UNITED

we are building a new era

Annual Report **2019**

CORPORACIÓN MOCTEZUMA

OUR FRONT COVER

The Tangram, an ancient Chinese puzzle, is based on seven geometric figures that can be used to form an infinite number of images, each of which bears the mark of the creativity and innovation of the person who creates them and symbolizes the underlying capacity for adaptation to constant change.

Just like the Tangram, in Corporación Moctezuma we have known how to adapt and evolve, and together, cope with the challenges of a particularly demanding period for the cement and construction industry in Mexico.

This is how we have confirmed our solid position in the national market, as we have done throughout our history: a company Proud to be Mexican.

MISSION

Produce cement and concrete that satisfies our clients' requirements, at the lowest cost and most competitive price in an environment of safety and development for our personnel, in harmony with the environment, a positive relationship with the community that surrounds us, giving fair payment to our employees and value added to the investment made by our shareholders and clients.

VISION

Maintain our leadership of efficiency and profitability, expanding our cement and concrete operations at national level, positioning our brand as the high quality of our product merits.

VALUES

Our values are the foundations of our company´s identity, as well as the shared convictions that form part of our new long-term strategy and the service we offer on the market.

Committed: Committed to the well-being of Mexico

Close at hand: We listen and respond

Competitive: Investment and innovation

Consistent: Consistency which creates confidence

CONTENTS

RELEVANT FIGURES

Figures in millions of Mexican pesos, except dividends which are expressed in pesos.

	2019	2018	Var.
Total Assets	$11,393	$12,337	-7.7%
Total Liabilities	$2,166	$2,241	-3.3%
Equity	$9,227	$10,096	-8.6%
Revenue	$12,788	$14,184	-9.8%
Gross Profit	$5,505	$6,661	-17.4%
Gross Margin	43.0%	47.0%	
Operating Profit	$4,832	$6,004	-19.5%
Operating Margin	37.8%	42.3%	
EBITDA*	$5,437	$6,562	-17.1%
EBITDA Margin	42.5%	46.3%	
Consolidated Net Income	$3,399	$4,352	-21.9%
Consolidated Net Income Margin	26.6%	30.7%	
Consolidated Comprehensive Income	$3,394	$4,354	-22.0%
Consolidated Comprehensive Income Margin	26.5%	30.7%	
Dividend per Share	$4.7	$5.3	-11.3%

**EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)*

Message to OUR **SHAREHOLDERS**

2019 was a complex year for the economy worldwide, including Mexico. In a global economy that was kept in a state of uncertainty due to the commercial war between the USA and China, the greatest advance was made in December 2019 when these countries came to their first agreement to avoid the imposition of new tariffs. Brexit also caused uncertainty, as the delay in an agreement put pressure on all markets. With respect to the United States-Mexico-Canada Agreement (USMCA), it is expected that this will come into force in 2020.

For a number of years, we have worked to provide Corporación Moctezuma with a flexible structure, with a capacity for rapid response and a clear orientation towards our clients. Our responsible style of administration, free of liabilities and the discipline with which we control costs and spending give us an important competitive advantage and there is no doubt that we represent a symbol of consolidation in the construction industry.

Despite the international and local economic panorama, we were able to fulfil our commitment to paying dividends to our shareholders. In 2019, we paid a total of 4,132.0 million pesos, corresponding to a payment of 4.70 pesos per share.

Our history is distinguished by commitment to the social and environmental responsibility of our operations. As a result of meticulous analysis and studies to determine the best options for the use of alternative fuels, during 2019 we consolidated our efforts and made investments oriented towards starting to take advantage of them. So, beginning in 2020, we will start using this type of fuel which will help to improve our environmental performance even more and strengthen the Company as a clean business. In this field, we also increased the use of the railway system for cement distribution, thus lowering emissions and achieving economic benefits by covering long distances at an optimum cost.

Another relevant decision was to join the Global Cement and Concrete Association (GCCA), an international organization with

We are committed to continue working to maintain Corporación Moctezuma as a **profitable and internationally competitive company** by hiring and retaining the best human talent, continuing to reward our shareholders fairly as well as making an effort to building a better society and contributing to making Mexico great.

a special interest in research, development and implementation of more efficient and cleaner production processes. Belonging to this organization opens up a future vision and will help us access best practices worldwide.

Towards the end of 2019, an agreement was reached between the public and private sectors to reactivate investment in the infrastructure that Mexico requires, so it is hoped that during 2020 the construction industry will see a recovery. The managerial work done, human resources of great value, cutting-edge technology along with our strategic location, allow us to consider that we are ready to take advantage of the market opportunities that present themselves.

We maintain our conviction and commitment to the safety of our employees and contractors. In 2019, there was a 20% fall in disabling accidents and in 2020 we will start a new prevention programme to strengthen the safety culture in our cement and concrete plants. We contribute to care for the environment as well as giving full attention to our stakeholders. We also behave with absolute respect for and inclusion of individuals, not allowing any type of discrimination and conducting ourselves according to the Company's ethics and values.

