

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 September 2024**
2. Commission identification number **ASO95-005885** 3. BIR Tax Identification No. **004-731-637-000**
4. Exact name of issuer as specified in its charter  
**EAGLE CEMENT CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization  
**Mandaluyong, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
**2F SMITS Corporate Center, 155 EDSA, Barangay Wack-Wack, Mandaluyong City 1554**
8. Issuer's telephone number, including area code  
**(632) 5301-3453**
9. Former name, former address and former fiscal year, if changed since last report  
**N.A.**

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
<b>Common (Outstanding)</b>	<b>5,000,000,006</b>

\* The total issued and outstanding shares as at September 30, 2024 are:  
Common 5,000,000,006

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

Yes [ ] No [X]

If yes, state the name of such Stock Exchange and the classes of securities listed therein:

**N.A.**

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 Section 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 12 months (or for such shorter period the registrant was required to file such reports)

Yes  No

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

Yes  No

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

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

Yes  No  This item is not applicable to the Company.

**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.

Issuer:

**EAGLE CEMENT CORPORATION**

By:

  
**JOHN PAUL L. ANG**  
President/Chief Executive Officer  
Date: 12 November 2024

## **PART I--FINANCIAL INFORMATION**

### **Financial Statements**

1. Unaudited Interim Consolidated Statement of Financial Position as at September 30, 2024 and Audited Consolidated Statement of Financial Position as at December 31, 2023
2. Unaudited Interim Consolidated Statements of Comprehensive Income for the Nine Months Ended September 30, 2024 and 2023
3. Unaudited Interim Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2024 and 2023
4. Unaudited Interim Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023
5. Notes to Unaudited interim consolidated financial statements

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

## **Item 1. Financial Statements**

The audited consolidated statement of financial position as at December 31, 2023, and the unaudited interim consolidated financial statements as at September 30, 2024 and for the nine months ended September 30, 2024 and 2023 and selected notes to the unaudited interim consolidated financial statements of Eagle Cement Corporation (ECC or the Parent Company) and its subsidiaries (collectively referred to as the “Group”) are filed as part of this Form 17-Q.

ECC is primarily engaged in the business of manufacturing, marketing, sale and distribution of cement products. The Parent Company is the third largest player in the Philippine cement industry based on revenue, with the fastest growing market share among all competitors in the industry since it started its commercial operations in 2010. The Parent Company was incorporated and registered with the Securities and Exchange Commission (SEC) on June 21, 1995.

The Group currently employs 633 individuals for its existing lines and business operations in Luzon. Neither ECC nor any of its subsidiaries has experienced a work stoppage as a result of labor disagreements. None of the employees of the Parent Company belong to a union since its incorporation in 1995.



## EAGLE CEMENT CORPORATION AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2024

(With Comparative Audited Figures as at December 31, 2023)

	Note	September 30, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	₱11,392,379,951	₱10,746,976,158
Financial assets at fair value through profit or loss (FVPL)	6	442,160,826	1,011,642,206
Trade and other receivables	7	2,348,309,661	2,346,336,240
Current portion of long-term placements		–	150,000,000
Inventories	8	2,389,757,483	2,185,653,992
Other current assets	9	812,908,605	646,355,360
Total Current Assets		<b>₱17,385,516,526</b>	<b>₱17,086,963,956</b>
<b>Noncurrent Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	10	97,212,150	96,678,750
Property, plant and equipment	11	30,027,071,180	29,849,640,478
Intangible assets	12	2,606,390,744	2,593,896,808
Net retirement asset		14,517,970	30,382,564
Other noncurrent assets	13	413,242,186	466,742,006
Total Noncurrent Assets		<b>33,158,434,230</b>	<b>33,037,340,606</b>
Total Assets		<b>₱50,543,950,756</b>	<b>₱50,124,304,562</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	₱4,698,954,795	₱4,818,311,929
Current portion of lease liabilities		11,926,714	15,072,971
Total Current Liabilities		<b>4,710,881,509</b>	<b>4,833,384,900</b>
<b>Noncurrent Liabilities</b>			
Net deferred tax liabilities	18	1,566,564,232	1,566,564,232
Other noncurrent liabilities	15	75,721,796	86,763,882
Net retirement benefit liability		631,230	631,230
Total Noncurrent Liabilities		<b>1,642,917,258</b>	<b>1,653,959,344</b>
Total Liabilities		<b>₱6,353,798,767</b>	<b>₱6,487,344,244</b>
<b>Equity</b>			
Capital stock	16	₱8,000,000,005	₱8,000,000,005
Additional paid-in capital		6,525,506,098	6,525,506,098
Retained earnings:			
Appropriated		16,600,000,000	16,600,000,000
Unappropriated		11,622,148,430	11,069,490,159
Treasury stock		(3,000,000,000)	(3,000,000,000)
Other equity reserves		4,442,497,456	4,441,964,056
Total Equity		<b>44,190,151,989</b>	<b>43,636,960,318</b>
Total Liabilities and Equity		<b>₱50,543,950,756</b>	<b>₱50,124,304,562</b>



**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**

	Note	2024		2023	
		July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 to September 30
<b>NET SALES</b>		<b>₱5,559,891,416</b>	<b>₱18,396,907,117</b>	₱6,013,349,829	₱19,662,288,300
<b>COST OF GOODS SOLD</b>		<b>4,037,417,584</b>	<b>12,508,445,939</b>	3,858,319,699	12,653,361,633
<b>GROSS PROFIT</b>		<b>1,522,473,832</b>	<b>5,888,461,178</b>	2,155,030,130	7,008,926,667
<b>OPERATING EXPENSES</b>		<b>558,722,889</b>	<b>2,153,298,475</b>	721,429,039	2,276,690,692
<b>INCOME FROM OPERATIONS</b>		<b>963,750,943</b>	<b>3,735,162,703</b>	1,433,601,091	4,732,235,975
<b>FINANCE COSTS</b>		<b>(736,982)</b>	<b>(2,993,234)</b>	(796,744)	(201,544,014)
<b>INTEREST INCOME</b>		<b>180,077,372</b>	<b>522,985,163</b>	174,133,879	467,591,909
<b>OTHER INCOME (LOSS) - Net</b>		<b>12,193,770</b>	<b>1,202,522</b>	(4,002,654)	(891,993,727)
<b>INCOME BEFORE INCOME TAX</b>		<b>1,155,285,103</b>	<b>4,256,357,154</b>	1,602,935,572	4,106,290,143
<b>INCOME TAX EXPENSE</b>	18				
Current		<b>175,805,759</b>	<b>703,698,880</b>	238,614,062	779,954,069
Deferred		—	—	—	—
		<b>175,805,759</b>	<b>703,698,880</b>	238,614,062	779,954,069
<b>NET INCOME</b>		<b>979,479,344</b>	<b>3,552,658,274</b>	1,364,321,510	3,326,336,074
<b>OTHER COMPREHENSIVE INCOME</b>					
Unrealized losses on financial assets at FVOCI		1,200,150	533,400	1,400,175	(1,066,800)
		1,200,150	533,400	1,400,175	(1,066,800)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱980,679,494</b>	<b>₱3,553,191,674</b>	₱1,365,721,685	₱3,325,269,274
<b>Basic/Diluted Earnings Per Share</b>	19	<b>₱0.20</b>	<b>₱0.71</b>	₱0.27	₱0.67



**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**

Note	Capital Stock - ₱1 par value		Additional Paid-in Capital	Retained Earnings		Revaluation Surplus (Net of Deferred Tax)	Other Equity Reserves		Treasury Stock	Total Equity
	Common Stock	Preferred Stock		Appropriated	Unappropriated		Cumulative Remeasurement Gains (Losses) on Net Retirement Benefits Liability (Net of Gains on Financial Assets at FVOCI)	Cumulative Unrealized Gains on Financial		
Balances as at December 31, 2023	<b>₱5,000,000,005</b>	<b>₱3,000,000,000</b>	<b>₱6,525,506,098</b>	<b>₱16,600,000,000</b>	<b>₱11,069,490,159</b>	<b>₱4,387,067,333</b>	<b>₱58,230,473</b>	<b>(₱3,333,750)</b>	<b>(₱3,000,000,000)</b>	<b>₱43,636,960,318</b>
Net income	-	-	-	-	3,552,658,274	-	-	-	-	3,552,658,274
Other comprehensive income	-	-	-	-	-	-	-	533,400	-	533,400
Cash dividends declared	16	-	-	-	(3,000,000,003)	-	-	-	-	(3,000,000,003)
<b>Balances as at September 30, 2024</b>	<b>₱5,000,000,005</b>	<b>₱3,000,000,000</b>	<b>₱6,525,506,098</b>	<b>₱16,600,000,000</b>	<b>₱11,622,148,430</b>	<b>₱4,387,067,333</b>	<b>₱58,230,473</b>	<b>(₱2,800,350)</b>	<b>(₱3,000,000,000)</b>	<b>₱44,190,151,989</b>
Balances as at December 31, 2022	₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱16,000,000,000	₱12,947,476,014	₱4,387,067,333	₱77,528,775	₱-	(₱3,000,000,000)	₱44,937,578,225
Net income	-	-	-	-	3,326,336,074	-	-	-	-	3,326,336,074
Other comprehensive income	-	-	-	-	-	-	-	(1,066,800)	-	(1,066,800)
Appropriation of retained earnings	-	-	-	100,000,000	(100,000,000)	-	-	-	-	-
Cash dividends declared	16	-	-	-	(2,800,000,003)	-	-	-	-	(2,800,000,003)
<b>Balances as at September 30, 2023</b>	<b>₱5,000,000,005</b>	<b>₱3,000,000,000</b>	<b>₱6,525,506,098</b>	<b>₱16,100,000,000</b>	<b>₱13,373,812,085</b>	<b>₱4,387,067,333</b>	<b>₱77,528,775</b>	<b>(₱1,066,800)</b>	<b>(₱3,000,000,000)</b>	<b>₱45,462,847,496</b>



## EAGLE CEMENT CORPORATION AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱4,256,357,154	₱4,106,290,143
Adjustments for:		
Depreciation and amortization	1,117,560,710	1,092,309,947
Finance costs	2,993,232	201,544,014
Interest income	(522,985,163)	(467,412,786)
Dividend income	(5,098,393)	(85,098,201)
Trading losses (gains) on financial assets at FVPL	(5,518,619)	(6,014,015)
Unrealized foreign exchange gains	2,956,785	8,520,281
Retirement benefit costs	15,449,375	17,222,075
Loss (gain) on sale of assets	(1,351,721)	993,121,202
Operating income before working capital changes	4,860,363,360	5,860,482,660
Decrease (increase) in:		
Trade and other receivables	(5,699,698)	(475,070,036)
Inventories	(162,479,358)	230,034,080
Other current assets	(209,074,744)	634,876,312
Other noncurrent assets	(23,620,171)	3,196,477
Increase in trade and other payables	(52,721,005)	382,487,828
Net cash generated from operations	4,406,768,384	6,636,007,321
Income taxes paid	(582,152,503)	(496,286,093)
Interest received	526,711,439	410,229,526
Net cash provided by operating activities	4,351,327,320	6,549,950,754
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property, plant and equipment	(1,209,474,016)	(1,072,208,491)
Intangible asset	(61,882,197)	(80,358,090)
Deposit for future investment	(244,652)	-
Dividends received	5,098,393	31,694,176
Proceeds from sale of:		
Financial assets at FVPL	575,000,000	4,000,000,000
Asset held for sale	-	418,391,386
Property, plant and equipment	1,378,316	2,456,258
Net cash provided by (used in) investing activities	(690,124,156)	3,299,975,238
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Dividends	(3,000,000,003)	(2,800,000,003)
Loans	-	(4,049,500,000)
Interest	-	(191,089,302)
Lease liability	(12,842,583)	(9,633,681)
Net cash used in financing activities	(3,012,842,586)	(7,050,222,985)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>648,360,578</b>	<b>2,799,703,007</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(2,956,785)</b>	<b>(8,520,283)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>10,746,976,158</b>	<b>9,547,285,514</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱11,392,379,951</b>	<b>₱12,338,468,238</b>



**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**AGING OF TRADE AND OTHER RECEIVABLES**

**AS AT SEPTEMBER 30, 2024**

	Total	Current	1- 30 Days	31- 90 Days	91-365 Days	365 Days or More
Trade	<b>₱623,075,754</b>	₱315,414,558	₱169,584,346	₱95,700,204	₱30,016,913	₱12,359,733
Nontrade	<b>1,720,702,413</b>	1,381,248,146	527,253	-	227,306,127	111,620,887
Others	<b>4,531,494</b>	4,531,494	-	-	-	-
<b>Total</b>	<b>₱2,348,309,661</b>	₱1,701,194,198	₱170,111,599	₱95,700,204	₱257,323,040	₱123,980,620

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

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**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024**  
**(With Comparative Information for 2023)**

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**1. General Information**

**Corporate Information**

Eagle Cement Corporation (ECC or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 21, 1995. It is primarily engaged in the business of manufacturing, marketing, sale and distribution of cement products. The Parent Company and its wholly-owned subsidiaries, South Western Cement Corporation (SWCC), Solid North Mineral Corp. (SNMC) and Armstrong Fly-Ash and Logistics Company Inc. (AFALCI) are collectively referred to herein as “the Group”. SWCC, SNMC and AFALCI are also incorporated in the Philippines and registered with the SEC.

