draw down by Solid under the facility within an 80-calendar day period following the SEFA Reference Date from U.S. dollar-denominated indebtedness to Philippine peso-denominated indebtedness, and (iii) for the fixed interest to be paid under the Solid Expansion Facility Agreement to range from 8.2% to 10.2% per annum for U.S. dollar-denominated indebtedness and from 10.3% to 12.3% for Philippine peso-denominated indebtedness (depending on our consolidated debt to EBITDA leverage). On March 5, 2020, Solid fully paid and settled the outstanding balances under the Solid Expansion Facility Agreement which amounted to ₱6,784 million. On March 1, 2023, the Solid Expansion Facility Agreement was assigned to CIH, as lender, and further amended to reduce the amount available to Solid from US$160 million to US$130 million for a term of six (6) years, commencing from March 1, 2023, with a fixed interest rate of 9.44% per annum.

| | | **September 30, 2023** | September 30, 2022 |
|---|---|---|---|
| **Loan drawdown** | | | |
| CIH[1] | P | **4,698,148** | – |
| **Interest expense** | | | |
| CIH[1] | | **78,396** | – |
| **Royalties** | | | |
| CIH [1] | P | **482,501** | 575,491 |
| **Corporate services and administrative expenses** | | | |
| CEMEX S.A.B. de C.V[1]. | P | **169,645** | 191,777 |
| **Gross written premiums** | | | |
| Torino Re Ltd [1] | | **86,349** | 89,944 |
| **Freight services** | | | |
| Sunbulk Shipping Limited [1] | P | **39,855** | – |
| **Interest income** | | | |
| CIH[2] | P | **29,591** | 22,143 |
| **Sale of materials** | | | |
| Cemex España Operaciones, S.L.U.[1] | | **20,917** | – |
| **Corporate services and administrative income** | | | |
| IQAC[1] | | **1,685** | 1,624 |
| ALQC[1] | P | **1,631** | 1,500 |
| | P | **3,316** | 3,124 |

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.
[2] The amount pertains to the interest income on short-term investments (see Note 6).
[3] Other related parties pertain to entities under common control to CEMEX, except IQAC and ALQC.

***Balances and transactions between consolidated entities eliminated during consolidation***

On April 26, 2023, the Board of Directors of the Parent Company approved the increase of its capital contribution in Solid by way of conversion of P5 billion loan to Solid into equity as additional paid in capital of the latter without issuance of new shares. The said transaction was effective on May 1, 2023.

On the consolidated level, this transaction was eliminated.

## NOTE 11 – INSURANCE PREMIUMS RECEIVABLE

Insurance claims and premiums receivable as at September 30, 2023 and December 31, 2022 consisted of:

| | | **September 30, 2023** | December 31, 2022 |
|---|---|---|---|
| Insurance premiums receivable | P | **158,981** | **526,562** |
| Claims from insurance | | **11,754** | **12,178** |
| | P | **170,735** | **538,740** |

Insurance premiums receivable pertains to FALCON's premiums receivable from third party insurance company (see Note 1).

The Company´s exposure to credit risk related to the insurance claims and premiums receivable is disclosed in Note 14 to the condensed consolidated interim financial statements.

**NOTE 12 – SEGMENT INFORMATION**

The Company applies PFRS 8, *Operating Segment,* which are defined as the components of an entity that engage in business activities from which they may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segments and assess their performance; and for which discrete financial information is available. The Company's results and performance are evaluated for decision-making purposes and allocation of resources is made on a per country basis. Hence, the Company represents a single geographical operating segment. The Company's main activity is oriented to the construction industry through the production, distribution, marketing and sale of cement, ready-mix concrete and other construction materials. For the nine-months period ended September 30, 2023 and 2022, the cement sector represented approximately 88.72% and 89.70% respectively, of total net revenues before eliminations resulting from consolidation, and 221.90% and 132.98% of Operating EBITDA.

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

**NOTE 13 – BANK LOAN**

*Parent Company – BDO*

On February 1, 2017, the Parent Company signed a Senior Unsecured Peso Term Loan Facility Agreement (Facility Agreement) with BDO Unibank, Inc. (BDO) for an amount of up to the Philippine Peso equivalent of US$280,000 to refinance a majority of the Parent Company's outstanding long-term loan with New Sunward Holding B.V. The term loan provided by BDO has a tenor of seven (7) years from the date of the initial drawdown on the facility and consists of a fixed rate and a floating rate tranche based on market rates plus spread. Short-term portion of the bank loan amounted to P513,958 and nil as at September 30, 2023 and December 31, 2022, respectively.