We are committed to maintaining Corporación Moctezuma as a profitable and internationally competitive company by hiring and retaining the best human talent, continuing to reward our shareholders fairly as well as making an effort to build a better society and contributing to making Mexico great.

Enrico Buzzi
Chairman of the Board

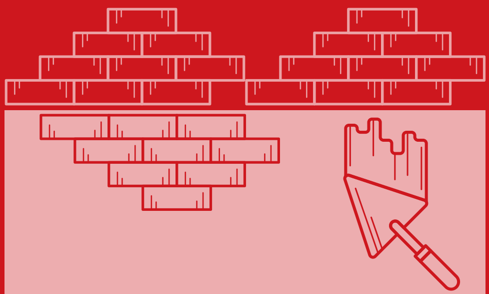
José María Barroso
Chief Executive Officer

Being close at hand, personalized attention and rapid **response** are the characteristics of our **client services.**

CEMENT DIVISION

Cementos **Moctezuma**

In **Cementos Moctezuma** what distinguishes us is our **high quality service,** personalized attention and getting our product as close to our clients as possible.



We **remain** alert to the needs **of distributors** and take effective measures to encourage the healthy **development** of their businesses.

2019 was a year in which we consolidated work done previously in Cementos Moctezuma to confront the deceleration in the construction sector which became more acute during the year due to a complex economic environment.

At both national and international levels there was a slowdown which impacted all economic activities. This situation affected the construction sector and had repercussions for all cement manufacturers.

Year of Consolidation

For Cementos Moctezuma, 2019 was the year in which we took on the task of consolidating actions made in recent years oriented towards achieving greater efficiency in both our commercial and operational areas.

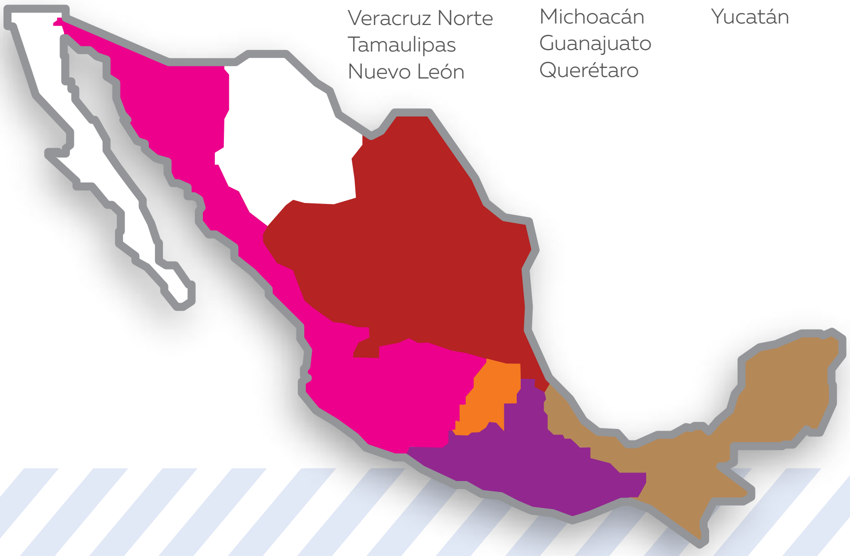
Something which characterizes the Company is its high quality service aimed at ensuring that we get our products as close to the market as possible, providing personalized attention and responding rapidly to the needs of our clients. This year we reinforced our technological tools and personalized communication, speeding up our response time as well as focussing on improving the administrative processes required to make our client services more efficient. We also opened new distribution centres to get closer to the market and thus benefit the distributors, our end clients. We remain alert to our distributors and take effective measures that encourage the healthy development of their businesses in order to establish close, long term business relationships.

We continued to develop technological tools which improve the client's experience. Thanks to our IT programmes we can

We distribute the highest quality cement to **29 Mexican states** from our three cement plants.

CURRENT COMMERCIAL ZONES

CENTRAL REGION	SOUTHERN REGION	NORTHERN REGION	BAJÍO REGION	SOUTH EAST PENINSULA
Mexico State	Puebla	Coahuila	Sonora	Campeche
Mexico City	Tlaxcala	Durango	Sinaloa	Chiapas
Hidalgo	Guerrero	Zacatecas	Nayarit	Quintana Roo
	Morelos	Aguascalientes	Jalisco	Tabasco
	Oaxaca	San Luis Potosí	Colima	Veracruz
		Veracruz Norte	Michoacán	Yucatán
		Tamaulipas	Guanajuato	
		Nuevo León	Querétaro	



now improve response time in activities like orders, invoicing and ensuring client payments. It should be pointed out that these tools also provide the salesforce with precise information at all times, as well as helping them to optimize their time management.