The Parent Company was listed on the Philippine Stock Exchange (PSE) in May 2017. In December 2022, San Miguel Equity Investments, Inc. (SMEII) became the owner of 99.9581% of the common shares in the Parent Company by way of share purchase and tender offer of shares. SMEII is a wholly-owned subsidiary of San Miguel Corporation (SMC).

Following SMEII’s acquisition of 99.9581% equity interest in the Parent Company, the latter filed a petition for voluntary delisting of its common shares listed on the main board of the PSE. In January 2023, the PSE approved the delisting of the Parent Company effective end of business on February 28, 2023.

The Parent Company holds office at 2/F SMITS Corporate Center, 155 EDSA, Barangay Wack-Wack, Mandaluyong City, Metro Manila. It operates a cement manufacturing plant in Barangay Akle, San Ildefonso, Bulacan.

**Subsidiaries**

The following are the subsidiaries of the Parent Company, which are all incorporated in the Philippines and registered with the SEC:

Name of Subsidiary	Principal Activity	Percentage (%) of Ownership		
		2024	2023	2022
South Western Cement Corporation (SWCC)	Manufacturing, marketing, sale and distribution of cement products	<b>100</b>	100	100
Solid North Mineral Corp. (SNMC)	Mining activities and processing of limestones	<b>100</b>	100	100
Armstrong Flyash and Logistics Company, Inc. (AFALCI)	Processing of fly ash	<b>100</b>	100	100

SWCC have not started commercial operations as at November 12, 2024.

### **Status of Operations**

The Group has the following Mineral Production Sharing Agreements (MPSA) granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) either through direct grant or through deed of assignment.

Grantee/ Assignee	MPSA No.	Location	Date of Issuance/Renewal	Commodity	Status of Operations
<b><u>Luzon sites:</u></b>					
ECC*	245-2007-III	Dona Remedios Trinidad and San Ildefonso, Bulacan	July 25, 2007	Limestone	Commercial Operations
ECC**	181-2002-III	Akle, San Ildefonso, Bulacan	December 9, 2002	Limestone	Commercial Operations
SNMC***	161-00-III	Akle, San Ildefonso, Bulacan	September 12, 2000	Limestone, shale and pozzolan	Commercial Operations
<b><u>Cebu sites:</u></b>					
ECC	100-97-VII	Ginatilan, Cebu	December 29, 1997	Limestone	Exploration
ECC	101-97-VII	Ginatilan and Malabuyoc, Cebu	December 29, 1997	Limestone	Exploration
SWCC	059-96-VII	Lo-oc, Malabuyoc, Cebu	August 6, 2020	Limestone	Development
SWCC	060-96-VII	Lo-oc, Malabuyoc, Cebu	August 6, 2020	Limestone	Development
<b><u>Mindanao site:</u></b>					
SNMC	083-97-IX	Siayan, Sindangan and Jose Dalman, Zamboanga del Norte	November 20, 1997	Copper and gold	Exploration

\* Started commercial operations for the production of limestone in 2024

\*\*Started commercial operations for the production of limestone in 2010

\*\*\*Started commercial operations for the production of shale and pozzolan, and pulverized limestone in January 2016 and April 2019, respectively

These MPSAs have a term of 25 years from the issuance date and may be renewed thereafter for another term not exceeding 25 years. On August 6, 2020, the MGB approved the extension of the terms of the MPSAs 059-96-VII and 060-96-VII from Cebu sites for a period of nine (9) years until November 18, 2030.

In August 2022, the Group applied for an extension of the term of MPSAs 100-97-VII and 101-97-VII in Cebu sites. As at November 12, 2024, the Group has not yet received the approval for the extension.

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## **2. Summary of Material Accounting Policy Information**

### **Basis of Preparation**

The unaudited interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2023.

The unaudited interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on November 12, 2024.

### **Measurement Bases**

The unaudited interim consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The unaudited interim consolidated financial statements of the Group have been prepared on the historical cost basis, except for the following:

	Measurement Bases
Financial assets at fair value through profit or loss (FVPL)	Fair Value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair Value
Land, included as part of "Property, plant and equipment"	Revalued Amount

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the following valuation techniques:

- Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes to the unaudited interim consolidated financial statements:

- Note 6 – Financial Assets at FVPL
- Note 10 – Financial Assets at FVOCI
- Note 11 – Property, Plant and Equipment

The principal accounting policies adopted in the preparation of the unaudited interim consolidated financial statements of the Group are consistent with those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

#### **Adoption of Amendments to Standards**

The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). 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 asset it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent 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 noncurrent, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
  - clarified that settlement of a liability includes transferring an entity'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 noncurrent.
- **Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*).** The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The adoption of the amendments to standards did not have a material effect on the unaudited interim consolidated financial statements.

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

A number of new and amended standards are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing the unaudited interim consolidated financial statements. None of these are expected to have a significant effect on the unaudited interim consolidated financial statements.

The Group will adopt the following new and amended standards on the respective effective dates:

- **PFRS 17, *Insurance Contracts*,** replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard applies to all insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

PFRS 17 aims to increase transparency and to reduce diversity in the accounting for insurance contracts. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model

for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

- Classification and Measurement of Financial Instruments (*Amendments to PFRS 9, Financial Instruments, and PFRS 7, Financial Instruments: Disclosures*). The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January

1, 2026, with early application permitted.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1, *Presentation of Financial Statements*. The new standard introduces the following key requirements:
  - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.
  - Management-defined performance measures are disclosed in a single note to the financial statements.
  - Enhanced guidance is provided on how to group information in the financial statements. Additionally, entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

PFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with retrospective application required. Early adoption is permitted.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

- The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

Under prevailing circumstances, the adoption of the foregoing amendment to PFRS is not expected to have any material effect on the unaudited interim consolidated financial statements of the Group. Additional disclosures will be included in the unaudited interim consolidated financial statements, as applicable.

#### **Current versus Noncurrent Classification**

The Group presents assets and liabilities in the unaudited interim financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within twelve months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within twelve months after the reporting period;

or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

### **Basis of Consolidation**

The unaudited interim consolidated financial statements comprise of the financial statements of the Parent Company and its wholly-owned subsidiaries.

A subsidiary is an entity in which the Parent Company has control. The Parent Company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In assessing control, the Parent Company takes into consideration potential voting rights that are currently exercisable. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company. Subsidiaries are deconsolidated from the date the Parent Company ceases to have control.

All intra-group balances, transactions, income and expenses and unrealized gains and losses are eliminated. The financial statements of the subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If there is a loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. Any investment retained is recognized at fair value.

*Business Combinations under Common Control.* Business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and for which the control is not transitory, are accounted for using either the pooling of interest method or the acquisition method. The Group adopted the acquisition method for its business combination under common control.

Under the acquisition method, the Group determines if the assets acquired and the liabilities assumed constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. In an acquisition method, the acquirer measures the non-controlling interest in the acquiree at fair value of the entity's net assets. Acquisition-related costs incurred are recognized as expense. If the acquisition is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

If the initial accounting for a business combination is incomplete as at the reporting date in which the combination occurs, the Group reports in its unaudited interim consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts and recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period ends at the date the Group receives the information about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, but should not exceed one (1) year from the acquisition date.

## **Financial Instruments**

*Recognition and Initial Measurement.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the unaudited interim consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as fair value through profit or loss (FVPL), includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

## **Financial Assets**

The Group classifies its financial assets at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to the management:

- the stated policies and objectives for the portfolio and the operation of these policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of the cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statements of comprehensive income when the financial asset is derecognized, modified or impaired.

As at September 30, 2024 and December 31, 2023, the Group's cash and cash equivalents, trade and other receivables (except advances to officers and employees), long-term placements, restricted cash, refundable deposits, and deposit in escrow are classified under this category (see Notes 5, 7, 9 and 13).

*Financial Assets at FVOCI.* Financial Assets at FVOCI. A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in the unaudited interim other comprehensive income

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the unaudited interim consolidated statement of comprehensive income when the right to receive the payment has been established. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the unaudited interim consolidated statement of changes in equity are never reclassified to the unaudited interim consolidated statements of comprehensive income.

As at September 30, 2024 and December 31, 2023, the Group has quoted investments in equity securities which were irrevocably designated as financial assets at FVOCI because the Group considers these investments to be strategic in nature (see Note 10).

*Financial Assets at FVPL.* All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes all derivative financial assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, a financial asset may be designated as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the unaudited interim consolidated statements of comprehensive income as incurred. Changes in fair value and realized gains or losses are recognized in the unaudited interim consolidated statements of comprehensive income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in the unaudited interim other comprehensive income. Any interest earned from investment in debt instrument is recognized in the unaudited interim consolidated statements of comprehensive income. Any dividend income from investment in equity instrument is recognized in the unaudited interim consolidated statements of comprehensive income when the right to receive payment has been established.

As at September 30, 2024 and December 31, 2023, the Group's investment in unquoted redeemable perpetual security and investments in various listed debt and equity securities other than those classified as financial assets at FVOCI are classified under this category (see Note 6).

*Reclassification.* The Group reclassifies its financial assets only when it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

### **Financial Liabilities**

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities at amortized cost. All financial liabilities are recognized initially at fair value and, in case of loans and borrowings, net of directly attributable transaction costs.

*Financial Liabilities at FVPL.* Financial liabilities are classified under this category through the fair value option.

As at September 30, 2024 and December 31, 2023, the Group does not have financial liabilities at FVPL.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in “Finance costs” account in the unaudited interim consolidated statements of comprehensive income. Gains and losses are recognized in the unaudited interim consolidated statements of comprehensive income when the liabilities are derecognized as well as through amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the unaudited interim consolidated statements of comprehensive income.

As at September 30, 2024 and December 31, 2023, the Group’s trade and other payables (except advances from customers, statutory payables, output VAT payable and deferred revenue) and lease liabilities are classified under this category (see Notes 14 and 15).

#### Derecognition of Financial Assets and Financial Liabilities

*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original

liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the unaudited interim consolidated statements of comprehensive income.

#### Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including appropriate forward-looking information. The Group recognizes lifetime ECL for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECL on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the unaudited interim consolidated statements of comprehensive income.

### Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the unaudited interim consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of raw materials, spare parts and supplies comprises all purchase price and other costs incurred in bringing the inventories to its present location and condition. The cost of finished goods and goods in process comprises raw materials, direct labor and other direct costs and related production overheads.

The cost of raw materials is calculated based on moving average method while the cost of goods in process and finished goods is calculated based on standard costing method. Standard cost is adjusted to reflect actual cost which is principally determined using the moving average method. The NRV of raw materials, goods in process and finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and of marketing and distribution.

Cost is determined using the moving average method for spare parts and supplies. The NRV of spare parts and supplies are their current replacement costs. Spare parts are carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment are recorded under "Property, plant and equipment" account in the unaudited interim consolidated statements of financial position when the Group expects to use these for more than one (1) year or if these can be used only in connection with an item of property, plant and equipment.

When the NRV of the inventories is lower than its cost, the Group provides for an allowance for the decline in value of inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of write-down of inventories, arising from an increase in NRV, is recognized in profit or loss in the period in which the reversal occurs.

### Other Nonfinancial Current Assets

#### *Prepayments*

Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized as

expense in the unaudited interim consolidated statements of comprehensive income as they are consumed or expire with the passage of time.

Prepayments are classified as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Group's normal operating cycle. Otherwise, these are classified as noncurrent assets.