The unamortized debt issuance cost of this bank loan amounting to P47,086 and P74,078 as at September 30, 2023 and December 31, 2022, respectively, was deducted from the total loan liability. Interest expense incurred for the nine months period September 30, 2023 and 2022, excluding amortization of debt issuance cost, amounted to P380,815 and P267,813, respectively, which is recognized under "Financial expenses" account in the condensed consolidated interim statements of comprehensive income.

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

| | | Bank Loan | Accrued Interest | Total |
|---|---|---|---|---|
| Balance as at January 1, 2022 ................ | P | 8,892,606 | 61,774 | 8,954,380 |
| Principal .................................................. | | 6,633,622 | – | 6,633,622 |
| Interest expense .................................... | | 30,141 | 362,439 | 392,580 |
| Payment of: | | | | |
| Principal................................................ | | (7,832,739) | – | (7,832,739) |
| Interest ................................................. | | – | (358,915) | (358,915) |
| Balance as at December 31, 2022 | | **7,723,630** | **65,298** | **7,788,928** |
| Interest expense..................................... | | **26,992** | **380,815** | **407,807** |
| Payment of: | | | | |
| Principal................................................ | | **(600,000)** | **–** | **(600,000)** |
| Interest ................................................. | | **–** | **(366,659)** | **(366,659)** |
| Balance as at September 30, 2023 ......... | P | **7,150,622** | **79,454** | **7,230,076** |

Accrued interest from this bank loan amounting to P79,454 and P65,298 as at September 30, 2023 and December 31, 2022, respectively, are recognized under "Unearned income, other accounts payable and accrued expenses" account in the condensed consolidated interim statements of financial position.

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually. On December 8, 2017, the Parent Company entered into a Supplemental Agreement to the Facility Agreement with BDO pursuant to which, more notably, it was agreed that:

i. the commencement date for compliance with the aforementioned financial covenants under the Facility Agreement would be in June 2020;

ii. debt service reserve accounts were created; and
iii. additional debt incurrence restrictions be put in place.

One of these debt incurrence restrictions agreed is based on a financial ratio that measures, on a consolidated basis, the Parent Company's ability to cover its interest expense using its Operating EBITDA (interest coverage ratio) and is measured by dividing Operating EBITDA by the financial expense for the last twelve months as of the calculation date. Operating EBITDA equals operating income before other income, net plus depreciation and amortization. On December 14, 2018, the Parent Company entered into another Supplemental Agreement to the Facility Agreement that provides an option, only for certain potential events of default under the Facility Agreement, for the Parent Company's ultimate parent company, CEMEX, or any affiliate of CEMEX which is not a direct or indirect subsidiary of the Parent Company, to pay all amounts outstanding under the Facility Agreement before they become due and payable prior to their maturity in certain events.

On May 15, 2019, the Company signed an Amendment to the Facility and Supplemental Agreements with BDO mainly to:

i. conform the Facility Agreement with certain changes required due to PFRS 16 entering into effect;
ii. exclude from financial covenants in the Facility Agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid that have been made or are to be made to the Company by any subsidiary of CEMEX; and
iii. allow for certain loans taken by the Company with any CEMEX subsidiary to be paid with the proceeds from any equity fundraising activity of the Parent Company without having to pay a prepayment fee to BDO under the Facility Agreement.

On June 30, 2020, the Parent Company entered into an agreement with BDO, which provides compliance with certain financial covenants under the Facility Agreement, to commence at the later date of June 30, 2021.

On July 28, 2022, the Parent Company signed a facility agreement with BDO for a 5-year senior unsecured term loan for a principal amount of up to P6.69 billion (the "2022 Facility Agreement"). The proceeds of the loan to be extended pursuant to the 2022 Facility Agreement was used to repay approximately P6.68 billion of outstanding indebtedness under the facility agreement dated February 1, 2017 (as amended and supplemented, the "2017 Facility Agreement") between the Parent Company, as borrower, APO and Solid, as assignors, and BDO, as lender. Following this repayment, approximately P1.11 billion principal amount maturing in February 2024 remained outstanding under the 2017 Facility Agreement. The main terms and conditions of the 2022 Facility Agreement" summarized as follows: final maturity in August 2027; interest on the loan will accrue at a floating rate; the loan will amortize in quarterly payments beginning in November 2024; and financial and non-financial covenants under the 2022 Facility Agreement are substantially similar to those under the 2017 Facility Agreement.

On December 16, 2022, BDO approved the request to waive the Parent Company's compliance with the covenants for a two-year period beginning December 31, 2022, subject to maintenance of a debt service reserve account with funding balance equivalent to 2 quarters' worth of forward-looking debt service (principal and interest, depending on the period covered).