Efficient Production

We distribute the highest quality cement to 29 Mexican states from our three cement plants strategically located throughout the country. These plants are equipped with modern technology which allows for outstanding environmental performance and it is important to note that our electricity and thermal energy consumption are amongst the best in the world.

Having an optimum level of energy consumption is a powerful tool in a market characterized by high industrial electricity tariffs and great volatility in the price of petcoke.

We are firmly committed to sustainability. We have state of the art technology and have received recognition for our clean operations. However, care for the environment demands the effort and investments that keep us in the forefront.

In June 2019, we reached an agreement with Veolia México, a company specializing in environmental services. Through this alliance, Veolia will build an alternative fuel formulation plant in San Luis Potosí from which it will supply this type of fuel to the

We achieved high standards of **production and distribution.**

Cerritos Plant for use in its kilns. We estimate that the Veolia plant will start operating at the end of 2020.

With this investment, Corporación Moctezuma holds fast to its commitment to environmental conservation by making use of residues in a sustainable manner.

The upkeep of our production facilities is the task of our team of professionals who carry out careful preventive and corrective maintenance so that our plants are always operating in the best possible conditions. In 2019, we continued maintenance work on the dust collection systems and incorporated new equipment at the aggregates plant in Apazapan as well as continuing the programmed renewal of bags in the big dust filters. In this way, we achieve the highest standards of production and distribution in full compliance with current environmental regulations. Thanks to this high level of performance, the cement plants have all the required permits, comply with all the environmental guidelines and have received recognition on various occasions for their optimum standard of operation.

Amongst the improvements carried out in our plants we should highlight:

- In the Apazapan Plant we installed the third cement packing machine in order to comply with the change in regulations to pack in 25kg sacks.
- In the Cerritos Plant we installed the aero-decanter in Cement Mill 2.
- In the Tepetzingo Plant improvements were made to the medical installations and we began the construction of a new plant canteen which will be completed in the first quarter of 2020. In addition, we finished the complete change of the distributed control system and installed the constant level hopper in Kiln 1.

A Safe Company

Our permanent objective is what is referred to in industrial safety as ending the year with "zero accidents", which is why the Company makes investments aimed at minimizing risks in our installations and vehicles, generating procedures and developing instruction manuals, regulations and guides.

At the same time, major efforts are made to raise awareness amongst employees that we are all responsible for safety.

This year we continued with the STOP programme, Safety at Work through Permanent Observation (Seguridad en el Trabajo a Través de la Observación Permanente) methodology, with the clear aim that all personnel should collaborate actively in our Organization's safety culture.

Constant Communication

We are a transparent company, with a strong respect for ethics; we feel proud of belonging to the Company and maintain permanent contact with our stakeholders.

In 2019, with the participation of our CEO, we held meetings with local and corporate contractors and continued our Open Doors Days in the cement plants. We also have close relations with a number of government agencies to whom we reiterate our commitment to full compliance with legal requirements. No less important are meetings with our employees to whom we repeat our commitment to their welfare, as well as expressing our recognition for the work they do.

We are a **transparent** Company, with a strong respect for **ethics** and maintain permanent **contact** with our stakeholders.

We continued with the **Safety at Work** methodology focused on encouraging **our personnel** to collaborate actively in a safety **culture.**

CONCRETE DIVISION

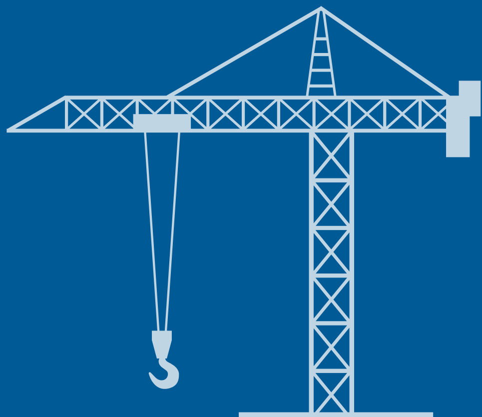
In Concretos Moctezuma, **Consolidation and Efficiency**

Since 2017, in Concretos Moctezuma we had anticipated a complex situation so we set ourselves the task of forming a slimmed down, flexible internal structure which would allow us to respond quickly to the needs of the market and which gives the Company an important competitive advantage. We also focussed on the development and implementation of processes in the different areas privileging the institutionalization of the Company and a clear focus on efficiency.

Throughout 2019, we faced a number of different challenges, the main one being a great contraction of the market. While this situation had effects nationally, the regions most seriously affected were the Bajío and Centre zones which include the states where we had achieved a high market share in recent years.