#### *Advances To Suppliers*

Advances to suppliers represent advance payments made in relation to purchase of raw materials and services and are carried at cost. These are to be applied against the suppliers' billing upon the receipt of materials or services.

#### *Other Current Assets*

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

#### **Property, Plant and Equipment**

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation, amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is accounted for using the revaluation model.

Under the revaluation model, land is initially recorded at cost and subsequently measured at fair value less impairment losses, if any. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded initially in OCI and accumulated to the "Other equity reserves" account in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation. Expenditures incurred after the asset has been put into operations, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. Upon completion of the projects, the related CPIP will be transferred to the specific property, plant and equipment accounts. CPIP is not depreciated until such time that the relevant assets are ready for use

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

	Number of Years
Machinery and equipment	5 to 30
Building and improvements	10 to 30
Furniture, fixtures and other office equipment	3 to 5
Transportation equipment	5
ROU assets	2 to 8

The remaining useful lives and depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully-depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the unaudited consolidated statements of comprehensive income in the period of retirement or disposal.

#### **Stripping Costs**

As part of its mining operations, the Group incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine before the production phase commences (development stripping) are capitalized as part of the cost of constructing the mine and subsequently amortized over its useful life using unit-of-production method. The capitalization of development stripping costs ceases when the mine is commissioned and ready for use as intended by management. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping.

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to the ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a 'stripping activity asset', if the following criteria are met:

- a. Future economic benefits (improved access to the ore body) are probable;
- b. The component of the ore body for which access will be improved can be accurately identified;  
and
- c. The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are recognized in profit or loss as operating costs when incurred.

## **Intangible Assets**

Intangible assets include mining rights, computer software, and goodwill.

### *Mining Rights and Computer Software*

Mining rights and computer software are stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Mining rights and computer software are amortized over their useful lives on a straight-line basis and assessed for impairment whenever there is an indication that the mining rights and computer software may be impaired.

The amortization period and the amortization method for intangible assets with finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets with finite useful lives are recognized in profit or loss.

The useful life of intangible assets arising from contractual or other legal rights should not exceed the period of those rights, but may be shorter depending on the period over which the intangible asset is expected to be used by the Group. The useful lives are as follows:

	Number of Years
Mining rights	25
Computer software	10

When mining rights and computer software are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

## **Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

## **Other Nonfinancial Noncurrent Assets**

Other nonfinancial noncurrent assets include deposit on asset purchase, deferred exploration and evaluation costs, and deposit for future investment.

### *Deposit on Asset Purchase*

Deposit on asset purchase, measured at face amount less any allowance for impairment, represents advance payments for long-term supply of raw materials and advance payments for the purchase of property, plant and equipment. Deposit on asset purchase are applied against acquisition of property, plant and equipment and long-term deposit for inventory acquisition.

#### *Deferred Exploration and Evaluation Costs*

Deferred exploration and evaluation costs arising from the Group's exploration and evaluation activities are carried at cost less any accumulated impairment losses, if any.

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. These include the following:

- Acquisitions of rights to explore;
- Gathering exploration data through geophysical studies;
- Determining and examining the volume and grade of the resource;
- Surveying transportation and infrastructure requirements; and
- Evaluating the technical feasibility and commercial viability of extracting the mineral resource.

Exploration and evaluation expenditures are deferred as asset when future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred up to the point when a commercial reserve is established.

Deferred exploration and evaluation costs are assessed for impairment before these are reclassified to "Property, plant and equipment" account in the unaudited interim consolidated statements of financial position. Any impairment loss is recognized in profit or loss. If the mining property is found to contain no commercial reserves, the deferred exploration and evaluation costs are charged to profit or loss.

*Deposit for Future Investment.* Deposit for future investment represents funds paid in advance for future acquisition of the investee's capital stocks which is measured at cost less any allowance for impairment. Deposit for future investment is applied against subscription to common shares of stock of a business entity.

#### **Impairment of Nonfinancial Assets**

The carrying amounts of property, plant and equipment, intangible assets and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

### **Advances from Customers**

Advances from customers consist of amounts received by the Group from its customers as advance collections for the sale of goods. These are recorded at face amount in the unaudited interim consolidated statements of financial position and recognized as revenue in the unaudited interim consolidated statements of comprehensive income when the goods for which the advances were made are delivered to the customers.

### **Fair Value Measurements**

The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the unaudited interim consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the unaudited interim consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

### **Equity**

#### *Common Stock*

Common stock is measured at par value for all shares issued and outstanding.

#### *Preferred Stock*

Preferred stock is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. It is measured at par value for all shares issued. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company's BOD.

#### *Additional Paid-in Capital (APIC)*

APIC represents the proceeds and/or fair value of consideration received in excess of the par value of the shares issued. Incremental costs directly attributable to the issuance of new common stock are

recognized as a deduction from APIC, net of any tax effects.

#### *Retained Earnings*

Retained earnings represent the cumulative balance of net income, net of any dividend declaration.

Unappropriated retained earnings pertain to the unrestricted portion available for dividend declaration. Appropriated retained earnings pertain to the restricted portion which is intended for expansion projects and other significant business activities of the Group.

The Group recognizes a liability to pay dividends when the distribution is authorized and no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

#### *Other Equity Reserves*

Other equity reserves comprise of items of income and expense, net of any deferred tax expense or benefit, that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Group pertain to revaluation surplus on land, cumulative remeasurement gains or losses on net retirement benefits liability, and cumulative unrealized gains or losses on financial assets at FVOCI.

#### *Treasury Stock*

Treasury stock represents issued shares repurchased by the Group. The consideration paid, including any directly attributable incremental costs, net of related taxes, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related taxes, and is included in equity attributable to the equity holders of the Group.

#### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized.

*Sales.* Sales are recognized at a point in time when control of the goods has been transferred to the buyer, which is normally upon delivery or pick of goods, the seller has no obligation that could affect the buyer's acceptance of goods and the amount of sales can be measured reliably. The sales are net of returns, trade discounts and sale rebates.

The following are the specific recognition criteria for other revenues outside the scope of PFRS 15:

*Interest Income.* Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

*Dividend Income.* Dividend income is recognized when the Group's right to receive payment is established.

*Other Income.* Income from other sources is recognized when earned during the period.

*Sales Rebates.* The Group provides sales rebates to certain customers based on the level of their purchases which may be applied against the amount of their existing or future payables to the Group.

The sales rebates granted by the Group are not considered as a variable consideration as defined in PFRS 15. Accordingly, the Group's sales rebates are accounted for separately from the total consideration of the revenue recognized and measured at the amount expected to be claimed by the customer against future sales transactions.

The Group's accrual for sales rebates is included as part of "Trade and other payables" account in the unaudited interim consolidated statements of financial position (Note 14).

#### **Cost and Expense Recognition**

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

*Cost of Goods Sold.* Cost of goods sold is recognized as expense when the related goods are delivered to and accepted by customers.

*Operating Expenses.* Operating expenses constitute cost of administering the business and cost incurred to sell and market the goods. These include advertising and freight and handling, among others. These are expensed as incurred.

All finance costs are recognized in the unaudited interim consolidated statements of comprehensive income in the period they are incurred.

#### **Employee Benefit**

##### *Short-term Benefits*

The Group recognizes short-term employee benefits based on contractual arrangements with employees. Unpaid portion of the short-term employee benefits is measured on an undiscounted basis and is included as part of "Trade and other payables" account in the unaudited interim consolidated statements of financial position (see Note 14).

*Retirement Benefits.* Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of net retirement benefits (costs) is performed annually by a qualified actuary. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Group recognizes service costs, comprising of current service cost and past service cost, and net interest cost in profit or loss.

The Group determines the net interest cost by applying the discount rate to the net defined benefit liability at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Remeasurements of the net retirement benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI and are not reclassified to profit or loss in subsequent periods.

The net retirement benefit liability recognized by the Group is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds

that have terms to maturity approximating the terms of the related net retirement benefit liability.

### **Leases**

The Group assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of the asset and whether the Group has the right to direct the use of the asset. The Group recognizes ROU asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

*Group as a Lessee.* At the commencement date, the Group recognizes ROU asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

*ROU Assets.* At commencement date of the lease contract, the Group measures ROU assets (presented as part of "Property, plant and equipment" account) at cost. The initial measurement of ROU assets includes the following:

- the amount of the initial measurement of lease liabilities;
- lease payments made at or before the commencement date less any lease incentives received;
- initial direct costs; and
- an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated amortization and any accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from two (2) to thirty (30) years.

*Lease Liabilities.* At commencement date, the Group measures lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate (IBR).

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. Lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

### **Foreign Currency Denominated Transactions**

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Differences arising on settlement or translation of monetary assets and liabilities are recognized in profit or loss.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

### **Income Taxes**

#### *Current Tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used in the computation are those that have been enacted or substantively enacted at the reporting date.

#### *Deferred Tax*

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and carryforward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and interest in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the

same taxation authority.

Current tax and deferred tax are recognized in the unaudited interim consolidated statements of comprehensive income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

VAT is a tax on consumption levied on the sale, barter, exchange, or lease of goods or properties and services, and on importation of goods in the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee, or lessee of goods, or properties or services.

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

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

The net amount of VAT payable to the taxation authority is included as part of “Trade and other payables” account in the unaudited interim consolidated statements of financial position.

#### **Deferred Input VAT**

In accordance with Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) prior to 2022 with an aggregate acquisition cost (exclusive of VAT) in each of the calendar months exceeding ₱1.0 million is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties. Deferred input VAT that are expected to be claimed against output VAT within 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

In accordance with Section 35 of Republic Act (RA) No. 10963 otherwise known as the “Tax Reform for Acceleration or Inclusion”, the amortization of the input VAT shall only be allowed until December 31, 2021 after which taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as scheduled until fully utilized. Accordingly, all input tax on purchases of capital goods starting January 1, 2022 shall already be allowed upon purchase/payment and no longer be deferred based on Revenue Memorandum Circular No. 21-2022.

#### **Related Party Relationships and Transactions**

Related party relationships 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 financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. Related parties may be individual or corporate entities.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

## **Segment Reporting**

The Group reports separate information about each of its operating segment.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group) and whose operating results are regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete information is available.

## **Provision and Contingencies**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, the estimated future cash flows are discounted using a current pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

*Provision for Mine Rehabilitation and Decommissioning.* Mine rehabilitation costs will be incurred by the Group either while operating or at the end of the operating life of the Group's facilities and mine properties. The Group assesses its provision for mine rehabilitation and decommissioning at each reporting date. The Group recognizes a provision where: it has a legal and constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of obligation can be made. The nature of rehabilitation activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closing plant and waste sites, and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the mining asset is installed, or the ground or environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it is incurred as a result of the development or construction of the mine.

Changes in the estimated timing of rehabilitation or changes in the estimated future costs are recognized prospectively as an adjustment to the provision for mine rehabilitation and decommissioning and the related mining asset.

Any decrease in the provision for mine rehabilitation and decommissioning and, therefore, any deduction from the asset may not exceed the carrying amount of the related mining asset. Any excess over the carrying amount is recognized in profit or loss.

If the change in estimate results in an increase in the provision for mine rehabilitation and decommissioning and, therefore, an addition to the carrying amount of the mining asset, the Group considers whether there is an indication of impairment of the asset as a whole. If any such indication exists and when the revised estimate for the mining asset (net of rehabilitation provisions) exceeds the recoverable amount, the increase is recognized as expense.

The discounted provision for mine rehabilitation and decommissioning is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic accretion of the discount is recognized in profit or loss as part of finance cost.

Rehabilitation funds committed for use in satisfying environmental obligations are classified as “Restricted cash” included in “Other noncurrent assets” account in the unaudited interim consolidated statements of financial position (Note 13).

#### *Contingencies*

Contingent liabilities are not recognized in the unaudited interim consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the unaudited interim consolidated financial statements but are disclosed in the notes to the unaudited interim consolidated financial statements when an inflow of economic benefits is probable.

#### **Earnings Per Share (EPS)**

Basic EPS is calculated by dividing the net income (less preferred dividends net of tax, if any) for the year attributable to common stockholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

#### **Events after Reporting Date**

Post year-end events that provide additional information about the Group’s unaudited consolidated statements of financial position at reporting date (adjusting events) are reflected in the unaudited interim consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the unaudited unaudited interim consolidated financial statements when material.