Debt service reserve account related to the Company's bank loan amounted to P772,833 and P208,684 as at September 30, 2023 and December 31, 2022, respectively, and is recognized under "Other assets and noncurrent accounts receivable" account in the condensed consolidated interim statements of financial position.

*Solid and APO - BDO Loan*

The reconciliation of opening and closing balances of BDO credit line of APO and SOLID which ranges from 4.75% to 6.50%, follows:

| | | Bank Loan | Accrued Interest | Total |
|---|---|---|---|---|
| Balance as at January 1, 2022 | P | – | – | – |
| Principal | | 985,000 | – | 985,000 |
| Interest expense | | – | 2,086 | 2,086 |
| Payment of: | | | | |
| Principal | | (565,000) | – | (565,000) |
| Interest | | – | (1,456) | (1,456) |
| Balance as at December 31, 2022 | | **420,000** | **630** | **420,630** |
| Principal | | **4,855,000** | – | **4,855,000** |
| Interest expense | | – | **21,537** | **21,537** |
| Payment of: | | | | |
| Principal | | **(5,275,000)** | – | **(5,275,000)** |
| Interest | | – | **(22,167)** | **(22,167)** |
| Balance as at September 30, 2023 | P | – | – | – |

## NOTE 14 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

The Company's risk management policies are intended to:

a) identify and analyze the risks faced by the Company;
b) implement appropriate risk limits and controls; and
c) monitor the risks and the compliance with the limits.

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

### Credit Risk

Credit risk is the risk of financial loss faced by the Company if a customer or counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade receivables. As at September 30, 2023 and December 31, 2022, the maximum exposure to credit risk is represented by the balance of financial assets (excluding equity investments). Management has developed policies for the authorization of credit to customers. The exposure to credit risk is monitored constantly according to the behavior of payment of the debtors. Credit is assigned on a customer-by-customer basis and is subject to assessments which consider the customers' payment capacity, as well as past behavior regarding due dates, balances past due and delinquent accounts. In cases deemed necessary, the Company's management requires cash bonds from its customers and financial counterparties with regard to financial assets, which can be called upon if the counterparty is in default under the terms of the agreement. Cash bonds received from credit customers as at September 30, 2023 and December 31, 2022 amounted to P32,324.

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

The carrying amount of financial assets below represents the maximum credit exposure without taking into account the effect of collateral and any credit enhancements. The maximum exposure to credit risk as at September 30, 2023 and December 31, 2022 is as follows:

| | | Gross Carrying Amount | | Net Carrying Amount | |
|---|---|---|---|---|---|
| | | **September 30, 2023 (Unaudited)** | December 31, 2022 (Audited) | **September 30, 2023 (Unaudited)** | December 31, 2022 (Audited) |
| *Financial assets at amortized cost* | | | | | |
| Cash and cash equivalents | P | **1,274,637** | 2,720,304 | **1,274,637** | 2,720,304 |
| Trade receivables | | **665,599** | 659,888 | **654,649** | 637,410 |
| Due from related parties | | **109,785** | 4,108 | **109,785** | 4,108 |
| Insurance claims and premiums receivable | | **170,735** | 538,740 | **170,735** | 538,740 |
| Other current accounts receivable | | **181,100** | 69,249 | **181,100** | 69,249 |
| Long-term time deposits, rental guaranty deposits and sublease receivable, net of current portion (under other assets and noncurrent accounts receivable) | | **985,671** | 384,441 | **985,671** | 384,441 |
| | | **3,387,527** | 4,376,730 | **3,376,577** | 4,354,252 |
| *Financial assets at fair value (hedging instrument)* | | | | | |
| Derivative assets | | **45,211** | 49,605 | **45,211** | 49,605 |
| | P | **3,432,738** | 4,426,335 | **3,421,788** | 4,403,857 |

*Trade Receivables*

The Company applied the simplified approach in measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped by shared credit risk characteristics based on customer type and determines for each group an average ECL, considering actual credit loss experience over the last 12 months and the Company's view of economic conditions over the expected lives of the trade receivables. The ECL rate that is used to arrive at the ECL arising from the current year credit sales is computed as the percentage of prior year's credit sales that eventually became more than 365 days overdue. The ECL rate is 100% for the trade receivables that are 365 and more days past due. The Company has identified the GDP growth rate to be the most relevant macroeconomic factor that affects the ability of the customers to settle the receivables. However, it was assessed that the adjustment for forward-looking information is not material. The Company does not have trade receivable for which no allowance is recognized because of collateral.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