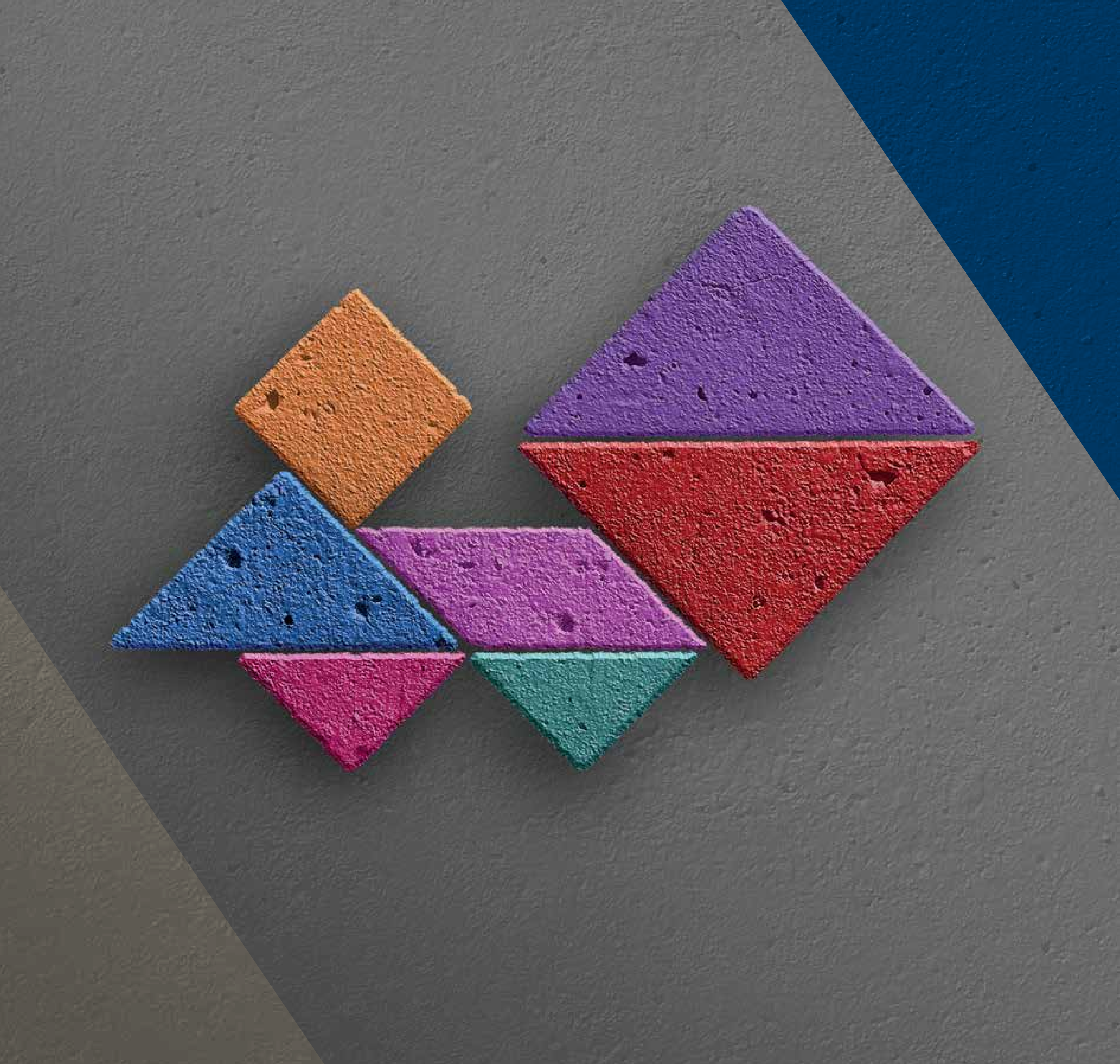
Given this environment, we set about diversifying our client portfolio, looking for new markets and taking advantage of our capacity to adapt. We participated in medium sized projects, always maintaining the quality of our products and being used to providing a high quality service to clients, we always tried to achieve optimum profitability.

While it is true that market conditions in 2019 were complex, thanks to the technology we have and the conditions offered, towards the end of the year we won a public tender to participate in a large scale road



We have an **agile, slimmed down and flexible internal structure,** capable of responding quickly to the needs of the market.

We participated in medium sized projects, maintaining **our customary level of client services.**



We have **30 operational plants** strategically located in **9 Mexican states.**

The use of **IT tools** such as **Sales Force** allow us to maintain a high level of **service to our clients.**

surfacing project in Guadalajara (Proyecto de Pavimentación en Guadalajara). This project consists of surfacing the Guadalajara ring road (Periférico de Guadalajara). Up till now, we have been congratulated for the work carried out and the short time in which we achieved it. During the year, we also participated in relevant projects such as:

- Mexico-Toluca Inter-city train (Tren Interurbano México-Toluca).
- Buildings in the Metropolitan Area of Mexico City (Desarrollo Helfon, Reforma 202, University Tower, Insurgentes 82, Style Interlomas).
- Commercial Centres like Atana Lindavista, Némesis Capital, Espacio Condesa.
- Port infraestructure with the China Construction Company and with Iberdrola, a wind park in Puebla.
- Specialized projects like Corporative Hospital Tláhuac, with SACYR México, Avícolas El Calvario, Constructora Anáhuac and Grupo Beck, as well as the foundations and building of the Neuchatell development.