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### **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the unaudited interim consolidated financial statements requires management to exercise judgments and make accounting estimates and assumptions that affect the amounts reported in the unaudited interim consolidated financial statements and related notes. The judgments and accounting estimates used in the unaudited interim consolidated financial statements are based upon management’s evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Group:

#### **Judgments**

*Classification of Financial Assets.* Classification and measurement of financial assets depends on the results of the contractual cash flow and the business model tests. The Group determines the business

model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets, and how these risks are managed.

At initial recognition, the Group irrevocably designated its investments in equity securities either as financial assets at FVOCI (see Note 10) or as financial assets at FVPL. The Group's investments in quoted debt securities and investment in unquoted redeemable perpetual securities were designated as financial assets at FVPL (see Note 6).

Cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), long-term placements, refundable deposits, deposit in escrow and restricted cash were classified as financial assets at amortized cost since the Group's primary business model in relation to these assets is to hold the financial assets to collect contractual cash flows solely for principal and interest (see Notes 5, 7, 9 and 13)

*Fair Value Measurement of Financial Instruments.* The fair values of investments that are actively traded in organized financial markets are determined by reference to quoted market prices at the close of business on the reporting date.

When the fair values of financial assets recorded in the unaudited interim consolidated statements of financial position cannot be measured based on quoted prices in active market, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to this model are taken from observable market when possible, but when this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments

In accordance with the amendments to PFRS 7, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the unaudited interim consolidated statement of financial position.

*Classification of Land as Property, Plant and Equipment and Investment Properties.* The Group determines whether a property qualifies as an investment property or a property, plant and equipment. In making its judgment, the Group considers whether the property is held primarily to earn rentals or capital appreciation or both or used for operations and administrative purposes by the Group.

Land held for operations and administrative purposes amounting to ₱8,007.2 million and ₱7,979.2 million as at September 30, 2024 and December 31, 2023, respectively, are classified as property, plant and equipment (see Note 11).

*Assessment of Production Start Date.* The Group assesses the stage of development of the mine site to determine the start of production phase or the substantial completion of mining site development or production. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. The criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with construction cost estimate;
- Completion of a reasonable period of testing of the property, plant and equipment; and
- Ability to sustain ongoing production of limestone.

When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either capitalized as part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, mine development, or mineable reserve development. It is also at this point that depreciation or amortization commences.

The Luzon mining sites started their production and commercial operations in 2010. As at November 12, 2024, the Cebu and Mindanao mining sites have not yet started commercial operations.

*Capitalization of Exploration and Evaluation Expenditures.* The Group makes judgments in determining whether there are future economic benefits from either future exploration or sale of mineral reserves to capitalize exploration and evaluation expenditures. The Group further applies estimates and assumptions about future events and circumstances to determine whether an economically viable extraction operation can be established.

Deferred exploration and evaluation costs, presented under “Other noncurrent assets” account in the unaudited interim consolidated statements of financial position, amounted to ₱44.7 million as at September 30, 2024 and December 31, 2023 (see Note 13).

*Determination of Reportable Operating Segments.* The Group has determined that it has reportable segments based on the following thresholds:

- Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.
- The absolute amount of its reported profit or loss is 10% or more, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the unaudited interim consolidated financial statements. The Group assessed that it has a single reportable operating segment based on the criteria above.

### **Estimates and Assumptions**

*Assessment for ECL on Trade Receivables.* The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

The Group has assessed that the ECL on trade receivables is not material because substantial amount of receivables are normally collected within one year while none of remaining balances are written-off or are credit impaired as at reporting date. Accordingly, no provision for ECL on trade receivables was recognized for the nine months ended September 30, 2024 and 2023. The carrying amount of trade receivables is ₱623.1 million and ₱621.1 million as at September 30, 2024 and December 31, 2023, respectively (see Note 7).

*Assessment for ECL on Other Financial Assets at Amortized Cost.* The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and,
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 60 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the counterparty.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized as at September 30, 2024 and December 31, 2023.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	September 30, 2024	December 31, 2023
Cash in banks and cash equivalents	6	<b>11,391,402,677</b>	10,746,019,148
Other receivables*	7	<b>1,395,413,177</b>	1,388,844,456
Long-term placement	9	–	150,000,000
Refundable deposits	9, 13	<b>83,666,688</b>	63, 575,285
Deposit in escrow	13	<b>53,691,082</b>	49,879,815
Restricted cash	13	<b>107,862,819</b>	81,379,994

\*Includes interest receivable, receivable from a related party, dividends receivable and other receivables

*Determination of NRV of Inventories.* The Group writes down the cost of inventories whenever the NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The Group reviews the lower of cost and NRV of inventories on a periodic basis. NRV represents the estimated future selling price of the product based on prevailing prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. NRV test for spare parts and supplies is also performed annually and it

represents the current replacement cost. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expense and decrease current assets.

As at September 30, 2024 and December 31, 2023, the cost of inventories is lower than its NRV. The carrying amount of inventories is ₱2,389.8 million and ₱2,185.7 million as at September 30, 2024 and December 31, 2023, respectively (see Note 8)

*Estimation of Mineral and Quarry Reserves.* Mineral and quarry reserves are estimates of the amount of minerals that can be economically and legally extracted from the Group's mining and quarry properties. The Group estimates its mineral and quarry reserves based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of minerals to be mined and processed, the configuration of the mineral body, expected recovery rates of minerals, estimated operating costs, estimated climatic conditions and other factors.

Changes in the mineral reserve or resource estimates may impact the carrying amounts of property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred tax assets, and amortization charges.

The Group also makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production, and delivery costs and prices. These economic and technical estimates and assumptions may change depending on the quality and quantity of mineral extracted. The Group reviews and updates estimates annually, to reflect actual production, new exploration data or developments, and changes in other assumptions or parameters.

These estimates will change from time to time to reflect mining and quarrying activities, analyses of new engineering and geological data, changes in reserve and mineral resource holdings, modifications of mining and quarrying plans or methods, changes in mineral prices or production costs, and other factors.

*Estimation of Useful Lives of Property, Plant and Equipment, Mining Rights and Computer Software.* The Group estimates the useful lives of its property, plant and equipment and computer software based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment and computer software based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes, and anticipated use of the assets. In addition, the estimation of the useful lives of property, plant and equipment and computer software is based on internal technical evaluation, and experience with similar assets. The Group also amortizes mining rights based on the total term of the quarry permit which is 25 years pursuant to Republic Act (R.A.) 7942, the Philippine Mining Act of 1995.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, mining rights and computer software would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of property, plant and equipment, mining rights and computer software for the nine months ended September 30, 2024 and 2023.

The carrying amount of property, plant and equipment and intangible assets are as follows:

	Note	September 30, 2024	December 31, 2023
Property, plant and equipment*	11	<b>20,618,320,467</b>	₱20,963,564,407
Mining rights	12	<b>1,140,985,976</b>	1,124,993,431
Computer software	12	<b>206,452,064</b>	209,950,673

\*excluding land and construction in progress aggregating to ₱9,408.8 million and ₱8,886.1 million as at September 30, 2024 and December 31, 2023.

*Leases – Estimation of the Incremental Borrowing Rate.* The Group uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the IBR using available observable inputs (such as the prevailing BVAL interest rates) adjusted for entity-specific estimates, to reflect the terms and conditions of the lease.

The Group has applied IBR ranging from 2.25% to 8.31% for the computation of lease liabilities and ROU assets. Lease liabilities amounted to ₱21.8 million and ₱33.5 million as at September 30, 2024 and December 31, 2023 respectively. ROU assets amounted to ₱18.9 million and ₱27.8 million as at September 30, 2024 and December 31, 2023 respectively.

*Assessment for Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

No impairment loss on nonfinancial assets was recognized for the nine months ended September 30, 2024 and for the year ended December 31, 2023. The carrying amounts of nonfinancial assets are as follows:

	Note	September 30, 2024	December 31, 2023
Property, plant and equipment	11	<b>₱30,027,071,180</b>	₱29,849,640,478
Deposits on asset purchase	13	<b>145,492,169</b>	222,856,814
Intangible assets*	12	<b>1,347,438,040</b>	1,334,944,104
Prepayments	9	<b>369,280,770</b>	245,970,600
Advances to suppliers	9	<b>146,551,207</b>	138,718,894
Deferred input VAT	9	<b>264,012,248</b>	255,441,264
Deferred exploration and development costs	13	<b>44,678,353</b>	44,678,353
Advances to officers and employees	7	<b>4,531,494</b>	7,519,050
Deposits for future investment	13	<b>4,616,396</b>	4,371,745
Others	9	<b>6,299,056</b>	6,224,602

\*excluding goodwill amounting to 1,259.0 million as at September 30, 2024 and December 31, 2023.

*Assessment of Goodwill Impairment.* The Group tests annually whether any impairment in goodwill should be recognized, in accordance with the related accounting policy. The recoverable amounts of CGU have been determined based on value in use calculations which require the use of estimates.

No impairment loss was recognized as at September 30, 2024 and December 31, 2023. The carrying amount of goodwill amounted to ₱1,259.0 million as at September 30, 2024 and December 31, 2023.

*Assessment of the Recoverability of Deferred Exploration and Evaluation Costs.* Deferred exploration and evaluation costs are capitalized in the period incurred until it has been determined that a property has no sufficient economically recoverable reserves, in which case the costs are written off as impairment losses. The Group reviews the carrying amounts of its mineral property interests whenever events or changes in circumstances indicate that their carrying amounts may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying amount of those assets exceeds its recoverable amount.

No impairment loss on deferred exploration and evaluation costs was recognized as at September 30, 2024 and December 31, 2023. The carrying amount of deferred exploration and evaluation costs amounted to ₱44.7 million as at September 30, 2024 and December 31, 2023 (see Note 13).

*Recognition of Provision for Mine Rehabilitation and Decommissioning.* The ultimate cost of mine rehabilitation and decommissioning is uncertain, and cost estimates can vary in response to many factors including estimates of the extent and costs of rehabilitation activities, changes in the relevant legal requirements, emergence of new restoration techniques or experience, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change in response to changes in quarry reserves or production rates. These uncertainties may result in future actual expenditure different from the amounts currently provided. As a result, there could be significant adjustments in provision for mine rehabilitation and decommissioning, which would affect future financial results.

Provision for mine rehabilitation and decommissioning is based on estimated future costs of rehabilitating the mine site using information available at the reporting date.

Provision for mine rehabilitation and decommissioning amounted to ₱54.4 million and ₱53.5 million as at September 30, 2024 and December 31, 2023, respectively (see Note 15).

*Determination of Retirement Benefits.* The determination of the net retirement benefits liability and expense is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded liability in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the net retirement benefits liability.

Net retirement benefit assets amounted to and ₱13.9 million and ₱29.8 million as at September 30, 2024 and December 31, 2023, respectively.

*Recognition of Deferred Tax Assets.* The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets amounting to ₱22.4 million were not recognized as at September 30, 2024 and December 31, 2023. Management believes that the Group will not have sufficient taxable income against which the benefits of the deferred tax assets can be utilized (see Note 18).

Deferred tax assets recognized amounted to ₱119.0 million as at September 30, 2024 and December 31, 2023 (see Note 18).

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#### 4. **Financial Risk Management and Financial Instruments**

The Group's financial instruments consist mainly of cash and cash equivalents, financial assets at FVPL, trade and other receivables (excluding advances to officers and employees), financial assets at FVOCI, long-term placements, refundable deposits, deposit in escrow, restricted cash, trade and other payables (excluding advances from customers and statutory payables), and lease liabilities.

The main financial risk arising from the Group's use of financial instruments includes market risk, credit risk and liquidity risk. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

##### **Market Risks**

The Group is exposed to market risks, primarily those related to foreign currency risk, equity price risk and interest rate risk. Management actively monitors these exposures, as follows:

*Foreign Currency Risk.* Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the US Dollar and Euro with respect to foreign currency-denominated financial assets and liability.