| **As at September 30, 2023** | | **Current** | **1 to 30 days** | **31 to 60 days** | **More than 60 days** | **Total** |
|---|---|---|---|---|---|---|
| **Average ECL rates** | | **0.1%** | **2.9%** | **18.6%** | **100.0%** | **1.6%** |
| **Trade receivables - gross carrying amount** | **P** | **629,776** | **23,205** | **3,740** | **8,878** | **665,599** |
| **Allowance for ECL** | | **707** | **670** | **695** | **8,878** | **10,950** |

| As at December 31, 2022 | | Current | 1 to 30 days | 31 to 60 days | More than 60 days | Total |
|---|---|---|---|---|---|---|
| Average ECL rates | | 0.1% | 1.5% | 2.2% | 84.9% | 3.4% |
| Trade receivables - gross carrying amount | P | 573,853 | 49,561 | 11,892 | 24,583 | 659,889 |
| Allowance for ECL | | 611 | 720 | 268 | 20,880 | 22,478 |

*Other Financial Assets (excluding Equity Instruments)*

Impairment on cash and cash equivalents, long-term time deposits (recognized under "Other assets and noncurrent accounts receivable" account in the condensed consolidated interim statements of financial position) has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Company considers that these financial assets, as well as derivative assets, have low credit risk as these are held with reputable banks and financial institutions. All other debt investments and other receivables (i.e., due from related parties, insurance premiums receivable, other current accounts receivable, rental guaranty deposits and sublease receivable, net of current portion) that are measured at amortized cost are considered to have low credit risk, because they have low risk of default as the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Credit risk on these financial assets has not increased significantly since their initial recognition. Hence, the loss allowance calculated was therefore limited to 12 months expected losses. The Company has determined an insignificant amount of ECL on these financial assets because of the zero-instance of default from the counterparties and the effect of forward-looking information on macro-economic factors affecting the ability of the counterparties to settle the receivables were assessed to have an insignificant impact.

The Company sells its products primarily to retailers in the construction industry, with no specific geographic concentration of credit within the country in which the Company operates. As at September 30, 2023 and December 31, 2022, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

*Movements in the Allowance for ECL on Trade Receivables*

Changes in the allowance for impairment losses for the nine-month period ended September 30, 2023 and for the year ended December 31, 2022 are as follows:

| | | **September 30, 2023** | December 31, 2022 |
|---|---|---|---|
| Balance at beginning of period | P | **22,479** | 17,354 |
| Charged to selling expenses | | **(11,353)** | 5379 |
| Write-off of trade receivables | | **(176)** | (254) |
| Balance at end of period | P | **10,950** | 22,479 |

**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 nine months ended September 30, 2023, and as at December 31, 2022 approximately less than 5% of the Company's net sales, were generated in U.S. dollars.

The Company had an exposure arising from the dollar-denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As at September 30, 2023 and December 31, 2022, 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 acquires monetary assets and incurs 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 and other comprehensive income.

As at September 30, 2023 and December 31, 2022, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the top management on the basis of its risk management policy as follows:

| | **As at September 30, 2023** | |
|---|---|---|
| | ***(in U.S. dollar)*** | ***(in Euro)*** |
| Cash and cash equivalents | **US$1,901** | **€–** |
| Due from related parties* | **357** | **–** |
| Trade payables | **(11,082)** | **(506)** |
| Due to related parties* | **(124,245)** | **–** |
| Lease liabilities | **(3,629)** | **–** |
| Net liabilities denominated in foreign currency | **(US$136,698)** | **(€506)** |

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

| | As at December 31, 2022 | |
|---|---|---|
| | *(in U.S. dollar)* | *(in Euro)* |
| Cash and cash equivalents | US$2,471 | €– |
| Due from related parties* | 76 | – |
| Trade payables | (15,935) | (4,186) |
| Due to related parties* | (71,375) | – |
| Lease liabilities | (4,577) | – |
| Net liabilities denominated in foreign currency | (US$89,340) | (€4,186) |

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

The Company is also exposed to foreign currency risks on eliminated foreign currency denominated intragroup balances as follows (in U.S. dollar):

| **Amounts owed by** | **Amounts owed to** | **September 30, 2023** | December 31, 2022 |
|---|---|---|---|
| Parent Company | CAR | US$**(94,619)** | US$ (81,838) |
| Parent Company | Falcon | **(52,642)** | (49,893) |
| APO | CAR | **(2,772)** | (3,013) |
| Solid | CAR | **(2,674)** | (2,629) |
| Falcon | Parent Company | **–** | 15,921 |
| | | **(US$152,707)** | (US$121,452) |

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:

| | **September 30,2023** | | December 31, 2022 | |
|---|---|---|---|---|
| **Currency** | **Closing** | **Average** | Closing | Average |
| U.S. dollar | **P56.58** | **P55.46** | P55.76 | P54.47 |
| Euro | **P59.82** | **P60.05** | P59.67 | P57.21 |