At the close of 2019, we have 30 plants strategically located in places where we can achieve satisfactory profitability. After a planned process of contraction in some non-strategic regions, we are now working to stabilize operations, to reach a standard level that can be replicated in other centres where we decide to grow in the future, guaranteeing profitability through efficient operations and a focus on attractive markets.

Commercial Efficiency

At the end of 2018, we started up the Sales Force programme, a powerful IT tool which permits rapid communication in the different areas of Concretos Moctezuma as well as a better control of commercial activity.

In 2019, we consolidated the use of this tool and thanks to Sales Force, it is possible to monitor the situation of each client with respect to deliveries, guarantees and payment at all times. As well as being an effective supervision system, it allows each salesperson access to the situation of their clients at any time and to optimize the management of their agenda. It also allows us to maintain close relations with our clients so as to attend their needs better.

We have a management model in which the Plant Directors are responsible for each business unit, as they are the ones who have direct interaction that is highly valued by the clients. We work continuously so that the client does not see in Concretos Moctezuma just another seller of concrete, but rather a supplier of solutions, who provides and generates value to their construction processes.

Safety at Work

The safety of our employees is high priority for Concretos Moctezuma, which is why we carry out both preventive and corrective actions in this field. During 2019, our actions were based on two pillars: a Culture of Safety and Competences.

With respect to a Culture of Safety, we implemented the following activities:

- Managers' safety visits.
- Implementation of campaigns.
- Monthly talks.
- Distribution of bulletins.
- Implementation of the STOP programme for supervision.

With respect to Competencies, we worked on:

- Practical training on safety rules.
- Constant plant supervision.
- Improvements in plant infrastructure.
- Safety procedures and illustrated manuals.
- Identification of risks on customer site.
- Certification of suppliers and contractors.

In 2019, we noted an improvement in our results in workplace safety thanks to the actions implemented, a greater involvement of directors and managerial staff as well as work on awareness and collaborative efforts by all Concretos Moctezuma person-

nel. All this is based on the understanding that safety is not only the responsibility of Management but also, that it is a way of life which should be present amongst everyone who collaborates with us as part of their activities.

We know that this year's achievements are a step on the path towards reaching our goal of zero accidents.

A Sustainable Company

We are distinguished for always listening to the requirements of our stakeholders, we keep our production plants clean by providing them with technology favourable to low emissions levels as well as equipment to make use of recycled water. At present, we are also implementing a programme of good relations with our neighbouring communities by informing them about our operations.

We comply with all regulatory requirements and have a department which is responsible for the timely renewal of all permits and licences so that our installations are up to date with all official requirements.

During 2019, we continued the renewal of corporative vehicles with the purchase of new mixer trucks which guarantee us very low emissions. In addition, we overhauled the equipment that we already had thus keeping it in optimum operating conditions. We also began using alternative fuels and continued to study how to increase the use of these sources of energy in order to improve environmental performance.