The following table shows the Group's US dollar-denominated monetary financial assets and liability and their Philippine Peso equivalent:

	September 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
	US Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial assets:				
Cash and cash equivalents	\$3,073,700	₱172,219,421	\$53,563	₱2,965,781
Deposit in escrow	958,256	53,691,082	900,845	49,879,815
	4,031,956	225,910,503	954,408	52,845,596
Financial liability -				
Trade and other payables	4,290,514	240,397,496	628,162	34,781,303
Installment payable	267,715	15,000,065	327,248	18,119,746
	4,558,229	255,397,561	955,410	52,901,049
Net US Dollar-denominated financial liability	\$526,273	₱29,487,058	\$1,002	₱55,453

The following table shows the Group's Euro-denominated monetary financial asset and liability and their Philippine Peso equivalent:

	September 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
	US Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial asset -				
Cash in banks	€6,721	₱419,274	€20,061	₱1,233,254
Financial liability -				
Trade and other payables	1,575,605	98,295,850	517,679	31,823,724
Net Euro-denominated financial liability	€1,568,884	₱97,876,576	€497,618	₱30,590,470

For purposes of translating the outstanding balances of the Group's financial assets and liability denominated in a foreign currency, the exchange rates applied were ₱56.03 per US \$1 and ₱62.39 per €1 as at September 30, 2024 and ₱55.37 per US \$1 and ₱61.47 per €1 as at December 31, 2023.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's income before tax for the nine months ended September 30, 2024 and for the year ended December 31, 2023. There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
September 30, 2024	+2.03	(₱1,069,211)
	-2.03	1,069,211
December 31, 2023	+2.55	(₱2,554)
	-2.55	2,554

The following table demonstrates the sensitivity to a reasonably possible change in the Euro exchange rate, with all other variables held constant, of the Group's income before tax for the nine months ended September 30, 2024 and for the year ended December 31, 2023. There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
September 30, 2024	+1.47	(₱2,302,730)
	-1.47	2,302,730
December 31, 2023	+1.92	(₱955,216)
	-1.92	955,216

*Equity Price Risk.* Equity price risk is the risk that the Group will incur economic losses due to adverse changes in a particular stock or stock index. The Group's equity price risk arises from its quoted financial assets at FVPL and financial assets at FVOCI.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its unaudited interim consolidated statements of financial position. Exposure of the Group to changes in share price is insignificant.

*Interest Rate Risk.* The Group has no outstanding interest-bearing loans payable as at September 30, 2024.

### **Credit Risk**

The Group's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables and other financial assets at amortized cost.

The carrying amounts of financial assets at amortized costs represent its maximum credit exposure.

#### *Trade Receivables*

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management.

The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. The Group provides credit limits to all its accredited customers to manage credit risk concentrations. Further, as a policy, the Group revenue transactions are significantly entered into on a cash basis to manage its credit risk exposure. The Group's cash sales account for an average of 80% of the total revenues for the past three years. Historically, trade receivables are substantially collected within one year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. In monitoring customer credit risk, the Group classifies its receivables as major term customers, related parties, and other regular term customers.

At September 30, 2024 and December 31, 2023, the exposure to credit risk for trade receivables by type of counterparty are as follows:

	<b>September 30, 2024</b>		
	<b>Neither Past due nor Impaired</b>	<b>Past Due but not Impaired</b>	<b>Total</b>
Major term customers	<b>₱238,044,678</b>	<b>₱147,861,724</b>	<b>₱385,906,402</b>
Related parties	<b>77,369,880</b>	<b>159,383,436</b>	<b>236,753,316</b>
Others	–	<b>416,036</b>	<b>416,036</b>
	<b>₱315,414,558</b>	<b>₱307,661,196</b>	<b>₱623,075,754</b>
	<b>December 31, 2023</b>		
	<b>Neither Past due nor Impaired</b>	<b>Past Due but not Impaired</b>	<b>Total</b>
Major term customers	<b>₱171,900,928</b>	<b>₱96,312,915</b>	<b>₱268,213,843</b>
Related parties	<b>225,855,707</b>	<b>27,880,822</b>	<b>253,736,529</b>
Others	<b>99,106,424</b>	–	<b>99,106,424</b>
	<b>₱496,863,059</b>	<b>₱124,193,737</b>	<b>₱621,056,796</b>

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and offsetting arrangements. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment (i.e., gross national income from real estate and construction industry). At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

*Aging Analysis of Trade Receivables that are Past Due but not Impaired*

Days Past Due	September 30, 2024	December 31, 2023
1 to 30 Days	<b>₱169,584,346</b>	₱46,423,527
31 to 90 Days	<b>95,700,204</b>	52,439,417
91 to 365 Days	<b>30,016,913</b>	14,410,081
366 days or more	<b>12,359,733</b>	10,920,712
Total	<b>₱307,661,196</b>	₱124,193,737

Trade receivables that are past due for over 30 days were not considered in default since it was demonstrated that the non-payment was due to administrative oversight rather than resulting from financial difficulty of the borrower.

*Other Financial Assets at Amortized Cost*

The Group's other financial assets at amortized cost are composed of cash and cash equivalents, long-term placements, refundable deposits, deposit in escrow, and restricted cash.

The Group limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For refundable deposits and other receivables (including interest receivable, dividends receivable and other receivables), credit risk is low since the Group transacts only with reputable counterparties and with good credit standing

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

### Financial Assets at FVPL

The entity is also exposed to credit risk in relation to debt securities that are measured at FVPL. Debt securities measured at FVPL are entered into with counterparties that have high credit ratings. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

September 30, 2024					
Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Financial Assets at FVPL	Total
Cash in banks and cash equivalents	₱11,391,402,677	₱-	₱-	₱-	₱11,391,402,677
Due from related parties	324,329,639	-	-	-	324,329,639
Restricted cash	107,862,819	-	-	-	107,862,819
Refundable deposits	83,666,688	-	-	-	83,666,688
Deposit in escrow	53,691,082	-	-	-	53,691,082
Other receivables*	1,396,372,775	-	-	-	1,396,372,775
Debt securities at FVPL	-	-	-	442,160,826	442,160,826
	<b>₱13,357,325,680</b>	<b>₱-</b>	<b>₱-</b>	<b>₱442,160,826</b>	<b>₱13,799,486,506</b>

\*Includes receivable from a related party, dividends receivable, interest receivable, and other receivables

December 31, 2023					
Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Financial Assets at FVPL	Total
Cash in banks and cash equivalents	₱10,746,019,148	₱-	₱-	₱-	₱10,746,019,148
Long-term placements	150,000,000	-	-	-	150,000,000
Due from related parties	328,915,938	-	-	-	328,915,938
Restricted cash	81,379,994	-	-	-	81,379,994
Refundable deposits	63,575,285	-	-	-	63,575,285
Deposit in escrow	49,879,815	-	-	-	49,879,815
Other receivables*	1,388,844,456	-	-	-	1,388,844,456
Debt securities at FVPL	-	-	-	1,011,642,206	1,011,642,206
	<b>₱12,808,614,636</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,011,642,206</b>	<b>₱13,820,256,842</b>

\*Includes receivable from a related party, dividends receivable, interest receivable, and other receivables

### Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising adequate funds to meet its financial commitments at a reasonable cost. The Group's objectives in effectively managing its liquidity are: (a) to ensure that adequate funding is available at all times; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The tables below present the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted obligations or on the estimated timing of net cash flows as at September 30, 2024 and December 31, 2023:

September 30, 2024 (Unaudited)						
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Trade and other payables*	₱2,728,215,551	₱760,289,364	₱706,084,125	₱-	₱-	₱4,194,589,040
Installment payable	-	-	3,494,791	11,505,274	-	15,000,065
Lease liabilities	1,545,086	2,733,020	7,599,690	9,914,011	-	21,791,807
	<b>₱2,729,760,637</b>	<b>₱763,022,384</b>	<b>₱717,178,606</b>	<b>₱21,419,285</b>	<b>₱-</b>	<b>₱4,231,380,912</b>

\*Excluding nonfinancial and statutory liabilities amounting to ₱500.9 million as at September 30, 2024.

December 31, 2023 (Audited)						
	On Demand	>1 to 3 Months	>3 to 12 Months	>1 to 5 Years	More than 5 Years	Total
Trade and other payables*	₱2,994,072,289	₱656,820,827	₱545,458,419	₱-	₱-	₱4,196,351,535
Installment payable	-	-	3,297,671	14,822,075	-	18,119,746
Lease liabilities	1,243,367	2,486,733	16,458,314	28,526,573	-	48,714,987
	<b>₱2,995,315,656</b>	<b>₱659,307,560</b>	<b>₱565,214,404</b>	<b>₱43,348,648</b>	<b>₱-</b>	<b>₱4,263,186,268</b>

\*Excluding nonfinancial and statutory liabilities amounting to ₱622.0 million as at December 31, 2023.

### **Capital Management**

The primary objective of the Group's capital management is to secure ongoing financial needs of the Group to continue as a going concern as well as to maintain a strong credit standing and healthy capital ratio in order to support the business and maximize stockholder value.

The Group considers equity contributions from stockholders and retained earnings as its capital totaling to ₱39,748 million and ₱39,195 million as at September 30, 2024 and December 31, 2023, respectively. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions, its business activities, expansion programs, and the risk characteristics of the underlying assets. In order to manage the capital structure, the Group may adjust its borrowings or raise equity.

No changes were made in the capital management objectives, policies, or processes as at September 30, 2024 and in 2023.

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### **5. Cash and Cash Equivalents**

This account consists of:

	<b>September 30, 2024</b>	December 31, 2023
Cash on hand	<b>₱977,274</b>	₱957,010
Cash in banks	<b>569,944,355</b>	1,250,312,981
Short-term placements	<b>10,821,458,322</b>	9,495,706,167
	<b>₱11,392,379,951</b>	₱10,746,976,158

Cash on hand pertains to petty cash fund and revolving funds. Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at rates ranging from 2.75% to 8.00% for the nine months ended September 30, 2024 and 4.50% to 7.25% for the nine months ended September 30, 2023.

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### **6. Financial Assets at FVPL**

This account consists of debt securities amounting to ₱442.2 million and ₱1,011.6 million as at September 30, 2024 and December 31, 2023, respectively.

Debt securities are quoted and earn annual interest rate ranging from 5.08% to 6.25% for the nine months ended September 30, 2024 and 2023.

The Group's quoted debt securities at FVPL are carried at fair values based on quoted market or bidding dealer price quotations from active markets as at the reporting period.

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## 7. Trade and Other Receivables

This account consists of:

	Note	September 30, 2024	December 31, 2023
Trade:			
Third parties		<b>₱386,322,438</b>	₱367,320,267
Related parties	17	<b>236,753,315</b>	253,736,529
Due from related parties	17	<b>1,624,329,639</b>	1,628,915,938
Dividends receivable	17	<b>1,702,013</b>	1,702,013
Interest receivable		<b>79,786,097</b>	83,512,374
Advances to officers and employees		<b>4,531,494</b>	7,519,050
Others		<b>14,884,665</b>	3,630,069
		<b>₱2,348,309,661</b>	<b>₱2,346,336,240</b>

Trade receivables are noninterest-bearing and are generally on a 60-day credit term.

Interest receivable pertains to interest income earned but not yet received by the Group and are normally settled within 35 days.

Advances to officers and employees are subject to liquidation within a period of seven (7) days after the transaction occurred or through salary deduction.

Other receivables are non-interest bearing and normally settled within 12 months from the reporting date.

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## 8. Inventories

This account consists of:

	September 30, 2024	December 31, 2023
Raw materials	<b>₱1,096,369,098</b>	₱472,485,701
Spare parts	<b>477,249,250</b>	552,348,809
Goods in process	<b>434,409,189</b>	768,454,267
Supplies	<b>329,377,628</b>	295,288,254
Finished goods	<b>52,352,318</b>	97,076,961
	<b>₱2,389,757,483</b>	<b>₱2,185,653,992</b>

Cost of inventories as at September 30, 2024 and December 31, 2023 is lower than its NRV.

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## 9. Other Current Assets

This account consists of:

	September 30, 2024	December 31, 2023
Advances to suppliers	<b>₱146,551,207</b>	₱138,718,894
Prepayments for:		
Taxes	<b>348,674,982</b>	240,883,927
Insurance	<b>20,605,788</b>	5,086,673
Current portion of deferred input VAT	<b>264,012,248</b>	255,441,264
Refundable deposits	<b>26,765,323</b>	–
Others	<b>6,299,057</b>	6,224,602
	<b>₱812,908,605</b>	<b>₱646,355,360</b>

Advances to suppliers represent advance payments for purchases of inventories and services that are applied against subsequent deliveries. The amounts have been outstanding for less than one (1) year from initial recognition. These are reversed upon receipt of goods and services from suppliers.

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#### 10. Financial Assets at FVOCI

This account consists of quoted equity securities amounting to ₱97.2 million and ₱96.7 million as at September 30, 2024 and December 31, 2023, respectively.

Dividend income earned from financial assets at FVOCI amounted to ₱5.1 million as at September 30, 2024 and 2023.