**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 profit (loss) before income tax and equity for the nine-month period ended September 30, 2023, and for the year ended December 31, 2022:

| U.S. Dollar | Strengthening (Weakening) of Philippine Peso | Effect on Earnings before Income Tax | Effect on Equity |
|---|---|---|---|
| **September 30, 2023** | **+1.47%** | **P113,685** | **P85,264** |
| | **-1.47%** | **(113,685)** | **(85,264)** |
| December 31, 2022 | +9.33% | P464,741 | P348,556 |
| | -9.33% | (464,741) | (348,556) |

| EUR | Strengthening (Weakening) of Philippine Peso | Effect on Earnings before Income Tax | Effect on Equity |
|---|---|---|---|
| **September 30, 2023** | **+0.26%** | **P79** | **P59** |
| | **-0.26%** | **(79)** | **(59)** |
| December 31, 2022 | +2.83% | P7,069 | P5,301 |
| | -2.83% | (7,069) | (5,301) |

*Sensitivity Analysis Pertaining to Eliminated Intragroup Balances*

| U.S. Dollar | Strengthening (Weakening) of Philippine Peso | Effect on Earnings before Income Tax | Effect on Equity |
|---|---|---|---|
| **September 30, 2023** | **+1.47%** | **P126,999** | **P95,249** |
| | **-1.47%** | **(126,999)** | **(95,249)** |
| December 31, 2022 | +9.33% | P631,786 | P473,840 |
| | -9.33% | (631,786) | (473,840) |

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As at September 30, 2023 and December 31, 2022, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P7,197,708 and P7,797,708, respectively, of the long-term bank loan with BDO (see Note 13) and short-term investments in CIH amounting to P430,182 and P1,020,101 as at September 30, 2023 and December 31, 2022, respectively.

**Sensitivity analysis on Interest Rate Risk**

As at September 30, 2023 and December 31, 2022, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the nine months ended September 30, 2023 and 2022, would have decreased by approximately P50,756 and P50,435, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

**Commodity Price Risk**

In the ordinary course of business, the Company is exposed to commodity price risk, including the exposure from diesel fuel prices, and expose the Company to variations in prices of the underlying commodity. The Company established specific policies oriented to obtain hedge with the objective of fixing diesel fuel prices. To hedge the price of diesel fuel, the Company entered into a derivative commodity swap agreement in 2020. By means of these contracts, the Company fixed the price of diesel over certain volume representing a portion of the estimated consumption of diesel fuel in the operations for 2021. Beginning 2021, the Company adopted a gradual hedging strategy for diesel fuel which involved the purchase of collars over a certain volume representing a portion of estimated consumption of diesel fuel in the operations for 2022 and 2023. Through these contracts, the Company fixed the price of diesel over a certain volume representing a portion of the estimated consumption of diesel fuel in the operations. These contracts have been designated as cash flow hedges of diesel fuel consumption, and as such, changes in fair value are recognized temporarily through OCI and are recycled to profit or loss as the related diesel volumes are consumed.

The following amounts relating to items designated as hedging instruments as at September 30, 2023 and December 31, 2022 were as follows:

| | **September 30, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **Notional amount** | **Carrying amount** | Notional amount | Carrying amount |
| Commodity collar transaction | **P301,410** | **P45,211** | P397,247 | P49,605 |

**Liquidity Risk**

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its obligations. The Company has fulfilled its operational liquidity needs primarily through its own operations and expects to continue to do so for both the short and long-term liabilities. Although cash flow from the Company's operations has historically covered its overall liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions, the consolidated entities are exposed to risks from changes in foreign currency exchange rates, prices and currency controls, interest rates, inflation, governmental spending, social instability and other political, economic and/or social developments in the countries in which they operate, any one of which may materially decrease the Company's net profit and reduce cash flows from operations. Accordingly, in order to meet its liquidity needs, the Company also relies on cost-control and operating improvements to optimize capacity utilization and maximize profitability. The Company's consolidated net cash flows used in operating activities, as presented in its condensed consolidated interim statements of cash flows, amounted to (P2,079,869) and P179,975 for the nine months ended September 30, 2023, and 2022, respectively. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | **As at September 30, 2023** | | | | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Contractual Cash Flows** | **12 Months or Less** | **1 to 5 Years** | **More than 5 Years** |
| Trade payables | **P4,127,468** | **P4,127,468** | **P4,127,468** | **P–** | **P–** |
| Due to related parties | **7,734,542** | **8,925,818** | **2,903,950** | **4,321,763** | **1,700,104** |
| Unearned income, other accounts payable and accrued expenses* | **1,006,290** | **1,006,290** | **1,006,290** | **–** | **–** |
| Lease liabilities | **2,741,190** | **6,582,549** | **515,264** | **874,860** | **5,192,425** |
| Bank loan | **7,150,622** | **8,604,128** | **1,017,184** | **7,586,944** | **–** |
| Total | **P22,760,112** | **P29,246,252** | **P9,570,156** | **P12,783,567** | **P6,892,529** |

**Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P1,008.4 million.*

| | As at December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Contractual Cash Flows | 12 Months or Less | 1 to 5 Years | More than 5 Years |
| Trade payables | P5,730,604 | P5,730,604 | P5,730,604 | P– | P– |
| Due to related parties | 4,674,927 | 4,674,927 | 4,674,927 | – | – |
| Unearned income, other accounts payable and accrued expenses* | 578,402 | 578,402 | 578,402 | – | – |
| Lease liabilities | 2,842,588 | 6,715,297 | 622,173 | 900,637 | 5,192,487 |
| Bank loan | 8,143,630 | 9,713,089 | 873,450 | 8,839,639 | – |
| Total | P21,970,151 | P27,412,319 | P12,479,556 | P9,740,276 | P5,192,487 |

**Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P1,158.3 million.*

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

**Insurance Risk Management**

As mentioned in Note 1, the Parent Company incorporated Falcon to create its own reserves and reinsure in respect of the Company's property, non-damage business interruption and political risks insurance. Falcon is expected to retain 10% of the risk in connection with property insurance and 100% of the risk in connection with earthquake and wind stop loss, non-damage business interruption and political violence, cyber, and professional indemnity insurance of the Parent Company's operating subsidiaries. As a result of these arrangements, the Company self-insures 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 claims 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.

## NOTE 15 – FAIR VALUE OF FINANCIAL ASSET AND FINANCIAL LIABILITIES

The fair values of cash and cash equivalents, trade receivables, insurance premiums receivable, due from related parties, other current accounts receivable (under financial assets measured at amortized cost), trade payables, amounts due to related parties, other accounts payable and accrued expenses (under financial liabilities measured at amortized cost) reasonably approximate their carrying amounts considering the short-term maturities of these financial instruments.

The carrying amounts and fair values of financial assets and liabilities are as follow:

| | | **September 30, 2023** | | | December 31, 2022 | |
|---|---|---|---|---|---|---|
| | | **Carrying amount** | **Fair value** | | Carrying amount | Fair value |
| *Financial assets measured at amortized cost* | | | | | | |
| Long-term time and rental guaranty deposits | P | **985,671** | **985,671** | P | 384,441 | 384,441 |
| Sublease receivable | | – | – | | 2,560 | 2,549 |
| *Financial assets at fair value (hedging instrument)* | | | | | | |
| Derivative asset | | **45,211** | **45,211** | | 49,605 | 49,605 |
| | P | **1,030,882** | **1,030,882** | P | 436,606 | 436,595 |
| *Financial liabilities measured at amortized cost* | | | | | | |
| Bank loan | P | **7,150,622** | **7,958,938** | P | 8,143,630 | 8,336,505 |

The fair values disclosed for the financial assets and financial liabilities above are categorized under level 2 of fair value hierarchy.

The estimated fair value of the Company's long-term time and rental guaranty deposits, sublease receivable, bank loan and long-term payable to a related party are either based on estimated market prices for such or similar instruments, considering interest rates currently available for the Company to negotiate debt with the same maturities, or determined by discounting future cash flows using market-based interest rates currently available to the Company. The estimated fair value of the derivative asset is determined by measuring the effect of the future economic variables according to the yield curved shown in the market as at the reporting date.

## NOTE 16 – CONTINGENCIES

As at September 30, 2023, 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.

In July 2023, Solid initiated arbitration proceedings with the Philippine Dispute Resolution Center Inc. against Limay Power, Inc. (formerly known as SMC Consolidated Power Corporation; “LPI”), on the ground that LPI has wrongfully terminated the retail power supply agreement for electricity to Solid’s plant located in Antipolo City, Province of Rizal. This retail power supply agreement between Solid and LPI would have expired in December 2025. Despite its dispute with LPI, Solid has successfully taken alternative measures to achieve uninterrupted supply of electricity to its cement plant.

## NOTE 17 – RELEVANT INFORMATION REGARDING THE IMPACT OF THE 2018 LANDSLIDE

On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the “Landslide”), a site located within an area covered by the mining rights of APO Land & Quarry Corporation (“ALQC”) who is a principal raw material supplier of APO. The Parent Company does not own any equity stake (directly or indirectly) in ALQC or its parent company, Impact Assets Corporation. Cemex Asian South East Corporation which is a majority shareholder of the Parent Company, owns a minority 40% stake in Impact Assets Corporation.