Looking Ahead to the Future

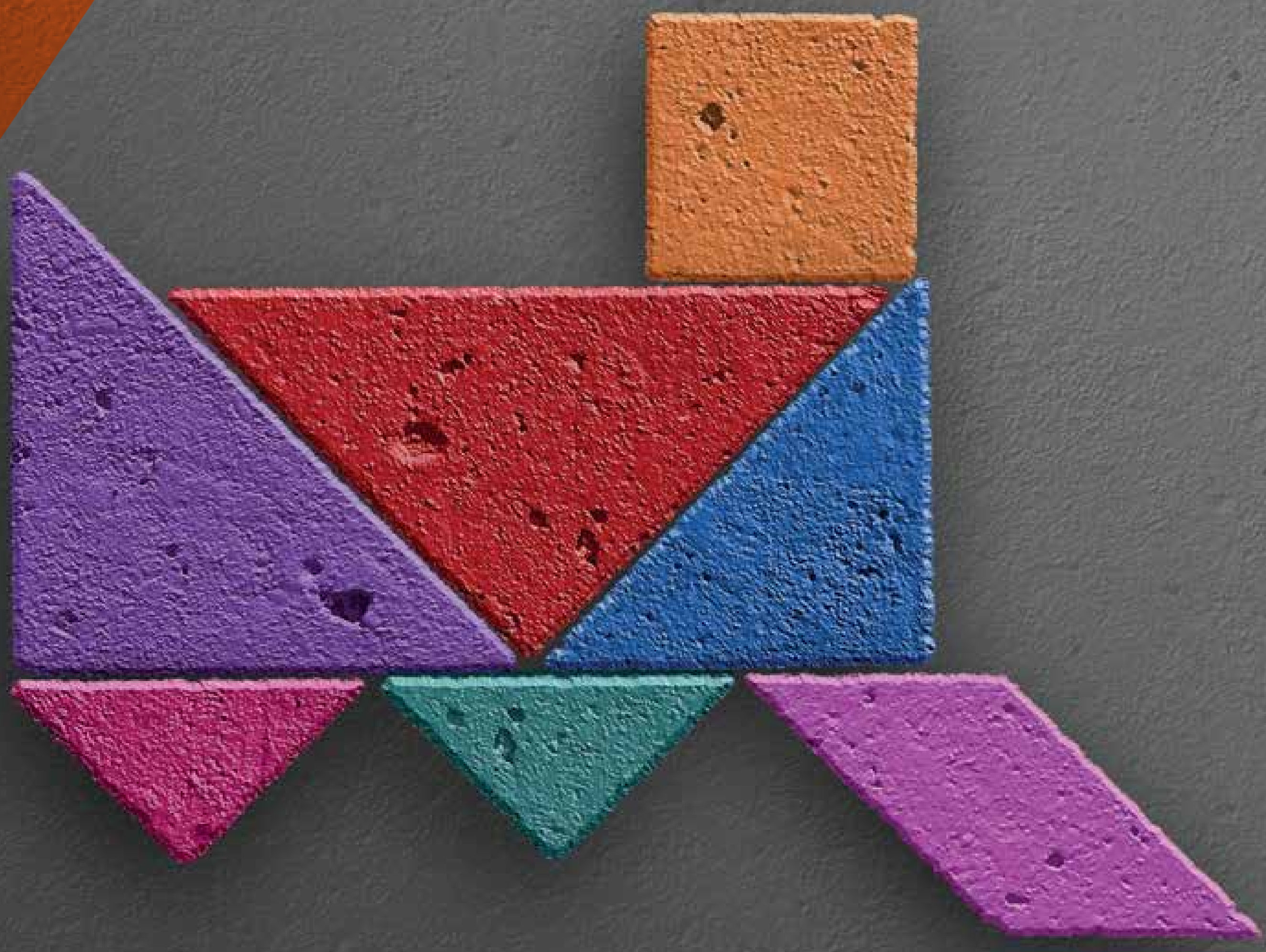
In Concretos Moctezuma, we worked on Consolidation and Efficiency in previous years thanks to which we have created the foundations for a business that is solid, transparent, with firm values and a strong focus on our clients. This has made it possible to face the challenges of 2019 with fortitude.

We have taken important steps to consolidate shareholdings, with the aim of ensuring rapid and efficient decision making without the potential limitations of local minority shareholders.

We know that 2020 will bring new challenges but also great new opportunities. In Concretos Moctezuma, we are ready to take advantage of them as we have a team of Directors with ample experience and knowledge of the market, trained and committed personnel as well as loyal clients convinced that we are a Company that manufactures high quality products and has a standard of service capable of satisfying their needs.

The work carried out in recent years has resulted in a **solid, transparent Company** with strong values.

2020 will bring **new challenges** but also great **new opportunities.**



LOGISTICS

Having a good logistics system gives us an important **competitive advantage** to cement businesses, as it is crucial to stay as **close to the market as possible**

Our capacity to adapt allows us to **respond quickly** to the needs of our **client.**

Getting our products to the client implies major challenges, even more so when we take into account the conditions that presented themselves in 2019. Nonetheless, the capacity of Moctezuma's team as well as previous work aimed at optimizing logistics, allowed us to achieve our goals.

Transporting Cemento Moctezuma out to the market efficiently poses great challenges. This year, there were adverse situations with respect to cost structures due to volatile prices internationally.

Our capacity for flexibility and the actions taken over recent years permitted us to overcome adversities of this sort and made us stronger.

We are a solid company with three strategically located cement plants from which we distribute our product to practically the whole country. Our virtues include the capacity to adapt in order to offer a rapid response to the demands of the business environment, always to the benefit of our clients.

We have made the railway an important means of transport for Cementos Moctezuma, which means we can move a great volume of product over great distances, optimize costs and reduce our environmental footprint. Given the benefits of rail transport, during the year, we continued to make investments in order to consolidate our use of the railway system by both developing the infrastructure needed to take advantage of it and training our personnel. To sum up, we have created a business around this means of transport and, at the end of 2019, we have eleven railway terminals in operation to meet our logistics requirements.

From our **three cement plants,** we distribute our product to **almost the whole country.**

We developed **IT tools** such as a **digital Delivery Application (APP),** thus achieving optimized delivery times from our plants to our **clients' premises.**

In 2019, we made progress with the opening of three new distribution centres which will increase our capacity to provide our clients with a timely service.