Rollforward analysis of cumulative unrealized losses on financial assets at FVOCI is shown below:

	<b>September 30, 2024</b>	December 31, 2023
Balance at beginning of year	<b>(₱3,333,750)</b>	₱–
Unrealized gain (loss) for the year	<b>533,400</b>	(3,333,750)
Balance at end of year	<b>(₱2,800,350)</b>	(₱3,333,750)

The Group's financial assets at FVOCI as at September 30, 2024 and December 31, 2023 are carried at fair value based on quoted market prices or bidding dealer price quotations from active markets as at the reporting date.

## 11. Property, Plant and Equipment

The balances and movements in this account are as follows:

	September 30, 2024								
	At Revalued Amount		At Cost						Total
	Land	Machinery and Equipment	Building and Improvements	Furniture, Fixtures, and Other Office Equipment	Transportation Equipment	ROU Assets	Construction in Progress (CIP)		
<b>Cost/Revalued Amount</b>									
Balances at beginning of year	₱7,979,249,336	₱25,131,811,744	₱5,198,766,678	₱310,757,085	₱210,093,566	₱86,711,199	₱906,826,735	₱39,824,216,343	
Additions/(Adjustment)	(50,000)	221,713,482	(969,708)	(3,750,843)	–	(711,768)	1,023,222,814	1,239,453,977s	
Disposals	–	(1,887,868)	–	(609,472)	(26,502,588)	–	–	(28,999,928)	
Settlement of construction in progress	27,994,790	398,823,040	61,004,884	30,676,751	9,993,497	–	(528,492,962)	–	
Balances at end of year	8,007,194,126	25,750,460,398	5,258,801,854	337,073,521	193,584,475	85,999,431	1,401,556,587	41,034,670,392	
<b>Accumulated Depreciation and Amortization</b>									
Balances at beginning of year	–	7,547,672,086	1,931,713,912	238,188,032	198,131,899	58,869,936	–	9,974,575,865	
Depreciation and amortization	–	864,508,346	158,372,241	20,713,003	8,166,607	8,257,844	–	1,060,018,041	
Disposals	–	–	–	(609,472)	(26,385,222)	–	–	(26,994,694)	
Balances at end of year	–	8,412,180,432	2,090,086,154	258,291,563	179,913,283	67,127,780	–	11,007,599,212	
<b>Carrying Amounts</b>	₱8,007,194,126	₱17,338,279,966	₱3,168,715,700	₱78,781,958	₱13,671,192	₱18,871,651	₱1,401,556,587	₱30,027,071,180	

December 31, 2023

	At Revalued Amount		At Cost					Total
	Land	Machinery and Equipment	Building and Improvements	Furniture, Fixtures, and Other Office Equipment	Transportation Equipment	ROU Assets	Construction in Progress (CIP)	
<b>Cost/Revalued Amount</b>								
Balances at beginning of year	₱7,947,234,644	₱24,415,953,354	₱5,147,034,536	₱326,441,914	₱228,617,271	₱74,049,299	₱594,871,784	₱38,734,202,802
Additions	–	248,567,942	3,130,673	–	–	12,661,900	986,448,231	1,250,808,746
Disposals	–	(84,805,566)	(3,174,806)	(36,780,201)	(19,255,848)	–	–	(144,016,421)
Reclassification	–	(12,081,299)	(3,225,662)	(1,471,823)	–	–	–	(16,778,784)
Settlement of construction in progress	32,014,692	564,177,313	55,001,937	22,567,195	732,143	–	(674,493,280)	–
Balances at end of year	7,979,249,336	25,131,811,744	5,198,766,678	310,757,085	210,093,566	86,711,199	906,826,735	39,824,216,343
<b>Accumulated Depreciation and Amortization</b>								
Balances at beginning of year	–	6,483,827,994	1,729,691,085	240,740,814	208,666,334	44,562,668	–	8,707,488,895
Depreciation and amortization	–	1,147,485,199	205,197,632	34,113,767	8,721,414	14,307,268	–	1,409,825,280
Disposals	–	(83,641,107)	–	(36,666,549)	(19,255,849)	–	–	(142,738,310)
Balances at end of year	–	7,547,672,086	1,931,713,912	238,188,032	198,131,899	58,869,936	–	9,974,575,865
Carrying Amounts	₱7,979,249,336	₱17,584,139,658	₱3,267,052,766	₱72,569,053	₱11,961,667	₱27,841,263	₱906,826,735	₱29,849,640,478

## 12. Intangible Assets

The balances and movements in this account as at September 30, 2024 and for the year ended December 31, 2023 are as follows:

	September 30, 2024			
	Mining Rights	Computer Software	Goodwill	Total
<b>Cost</b>				
Balance at beginning of year	₱1,209,969,143	₱269,105,687	₱1,258,952,704	₱2,738,027,534
Additions	35,414,148	19,087,424	–	54,501,572
Balance at end of year	1,245,383,291	288,193,111	1,258,952,704	2,792,529,106
<b>Accumulated Amortization</b>				
Balance at beginning of year	84,975,712	59,155,014	–	144,130,726
Amortization	19,421,603	22,586,033	–	42,007,636
Balance at end of year	104,397,315	81,741,047	–	186,138,362
<b>Carrying Amounts</b>	<b>₱1,140,985,976</b>	<b>₱206,452,064</b>	<b>₱1,258,952,704</b>	<b>₱2,606,390,744</b>

  

	December 31, 2023			
	Mining Rights	Computer Software	Goodwill	Total
<b>Cost</b>				
Balance at beginning of year	₱1,209,969,143	₱219,032,217	₱1,258,952,704	₱2,687,954,064
Additions	–	50,073,470	–	50,073,470
Balance at end of year	1,209,969,143	269,105,687	1,258,952,704	2,738,027,534
<b>Accumulated Amortization</b>				
Balance at beginning of year	49,239,408	35,257,200	–	84,496,608
Amortization	35,736,304	23,897,814	–	59,634,118
Balance at end of year	84,975,712	59,155,014	–	144,130,726
<b>Carrying Amounts</b>	<b>₱1,124,993,431</b>	<b>₱209,950,673</b>	<b>₱1,258,952,704</b>	<b>₱2,593,896,808</b>

Mining rights represent the Group's legal rights to undertake quarrying activities in the municipalities of San Ildefonso and Dona Remedios Trinidad in Bulacan, and municipalities of Ginatilan and Malabuyoc in Cebu.

Computer software pertains to enterprise resource planning (ERP) system.

Goodwill was recognized as a result of the acquisition by the Parent Company of 100% ownership in SWCC in 2016, SNMC in 2021 and AFALCI in 2022. Goodwill is tested for impairment annually. No impairment loss on goodwill was recognized as at September 30, 2024 and for the year ended December 31, 2023.

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### 13. Other Noncurrent Assets

This account consists of:

	September 30, 2024	December 31, 2023
Financial Assets:		
Restricted cash	<b>₱107,862,819</b>	₱81,379,994
Refundable deposits	<b>56,901,365</b>	63,575,285
Deposit in escrow	<b>53,691,082</b>	49,879,815
Nonfinancial assets:		
Deposit on asset purchase	<b>145,492,169</b>	222,856,814
Deferred exploration and evaluation costs	<b>44,678,353</b>	44,678,353
Deposit for future investment	<b>4,616,398</b>	4,371,745
	<b>₱413,242,186</b>	₱466,742,006

Restricted cash pertains to rehabilitation funds established by the Group and deposited with a local bank for compliance with the Department of Environment and Natural Resources Administrative Order No. 2005-07 for environmental protection and enhancement.

Refundable deposits include bill deposits for electric charges of the Group's manufacturing plant which are refundable upon termination of service and rental deposits related to long-term rentals of office space.

Deposit in escrow pertains to cash in escrow account related to a pending legal case.

Deposit on asset purchase represents advance payments for the construction of a building, acquisition of machinery and equipment and long-term deposit for inventory acquisition.

Deferred exploration and evaluation costs pertain to costs incurred for the exploration and development in the mining properties of the Group.

Deposit for future investment pertains to deposit made for future subscription to the common shares of stock of a business entity the Group is planning to venture.

#### 14. Trade and Other Payables

This account consists of:

	Note	September 30, 2024	December 31, 2023
Trade:			
Third parties		<b>₱2,123,629,189</b>	₱1,667,993,347
Related parties	17	<b>1,126,042,453</b>	1,336,140,248
Accruals for:			
Sales rebates		<b>410,129,061</b>	452,568,599
Personnel costs		<b>162,055,786</b>	239,363,890
Advertising		<b>196,105,862</b>	219,716,204
Advances from customers		<b>256,293,260</b>	280,943,293
Output VAT payable		<b>178,732,898</b>	288,030,838
Income tax payable		<b>118,266,270</b>	189,241,392
Retention payable		<b>25,109,129</b>	47,581,583
Statutory payables		<b>58,068,158</b>	45,209,615
Deferred rent	17	<b>7,776,648</b>	7,776,648
Current portion of installment payable		<b>3,494,791</b>	3,297,671
Others		<b>33,251,290</b>	40,448,601
		<b>₱4,698,954,795</b>	<b>₱4,818,311,929</b>

Trade payables are noninterest-bearing and are generally settled in varying periods, within one (1) year, depending on arrangements with suppliers.

Accrual for sales rebates, personnel costs, advertising and outside services are usually settled within one (1) year.

Advances from customers are collections received for inventory purchases to be delivered by the Group within 30 days after collection date.

Retention payable represents retention fees of contractors and is normally settled within one (1) year.

Statutory payables include withholding taxes and statutory contributions that are remitted to the government agencies on a monthly or quarterly basis.

Deferred rent pertains to advance payments made by a tenant for rental of land.

Installment payable pertains to an installment contract entered in 2016 with a third party for the supply and commissioning on site of a fly-ash carbon separator, the supply of belts, and the provision of technical services for \$3.8 million (₱173.5 million).

Other payables are noninterest-bearing and normally settled within one (1) year.

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## 15. Other Noncurrent Liabilities

This account consists of:

	September 30, 2024	December 31, 2023
Provision for mine rehabilitation and decommissioning	P54,351,429	P53,504,011
Lease liabilities – net of current portion	9,865,093	18,437,796
Installment payable – net of current portion	11,505,274	14,822,075
	<b>P75,721,796</b>	<b>P86,763,882</b>

### Provision for Mine Rehabilitation and Decommissioning

The Group is required under its Environmental Compliance Certificate to perform rehabilitation and decommissioning of its cement manufacturing plant and quarry operation sites. Accordingly, the Group recognized its estimated liability for site rehabilitation and decommissioning. The provision is calculated based on the Group's estimate of expected costs to be incurred to rehabilitate and decommission the sites and is measured at its present value using 4.60% discount rate.

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## 16. Equity

### **Capital Stock**

The Parent Company's authorized, issued and outstanding capital stock as at September 30, 2024 and December 31, 2023 are as follows:

Common stock – P1 par value	P5,000,000,005
Preferred stock – P1 par value	3,000,000,000
Treasury stock	<b>(3,000,000,000)</b>
	<b>5,000,000,005</b>

### **Dividends Declaration**

The Parent Company's BOD authorized the declaration of the following cash dividends in 2024 and 2023:

#### 2024

Type	Declaration Date	Payment Date	Dividend Per Share	Amount
Common	March 12, 2024	April 24, 2024	P0.20	P1,000,000,001
Common	July 18, 2024	August 8, 2024	P0.20	P1,000,000,001
Common	August 15, 2024	September 23, 2024	P0.20	P1,000,000,001
				<b>P3,000,000,003</b>

#### 2023

Type	Declaration Date	Payment Date	Dividend Per Share	Amount
Common	July 19, 2023	August 9, 2023	P0.56	P2,800,000,003
Common	November 14, 2023	December 18, 2023	0.56	2,800,000,003
				<b>P5,600,000,006</b>

### **Appropriations of Retained Earnings**

Details of appropriated retained earnings as at September 30, 2024 and December 31, 2023 are as follows:

<u>Year of Appropriation</u>	<u>Amount</u>	<u>Project Completion</u>
2023	₱8,500,000,000	To be completed in 2028
2023	5,000,000,000	To be completed in 2028
2023	2,500,000,000	To be completed in 2028
2023	500,000,000	To be completed in 2026
2023	100,000,000	To be completed in 2025
	<b>₱16,600,000,000</b>	

On February 2, 2023, the Group's BOD approved appropriation of retained earnings amounting to ₱100.0 million to fund the cost of budgeted capital expenditures and other improvement projects expected to be completed in December 2025.