The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO and implemented to address the disruption in the supply arrangement with ALQC. By the third quarter of 2020, local and national authorities allowed ALQC to resume its mining operations in the affected areas.

On November 19, 2018, the Parent Company and APO were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu, against the Parent Company, APO, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for “Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems”.

In the complaint, among other allegations, plaintiffs (i) claim that the Naga Landslide occurred as a result of the defendants’ gross negligence; and (ii) seek, among other reliefs, (a) monetary damages in the amount of approximately P4.3 billion, (b) the establishment of a P500 million rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO and the Parent Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund. The records of the case were subsequently transferred to the Regional Trial Court of Cebu City Branch 23.

Among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Parent Company, ALQC and APO hold the position that the Naga landslide occurred due to natural causes and deny liability, fault and negligence.

In an order dated August 16, 2019, the Regional Trial Court denied plaintiffs’ Application for Temporary Environment Protection Order. By denying such application, the Regional Trial Court found that the applicants did not sufficiently establish that they will suffer grave injustice and irreparable injury by the continued operations of ALQC while the proceedings are pending. Plaintiffs moved for reconsideration, but the Court also denied plaintiffs’ motion in an Order dated September 30, 2019. Plaintiffs did not appeal this ruling, which became final as of December 5, 2020.

In an order dated September 30, 2019, the Regional Trial Court partially granted the affirmative defenses of the private defendants and ruled, among others, that the subject case against the Parent Company and APO is dismissed for failure to state a cause of action. The court also ruled that: (i) the 22 plaintiffs who failed to sign the verification and certification against forum shopping are dropped as party-plaintiffs; (ii) the subject case is not a proper class suit, and that the remaining 17 plaintiffs can only sue for their respective claims, but not as representatives of the more than 8,000 alleged victims of the landslide incident; (iii) plaintiffs’ cause of action against ALQC for violation of Section 19(a) of Republic Act No. 10121 is dismissed; (iv) there is a misjoinder of causes of action between the environmental suit and the damage suit; and (v) the damage suit of the remaining plaintiffs will proceed separately upon payment of the required docket fees within 30 days from receipt of order, otherwise, the case for damages will be dismissed. The plaintiffs filed a motion for reconsideration of the court’s order dated September 30, 2019. During the hearing of plaintiffs’ motion for reconsideration on September 11, 2020, the Province of Cebu was officially dropped as a party-defendant in the case, on oral motion of plaintiffs. In another order dated November 17, 2021, the Regional Trial Court denied plaintiffs’ motion for reconsideration and also granted the motions of the Mines and Geosciences Bureau and the City Government of Naga and dismissed the subject case against them. On January 31, 2022, plaintiffs filed with the Regional Trial Court their Notice of Appeal, indicating their intention to appeal the court's latest order to the Court of Appeals. Defendants (including government defendants) opposed the plaintiff's Notice of Appeal, and, on April 28, 2022, the Regional Trial Court rejected the plaintiffs' Notice of Appeal for having been filed out of time and instructed the entry of judgement and to issue the corresponding certificate of finality. The plaintiffs did not file a Motion for Reconsideration and due to this failure, the Regional Trial Court issued the corresponding certificate of finality. Accordingly, the court's order dated September 30, 2019, partially granting the affirmative defenses of the private defendants and ruling, among others, that the subject case against the Parent Company and APO is dismissed for failure to state a cause of action, is now deemed to be final and executory.

As of September 30, 2023, only ALQC remains as a private defendant in the subject case.

**NOTE 18 – IMPACTS OF COVID-19**

On March 11, 2020, the World Health Organization declared as a pandemic the outbreak of the novel strain of the coronavirus identified in China in late 2019 (the "COVID-19 Pandemic"), due to its rapid spread throughout the world. On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to the COVID-19 Pandemic which resulted in the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020. The President announced several social distancing measures which were implemented including extension of suspension of school classes in all levels in Metro Manila, prohibition of mass gatherings or events, imposition of community quarantine measures, when necessary, restriction of mass public transport system (MRT, LRT, etc.), and most importantly, suspension of land, domestic air and domestic sea travel to and from the Metro Manila beginning March 15, 2020. While transportation was heavily regulated, on March 19, 2020, the Department of Trade and Industry issued Memorandum Circular No. 20-06 mandating that the movement of all types of cargo should be left unhampered. On March 24, 2020, the Philippine Government enacted Republic Act No. 11469, also known as the Bayanihan Act, to effectively enact measures to address the pressing problems caused by the COVID-19 Pandemic. On March 26, 2020, the Governor of the Province of Cebu announced the implementation of ECQ measures for the entire island of Cebu, effective March 30, 2020. Beginning May 16, 2020, several cities and provinces, including Metro Manila and Cebu City, were placed under modified enhanced community quarantine, while other cities and provinces, including the Province of Rizal and other cities in the Province of Cebu, were placed under general community quarantine.