Throughout the year, we put emphasis on optimizing costs by paying attention to every detail, right down to packing materials, and reducing logistics costs by working on how to optimize transportation routes. This arduous work by the logistics team resulted in much more efficient distribution.

During 2019, we consolidated the programmes we had set in motion in previous years. This is the case of the diploma course to train our transport providers given the proven results which translate into a reduction in the number of accidents thanks to the professionalization of the operators.

Our efforts remain oriented towards efficiency. As an example of this, we should mention the development of a digital Delivery Application (APP), an IT tool we use to optimize delivery times between our plants and our clients' premises. The benefits are so tangible that we broadened the range of our Pick Up APP which operates, so to speak, as an appointment system. Thus, if a client wants to come to one of our plants or warehouses to pick up our product, they can do so and avoid long, unnecessary waiting times. We are sure that by the end of 2019, 100% of our external transport providers will be using these tools which have been developed in recent years.

Corporación Moctezuma has a history of responsible behaviour on environmental issues, operating with cutting edge technology and making investments to reduce its impact in this field.

Having modern transportation equipment, good training for operatives and a system for programming routes and tracking for vehicles on the road network permits us lower fuel consumption. A greater use of the railway helps to reduce our environmental impact. All these efforts contribute to ensuring that our operations comply with and improve on the standards set by government agencies.

2019 has been a year in which we have consolidated all our previous efforts and, faced with a complex business environment, we have managed to overcome obstacles at the same time as setting out the way forward for the years to come.

A modern **transport fleet, training** programmes for operators and good route **programming** permit **lower fuel** consumption.

We are building the road forward.

HUMAN RESOURCES

and **Industrial** Relations

2019 was a year of transition for Corporación Moctezuma's Human Resources and Industrial Relations Department, beginning with a change of Director, the definition of a new Moctezuma Culture, the modernization of processes and the development of new capacities that will help the Company stay on track towards high standards of performance and efficiency, privileging as it always has, the best treatment possible for its employees.

During 2019, our main focus was on six key areas:

- **Strengthening the Moctezuma Culture** – We began the process of redefining the Moctezuma Culture. We put special emphasis on corporate competencies and values, to make them more accessible to people, to align the organization's purpose with the values and competencies of our work force. We worked in cooperation with different functional areas on the project #TodosSomosMoctezuma (We are all Moctezuma) to reinforce our corporate image as a family and to create together a single corporate culture.

- **Operational Excellence and Strengthening Capacities in Human Resources** – In line with the evolving role of Human Resources, throughout 2019, we have worked hard on strengthening our operational processes, identifying and adopting best practices, areas of optimization and processes for automation. We set ourselves the task of evaluating all the Human Resources processes. We now have a clear understanding of where we are and where we want to get

We collaborated with different functional areas on the project **#TodosSomosMoctezuma** (We are All Moctezuma) in which we reinforced our corporate image as a **family** and so create together a single **corporate** culture.

We have worked decisively to **strengthen** our **operational processes.**

We prioritize treating our **employees** with **dignity and humanity.**

We worked **hand in hand** with each area of the Company on different business and personnel **projects.**

We promote the **balance and well-being** of collaborators, generating a positive work **environment** as well as encouraging **prevention** and care for their **health.**

to in order to accomplish our organizational goals, which is why we reorganized and strengthened ourselves as a team. 2019 was a year of preparation, and 2020 will be one of implementation, advancement and calibration.

- **Transformation Projects** – We are convinced of the value that Human Resources provides for the Company as well as for our internal and external clients. This is why we work hand–in–hand with each department and managers on different business and personnel projects, bringing to the table different exercises for competency development, specialized training, attracting personnel and incentive models so that in line with the best financial management, we have made an impact on the results of each project, the corresponding area and the Company as a whole. One example of this is our support for the Concrete Division in carrying out important projects such as the Santa Lucía Airport and the Guadalajara Peribus where, as Human Resources we participated in the design of project personnel structures as well as hiring and training personnel in order to improve delivery to our clients.

- **Organizational Performance** – During the second semester of 2019, we launched the Mis Objetivos (My Objectives) programme, a new performance evaluation tool which this year had a 95% participation rate. This shows that we are an organization clearly oriented towards results as well as to achieving

Having a good **work environment** helps to achieve our **Organization's objectives.**