On November 14, 2023, the Group's BOD approved extension of previous appropriation of unrestricted retained earnings amounting to ₱16,000.0 million to fund the construction of its fourth manufacturing line and production facility in Cebu, and other future expansion projects which are expected to be completed in 2028.

On November 23, 2023, the Group's BOD approved appropriation of retained earnings amounting to ₱500.0 million to fund acquisitions of land, and expansion of manufacturing plant which are expected to be completed in 2026.

### **Other Equity Reserves**

Details of the Group's other equity reserves are as follows:

	<b>September 30, 2024</b>	December 31, 2023
Revaluation surplus (net of deferred tax)	<b>₱4,387,067,333</b>	₱4,387,067,333
Cumulative remeasurement gains on net retirement benefit liability or asset (net of deferred tax)	<b>58,230,473</b>	58,230,473
Cumulative unrealized gains on financial assets at FVOCI	<b>(2,800,500)</b>	(3,333,750)
	<b>₱4,442,497,456</b>	₱4,441,964,056

## **17. Related Party Transactions**

The Group has transactions with its related parties in the ordinary course of business. The outstanding balances and amount of transactions with related parties are as follows:

Nature of Relationship	Nature of Transactions	<b>September 30, 2024</b>		December 31, 2023	
		<b>Amount of Transactions</b>	<b>Outstanding Balance</b>	Amount of Transactions	Outstanding Balance
<b>Cash and Cash Equivalents</b>					
Entity under common key management	Cash deposits and investment in short-term placements	<b>₱351,606,574</b>	<b>₱7,359,106,244</b>	₱416,523,213	₱7,455,345,256
<b>Financial Assets at FVPL (see Note 6)</b>					
Entity under common key management	Investment in quoted debt security	₱-	<b>₱48,778,505</b>	₱-	₱48,812,370
			<b>₱48,778,505</b>		₱48,812,370

Nature of Relationship	Nature of Transactions	September 30, 2024		December 31, 2023	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
<b>Trade Receivables</b> (see Note 7)					
Entities under common control	Sale of inventories	₱866,847,600	₱236,635,274	₱803,659,630	₱253,350,216
Entity under common key management	Sale of inventories	1,637,582	118,041	2,258,841	386,313
Intermediate Parent Company	Sale of inventories	1,696,916	–	–	–
			₱236,753,315		₱253,736,529
<b>Receivable from a related party</b> (see Note 7)					
Entity under common key management	Assignment of receivable	₱–	₱1,300,000,000	₱1,300,000,000	₱1,300,000,000
<b>Due from related parties</b> (see Note 7)					
Entities under common key management	Working capital advances	₱–	₱324,329,639	₱75,257	₱328,915,938
<b>Dividends receivable</b> (see Note 7)					
Intermediate Parent Company	Dividends earned	₱5,098,393	₱1,702,013	₱86,800,231	₱1,702,013
<b>Advances to Suppliers</b>					
Entities under common control	Purchase of services	₱600,000	₱600,000	₱10,451,507	₱10,451,507
<b>Financial Assets at FVOCI</b> (see Note 10)					
Entity under common control	Investments in quoted equity instruments	₱–	₱97,212,150	₱–	₱96,678,750
<b>Refundable Deposits</b>					
Entities under common control	Supply of services	₱17,990	₱55,548,063	₱187,035	₱55,530,073
Entities under common key management	Supply of services	–	500,000	–	500,000
			₱56,048,063		₱56,030,073
<b>Trade Payables</b> (see Note 14)					
Entities under common control	Hauling, rental and other services	₱3,395,625,527	₱548,282,257	₱5,342,733,469	₱834,912,335
Entities under common key management	Purchase of raw materials and outside services	636,230,301	370,180,821	1,212,218,414	302,631,651
Immediate Parent Company	Management and technical fees	684,668,178	207,579,375	414,694,939	198,596,262
			₱1,126,042,453		₱1,336,140,248
<b>Deferred rent</b>					
Entities under common control	Capital expenditure	₱–	₱7,776,648	₱7,776,648	₱7,776,648
<b>Lease Liability</b>					
Entity under common key management	Rental	₱–	₱669,154	₱–	₱3,689,453
<b>Dividends Payable</b>					
Immediate Parent Company	Dividends declared	₱2,998,742,203	₱–	₱5,597,652,115	₱–
<b>Loans Payable</b>					
Entity under common key management	Borrowings	₱–	₱–	₱18,685,371	₱–

### **Terms and Conditions of Transactions and Balances with Related Parties**

Trade and other receivables, dividend receivables, trade payables and due to and from related parties and are unsecured, noninterest-bearing except for cash and cash equivalents which earn interest at prevailing bank deposit rates and generally settled and settled within the respective related parties' normal settlement period. No allowance for ECL was provided for trade and other receivables and advances to related parties.

Advances to suppliers for payments of purchases of inventories and services, are settled upon delivery which are expected within one year from date of the advance payment.

Refundable deposits are noninterest-bearing and refundable upon termination of services.

Financial assets at FVPL pertains to unquoted redeemable perpetual securities of a related party which earns dividend income with a distribution rate of 5.0% per annum to be distributed quarterly, and quoted debt securities of a related party which earns interest income at rates ranging from 5.17% to 6.25%. In May 2023, the Parent Company redeemed the unquoted perpetual redeemable securities.

Financial assets at FVOCI pertains to quoted equity securities of a related party which earns dividend income.

#### **Assignment of Receivables**

On June 16, 2023, ECC assigns to FEHI the deposit for future subscription of ECC to the common shares of KSHI amounting to ₱1,300.0 million. Receivable from a related party is unsecured, noninterest-bearing, and shall be collectible on demand but within two (2) years.

#### **Technical and Service Agreement**

On July 31, 2023, the Group entered into an agreement with the Immediate Parent Company for the latter to provide technical assistance, training and research and development, with technical fees as consideration. On the same date, the Group also entered into a service agreement with the Immediate Parent Company for support services, human resource, and financial accounting and budgeting, payable in fixed quarterly management fees.

#### **Loans Payable**

In 2016, the Group entered into a loan facility agreement with local banks, including a related party. The loan principal is payable in 32 quarterly installments commencing on the 9th quarter from availment and will be fully paid on March 2, 2026. In May 2023, the Group has prepaid in full the remaining principal balance of the loan.

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## 18. Income Taxes

The components of income tax as reported in the unaudited interim consolidated statements of comprehensive income are as follows:

	<b>For the Nine-Month Periods Ended September 30 (Unaudited)</b>	
	<b>2024</b>	<b>2023</b>
<b>Reported in Profit or Loss</b>		
Current tax expense	<b>₱527,893,121</b>	₱541,340,006
Deferred tax expense (benefit)	–	–
	<b>₱527,893,121</b>	₱541,340,006
<b>Reported in OCI</b>		
Deferred tax expense on revaluation surplus	<b>₱–</b>	₱–
Reversal of deferred tax liability on:		
Revaluation surplus	–	–
Remeasurement gains on net retirement benefit liability	–	–
	<b>₱–</b>	₱–

The components of the Group's net deferred tax liabilities are as follows:

	September 30, 2024	December 31, 2023
Deferred tax assets:		
Cumulative balance of proceeds from testing of property, plant and equipment	₱63,026,738	₱63,026,738
Accrued expenses	33,207,435	33,207,435
Provision for mine rehabilitation and decommissioning	13,376,003	13,376,003
Excess of cost over fair value of financial assets at FVPL	3,655,140	3,655,140
Lease liabilities	1,340,294	1,340,294
Net retirement benefit liability	157,808	157,808
Others	4,195,566	4,195,566
	<b>₱118,958,984</b>	<b>₱118,958,984</b>
Deferred tax liabilities:		
Excess of revalued amount or fair value over cost of property, plant and equipment	1,657,810,825	1,657,810,825
Carrying amount of ROU assets	11,384,280	11,384,280
Net retirement benefit asset	7,595,641	7,595,641
Unrealized foreign exchange gains	5,196,267	5,196,267
Others	3,536,203	3,536,203
	<b>1,685,523,216</b>	<b>1,685,523,216</b>
Net deferred tax liabilities	<b>₱1,566,564,232</b>	<b>₱1,566,564,232</b>

## 19. Earnings Per Share

Basic and diluted EPS are calculated as follows:

For the nine months ended September 30

	2024	2023
Net income attributable to common stockholders	₱3,552,658,274	₱3,326,336,074
Weighted average number of common shares outstanding	5,000,000,005	5,000,000,005
Per share amounts: Basic and diluted EPS	<b>₱0.71</b>	<b>₱0.67</b>

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

The following discussion and analysis relate to the unaudited interim consolidated statements of financial position and results of operations of the Group and should be read in conjunction with the accompanying unaudited interim consolidated financial statements and related notes. The unaudited interim consolidated financial statements have been prepared in compliance with PAS 34, *Interim Financial Reporting* and in compliance with PFRS issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, PAS and Philippine Interpretations from IFRIC and SEC provisions.

The financial information appearing in this report and in the accompanying unaudited interim consolidated financial statements is presented in Philippine pesos, the Group's functional and presentation currency, as defined under PFRS. All values are rounded to the nearest million pesos, except when otherwise indicated.

## CONSOLIDATED RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS FOR NINE MONTHS ENDED SEPTEMBER 30, 2024 and SEPTEMBER 30, 2023

The Group posted consolidated revenues of ₱18.40 billion during the period, 6% lower against the ₱19.66 billion during the same period last year primarily due to the significant decline in selling price.

Cost of sales decreased by 1% to ₱12.51 billion from ₱12.65 billion as a result of the improvement of major input cost mainly power and coal.

Thus, the gross profit dropped by 16% to ₱5.89 billion with gross profit margin declining by 4% to 32%.

Operating expenses (OPEX) decreased by 5% to ₱2.15 billion from ₱2.28 billion due to lower advertising expense and taxes, fees and licenses payment.

Finance costs declined by 99% to ₱2.99 million from ₱201.54 million last year due to the full prepayment of the Term Loan Facility and Security Agreement (TLFSA) last May 2023.

Interest income increased by 12% to ₱522.99 million due to higher placements and higher yield from short-term investments.

Other loss decreased by 100% to ₱1.20 million from ₱891.99 million, attributable to the loss on sale of a subsidiary recognized last year.

The income tax provision decreased by 10% to ₱703.70 million from ₱779.95 million as a result of lower gross profit this period as against the same period last year.

Net income after tax (NIAT) increased by 7% to ₱3.55 billion from ₱3.33 billion last year. This translated to EPS of ₱0.71, higher than last year's ₱0.67 by 6%.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) on the other hand decreased by 1% to ₱4.92 billion from ₱4.95 billion, with EBITDA margin registering at 27%.

The table below summarizes the unaudited interim consolidated results of operations of the Group for the nine months ended September 30, 2024 and 2023.

	For the Nine Months Ended September 30			
	2024	2023	Increase (Decrease)	Percentage of change
Net sales	<b>₱18,396,907,117</b>	₱19,662,288,300	(₱1,265,381,183)	-6%
Cost of goods sold	<b>12,508,445,939</b>	12,653,361,633	(144,915,694)	-1%
Gross profit	<b>5,888,461,178</b>	7,008,926,667	(1,120,465,489)	-16%
Operating expenses	<b>2,153,298,475</b>	2,276,690,692	(123,392,217)	-5%
Income from operations	<b>3,735,162,703</b>	4,732,235,975	(997,073,272)	-21%
Finance costs	<b>(2,993,234)</b>	(201,544,014)	198,550,780	-99%
Interest income	<b>522,985,163</b>	467,591,909	55,393,254	12%
Other loss - net	<b>1,202,522</b>	(891,993,727)	893,196,249	-100%
Income before income tax	<b>4,256,357,154</b>	4,106,290,143	150,067,011	4%
Less income tax expense	<b>703,698,880</b>	779,954,069	(76,255,189)	-10%
Net income	<b>₱3,552,658,274</b>	₱3,326,336,074	₱226,322,200	7%

### **Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

	For the Nine Months Ended	
	September 30, 2024	September 30, 2023
Net income	<b>₱3,552,658,274</b>	₱3,326,336,074
Add:		
Depreciation and amortization	<b>1,119,977,833</b>	1,107,819,678
Income tax expense	<b>703,698,880</b>	779,954,069
Finance costs	<b>2,993,234</b>	201,544,014
Foreign exchange losses (net)	<b>64,335,153</b>	–
Less:		
Interest income	<b>522,985,163</b>	467,591,909
EBITDA	<b>₱4,920,678,211</b>	₱4,948,061,926

### **RESULTS OF OPERATIONS FOR NINE MONTHS ENDED SEPTEMBER 30, 2023 and SEPTEMBER 30, 2022**

The table below summarizes the unaudited interim consolidated results of operations of the Group for the nine months ended September 30, 2023 and 2022, presented in absolute amounts as a percentage of net sales.