Consistent with the ECQ implementation in Luzon, the Company initiated steps to temporarily suspend the production of cement products at, and distribution of cement products from, Solid's plant in the third week of March 2020. On May 20, 2020, after taking the corresponding measures to fully comply with government regulations, operations at Solid's plant were resumed and have been able to operate continuously since then. APO's plant has remained operational as of the date of this report in accordance with government regulations and the necessary hygiene and safety measures. Since then, provinces and cities have been placed from time to time under different community quarantine levels with corresponding restrictions, respectively. Subsequent to the recommendations of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) in its Resolution No. 146-F (s. 2021) dated October 28, 2021, the President of the Philippines issued Executive Order No. 151 dated November 11, 2021 adopting the Alert Level System for all areas of the Philippines through a nationwide roll-out which was designed to allow the reinvigoration of the economy through the opening of more sectors, while protecting the people's health through the continuous observance of public health protocols and interventions and the heightened implementation of lockdowns in smaller areas, also known as granular lockdowns. Restrictions and/or limitations affecting intrazonal and interzonal movement as well as the level of operations and activities undertaken by establishments and persons in areas nationwide were defined depending on the applicable Alert Level Status (ranging from 1 to 5). At any level, minimum public health standards and precautions such as the wearing of face masks and social distancing protocols may be mandated. On December 15, 2021, it was announced that all areas of the Philippines would be under Alert Level 2 until December 31, 2021 then extended to January 15, 2022. Thereafter, due to the surge of the Omicron COVID-19 variant, the Alert Levels in Metro Manila, Cebu City, Cebu Province (including Naga City), and the Province of Rizal (including Antipolo City) were increased to Alert Level 3 beginning on January 16, 2022. The Alert Levels for these areas started to be downgraded at their respective pace in the month of February 2022. The Alert Levels for Metro Manila, Cebu City, and the Province of Rizal (including Antipolo City) have been at Alert Level 1 since March 1, March 16, and April 1, 2022, respectively. The Province of Cebu (including Naga City) has been at Alert Level 2 since March 1, 2022. The National Capital Region (NCR) is under Alert Level 1 effective July 16, 2022 until further notice according to the IATF. Meanwhile, Cebu City has been downgraded to Alert Level 1 effective August 16, 2022, while Cebu Province remains in Alert Level 2. Since October 28, 2022, the wearing of face masks is only mandatory in healthcare facilities, medical transport, and public transportation by land, air or sea. In other settings, wearing of facemasks is voluntary. Based on the latest IATF Resolution No. 6-C, series 2023 dated April 14, 2023, provinces, cities and municipalities throughout the country were placed under Alert Levels 1 and 2, respectively, for the period from April 15 to 30, 2023. NCR, Cebu City, Naga City in Cebu and the Province of Rizal (including Antipolo City) remained at Alert Level 1, while certain areas of Cebu Province were among those localities at Alert Level 2.

On July 21, 2023, President Ferdinand Marcos, Jr. signed Proclamation No. 297 lifting the State of Public Health Emergency throughout the country due to COVID-19 Pandemic, thereby withdrawing or revoking all prior orders, memoranda and issuances that are effective only during this public health emergency.

The consequences resulting from the COVID-19 Pandemic have negatively affected the Company. For the nine months ended September 30, 2023, and 2022, additional expenses were incurred by the Company associated with measures designed to address the adverse impact of COVID-19 pandemic amounting to P3,366 and P26,730, respectively. These additional expenses were presented under "Operating expenses and cost of sales" and "Other income (expenses) - net" account in the condensed consolidated interim statements of comprehensive income for the nine months ended September 30, 2023, and 2022, respectively. The Company implemented, and continues to implement, hygiene protocols in its operations and modified its manufacturing, sales, and delivery processes to implement physical distancing, so as to protect the health and safety of its employees and their families, customers and suppliers, and drastically reduce the possibility of contagion during the COVID-19 Pandemic. It will continue to place emphasis on the use of the CEMEX Go platform for a digital, contactless and/or limited contact experiences for customers, and enable additional online channels to promote engagement, manage communications and facilitate transactions with customers.

**NOTE 19 – RUSSIA-UKRAINE CONFLICT**

The Company has no exposure to investments in Russia or Ukraine. It currently has no business, investments, customers, or suppliers from any of these countries. However, this event has given rise and may continue to give rise to circumstances with the potential to further cause world trade disruptions and rising prices of basic commodities, including oil and power, among others.