The Group posted a consolidated revenue of ₱19.66 billion during the period, a 2% decline from the ₱20.08 billion in the corresponding period last year, resulting from lower sales volume.

Cost of sales decreased by 5% to ₱12.65 billion mainly due to lower power rate and lower sales volume.

Thus, the gross profit increased by 4% to ₱7.01 billion with an improvement in gross profit margin to 36% from 33% last year.

OPEX increased by 6% to ₱2.28 billion from ₱2.14 billion due to increase in freight cost driven by the inflationary effect of increase in fuel price.

Finance costs dropped by 10% to ₱201.54 million from ₱223.66 million last year mainly attributable to the prepayment fees in relation to the pretermination of the TLFSAs last May 2023.

Interest income increased significantly by 177% to ₱467.59 million owing to the improved interest rates on short term placements.

Other income (loss) decreased by 287% to (₱891.99) million owing to the loss recognized on sale of a subsidiary.

Provision for income tax increased by 1% to ₱779.94 million from ₱771.27 million owing to the expiration of the third production line's income tax holiday (ITH) incentive on April 30, 2022.

As a result, NIAT dropped by 21% to ₱3.33 billion from ₱4.22 billion year-on-year. This translated to EPS of ₱0.67, lower than last year's ₱0.84. Net income margin stood at 17% at the end of the period.

EBITDA consequently decreased by 17% to ₱4.95 billion from ₱6.03 billion, EBITDA margin registered at 25%.

The table below summarizes the unaudited interim consolidated results of operations of the Group for the nine months ended September 30, 2023 and 2022, presented in absolute amounts as a percentage of net sales.

	<b>For the Nine Months Ended September 30</b>			
	<b>2023</b>	<b>2022</b>	Increase (Decrease)	Percentage of change
Net sales	<b>₱19,662,288,300</b>	₱20,078,814,942	(₱416,526,642)	-2%
Cost of goods sold	<b>12,653,361,633</b>	13,366,261,712	(712,900,079)	-5%
Gross profit	<b>7,008,926,667</b>	6,712,553,230	296,373,437	4%
Operating expenses	<b>2,276,690,692</b>	2,142,265,497	134,425,195	6%
Income from operations	<b>4,732,235,975</b>	4,570,287,733	161,948,242	4%
Finance costs	<b>(201,544,014)</b>	(223,663,082)	22,119,068	-10%
Interest income	<b>467,591,909</b>	168,965,410	298,626,499	177%
Other loss - net	<b>(891,993,727)</b>	476,435,181	(1,368,428,908)	-287%
Income before income tax	<b>4,106,290,143</b>	4,992,025,242	(885,735,099)	-18%
Less income tax expense	<b>779,954,069</b>	771,268,747	8,685,322	1%
Net income	<b>₱3,326,336,074</b>	₱4,220,756,495	(₱894,420,421)	-21%

#### **Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

	For the Nine Months Ended	
	<b>September 30, 2023</b>	September 30, 2022
Net income	<b>₱3,326,336,074</b>	₱4,220,756,495
Add:		
Depreciation and amortization	<b>1,107,819,678</b>	980,108,436
Income tax expense	<b>779,954,069</b>	771,268,747
Finance costs	<b>201,544,014</b>	223,663,082
Less:		
Interest income	<b>467,591,909</b>	168,965,410
EBITDA	<b>₱4,948,061,926</b>	₱6,026,831,350

## **FINANCIAL POSITION**

### **Comparative balances for September 30, 2024 and December 31, 2023**

The financial position of the Group for the period ended September 30, 2024 remains stable with total assets increasing by 1% to ₱50.54 billion from ₱50.12 billion as at end of 2023.

Current assets increased by 2% to ₱17.39 billion.

Cash and cash equivalents increased by 6% to ₱11.39 billion mainly due to higher cash generated from operations and ₱575.00 million maturity of investment in bonds.

Noncurrent assets slightly grew to ₱33.16 billion from ₱33.04 billion as at end of 2023 because of additional asset acquisition.

Current liabilities is down by 3% to ₱4.71 billion attributable to lower income tax payable for the period.

Noncurrent liabilities slightly fell by 1% to ₱1.64 billion.

Total liabilities stood at ₱6.35 billion, 2% lower than the ₱6.49 billion registered last year.

After accounting for net income, cash dividends declaration and other equity reserves, consolidated stockholders' equity increased by 1% to ₱44.19 billion.

The Group's debt-to-equity ratio registered at 0.14x. The current gearing gives the Group more flexibility to support its investment plans. Meanwhile, current ratio stood at 3.69x while return on equity ended at 8%.

The below table summarizes the unaudited interim consolidated financial position of the Group as at September 30, 2024 (Unaudited) and December 31, 2023 (Audited):

	September 30, 2024	December 31, 2023	Increase (Decrease)	Percentage Change
Current Assets	<b>₱17,385,516,526</b>	₱17,086,963,956	₱298,552,570	2%
Noncurrent Assets	<b>33,158,434,230</b>	33,037,340,606	121,093,623	0%
<b>Total Assets</b>	<b>50,543,950,756</b>	50,124,304,562	419,646,193	1%
Current Liabilities	<b>4,710,881,509</b>	4,833,384,900	(122,503,391)	-3%
Noncurrent Liabilities	<b>1,642,917,258</b>	1,653,959,344	(11,042,086)	-1%
<b>Total Liabilities</b>	<b>6,353,798,767</b>	6,487,344,244	(133,545,478)	-2%
Equity	<b>44,190,151,989</b>	43,636,960,318	553,191,671	1%
<b>Total Liabilities and Equity</b>	<b>₱50,543,950,756</b>	₱50,124,304,562	₱419,646,195	1%

## Key Performance Indicators

### Relevant Financial Ratios

The following are the major financial indicators being used by the Group:

Financial KPI	Definition	2024	2023
Current/liquidity ratio*	$\frac{\text{Current assets}}{\text{Current liabilities}}$	3.69	3.54
Solvency ratio**	$\frac{\text{Net income before depreciation}}{\text{Total liabilities}}$	0.74	0.42
Debt-to-equity ratio*	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.14	0.15
Asset-to-equity ratio*	$\frac{\text{Total assets}}{\text{Total equity}}$	1.14	1.15
Return on asset ratio**	$\frac{\text{Net income before interest expense after tax}}{\text{Average total assets}}$	0.07	0.06
Return on equity ratio**	$\frac{\text{Net income}}{\text{Average total equity}}$	0.08	0.07

\*Comparative balance for 2023 is as at December 31, 2023.

\*\*Comparative balance for 2023 is as at and for the nine months ended September 30, 2023.

## Comparative balances for September 30, 2023 and December 31, 2022

The financial position of the Group for the period ended September 30, 2023 remains solid. Total assets decreased by 6% to ₱51.09 billion from ₱54.59 billion on December 31, 2022.

Current assets at the end of the period totaled to ₱18.76 billion, 13% lower against end of 2022 primarily due to the repayment of the remaining balance of TLFSA and cash dividend payment.

Noncurrent assets decreased by 2% to ₱32.33 billion from ₱33.06 billion resulting from the reclassification of long-term placements maturing during the year to current assets.

Current liabilities decreased by 21% to ₱4.58 billion largely due to the pretermination of the TLFSA. The decline was slightly negated by the increase in income tax payable resulting from the expiration of the third production line's ITH incentive.

Noncurrent liabilities declined by 62% to ₱1.74 billion likewise resulting from the pretermination of the TLFSA.

Stockholders' equity, on the other hand, increased by 1% to ₱44.76 billion from the group's net income generated during the period net of cash dividends paid.

ECC maintained its current gearing at healthy levels, with debt-to-equity and financial debt-to-equity ratios registering at 0.14x and 0.23x, respectively, giving the Group the flexibility to pursue its future investment plans. Meanwhile, current ratio stood at 4.09x.

The below table summarizes the unaudited interim consolidated financial position of the Group as at September 30, 2023 (Unaudited) and December 31, 2022 (Audited):

	September 30, 2023	December 31, 2022	Increase (Decrease)	Percentage Change
Current Assets	₱18,758,929,407	₱21,528,655,153	(₱2,769,725,746)	-13%
Noncurrent Assets	32,331,078,041	33,060,944,024	(729,865,983)	-2%
<b>Total Assets</b>	<b>51,090,007,448</b>	54,589,599,177	(3,499,591,729)	-6%
Current Liabilities	<b>4,584,419,247</b>	5,816,934,549	(1,232,515,302)	-21%
Noncurrent Liabilities	<b>1,743,992,886</b>	4,536,338,593	(2,792,345,707)	-62%
<b>Total Liabilities</b>	<b>6,328,412,133</b>	10,353,273,142	(4,024,861,009)	-39%
Equity	<b>44,761,595,315</b>	44,236,326,035	525,269,280	1%
<b>Total Liabilities and Equity</b>	<b>₱51,090,007,448</b>	₱54,589,599,177	(₱3,499,591,729)	-6%

## Liquidity and Capital Resources

### Cash Flows

#### COMPARATIVE FOR NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023

The primary sources and uses of cash of the Group for the nine months ended September 30, 2024 and 2023 are summarized below.

	September 30, 2024	September 30, 2023
Net cash provided by operating activities	<b>₱4,351,327,320</b>	₱6,549,950,754
Net cash provided by (used in) investing activities	<b>(690,124,156)</b>	3,299,975,238
Net cash used in financing activities	<b>(3,012,842,586)</b>	(7,050,222,985)
Net increase in cash and cash equivalents	<b>648,360,578</b>	2,799,703,007
Effects of exchange rate changes	<b>(2,956,785)</b>	(8,520,283)
Cash and cash equivalents at beginning of period	<b>10,746,976,158</b>	9,547,285,514
Cash and cash equivalents at end of period	<b>₱11,392,379,951</b>	₱12,338,468,238

Net cash provided by operating activities arises from the following:

	September 30, 2024	September 30, 2023
Operating income before working capital changes	<b>₱4,860,363,360</b>	₱5,860,482,661
Decrease (increase) in net working capital	<b>(453,594,976)</b>	963,021,347
Interest received	<b>526,711,439</b>	410,229,526
Income taxes paid	<b>(582,152,503)</b>	(683,782,780)
Net cash provided by operating activities	<b>₱4,351,327,320</b>	₱6,549,950,754

The net increase in net working capital pertains mainly on the increase in inventories, other assets, receivables and increase in trade and other payables during the period.

Net cash used in investing activities are mainly attributable to the acquisition of capital expenditures and intangible assets amounting to ₱1.35 billion offset by the ₱575.00 million maturities of investment in bonds.

Net cash used in financing activities include the following:

	September 30, 2024	September 30, 2023
Payment of dividends	<b>₱3,000,000,003</b>	₱2,800,000,003
Payment of loans payable	–	4,049,500,000
Payments of interest	–	191,089,302
Payment of lease liabilities	<b>12,842,583</b>	9,633,681

### Term Loan Facility and Security Agreement

On February 2016, the Parent Company entered into a TLFSAs with various local financial institutions for a fixed rate loan amounting to ₱11,000.0 million with a tenor of 10 years. As at March 31, 2017, the Parent Company availed ₱8,200.0 million from the facility to refinance its debt obligations and to finance the construction, installation, commissioning, and operation of Line 3 of the Bulacan cement plant.

In April 2017, the Parent Company availed of an additional ₱750.0 million from the facility. Payments under the TLFSAs are made quarterly in arrears and based on the scheduled payments as agreed upon.

On May 29, 2023, the Parent Company fully paid the total outstanding principal as of that date amounting to ₱3,738.0 million incurring prepayment fees of ₱95.1 million. The payment was funded by the proceeds from the redemption on May 25, 2023 of the ₱4,000.0 million SMC Redeemable Preferred Shares issued in 2020.

### **Capital Expenditure**

The total capital expenditure of the Group for the nine months ended September 30, 2024 amounted to ₱1.21 billion. Of that amount, 97% was spent for building, machinery and equipment, 2% was accounted for land, while the remaining 1% was spent for transportation equipment, furniture, fixtures and office equipment.