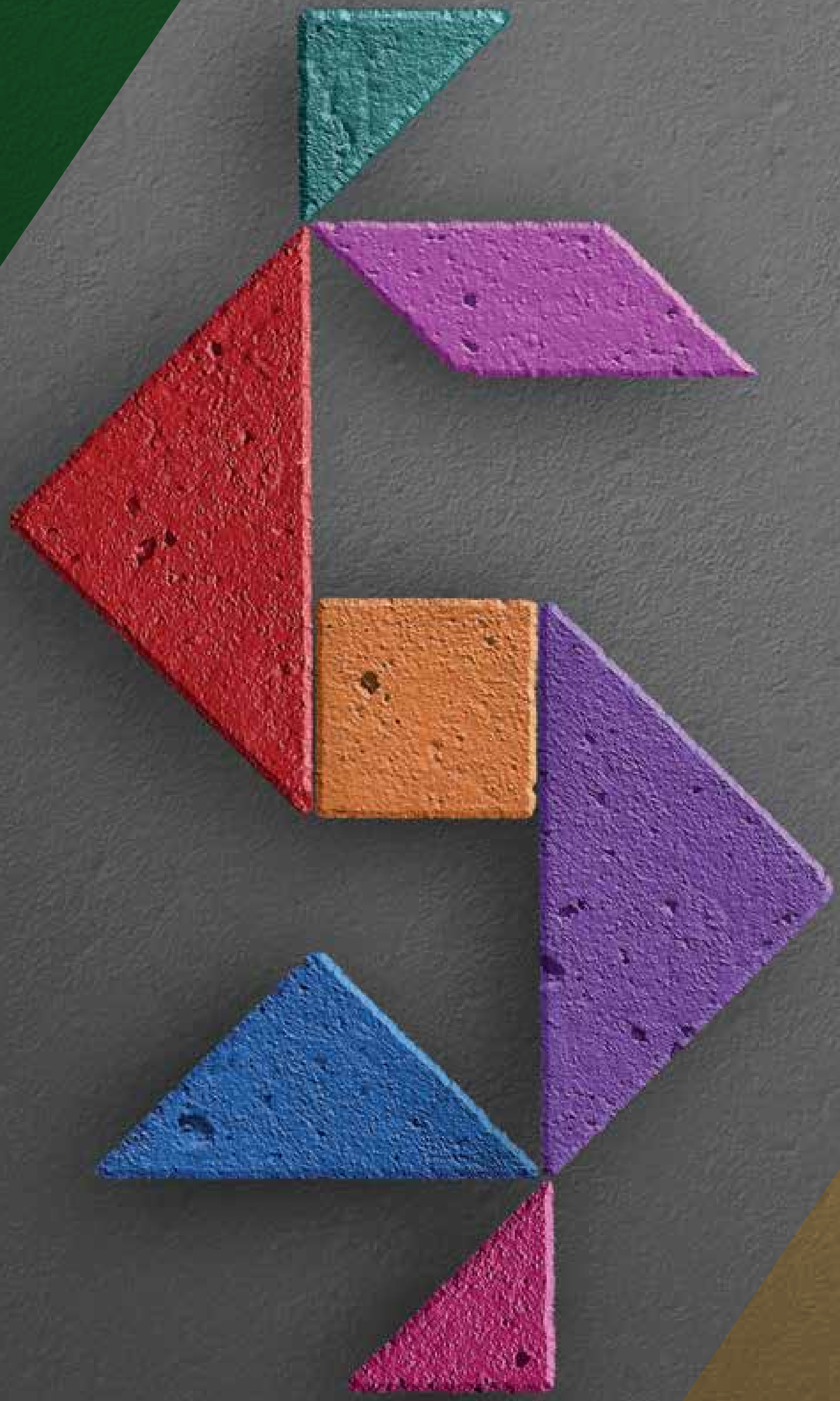
corporative objectives. We are mindful that the sum of individual and team results is reflected in the performance of the whole Organization.

- **Regulatory Compliance** – Promoting balance and the well-being of our collaborators is of great importance for Moctezuma in order to generate a positive working environment along with preventive measures and all-round care for health. This is why, over the years, we have taken initiatives to measure and strengthen the workplace atmosphere such as: health care and prevention programmes, the institutionalization of the Alza la Voz (Speak Out) communication channel, the implementation of our corporate policy with respect to psycho-social factors and personnel management policies. All this is in line with our firm commitment to our personnel and compliance with laws and regulations such as the NOM-035-stps-2018 de Factores de Riesgo Psicosocial en el Trabajo (Psychosocial Risk Factors in the Workplace).

- **Strengthening Labour Union Relations** - From the beginning, we have had excellent labour relations with our employees and with the unions which encourages an environment of work, performance and respect. However, together with the unions and institutions in this field, we are working to implement the new labour reforms aimed at bringing greater benefits to both our employees and the Company.

2020 will be a year of hard work in which we will launch an ambitious exercise on workplace culture that highlights performance objectives and, at the same time, respect for people, the values which help to reinforce Corporación Moctezuma's commitment to health and safety along with personal and professional development.

Corporación Moctezuma is distinguished for **responsible management** and optimal **handling of its resources.**



FINANCE

We simplified our corporate structure by reducing the number of subsidiaries and improving our **administrative processes.**

We rewarded our shareholders with a cash **dividend** for a total of **4,132 million pesos,** corresponding to a payment per share of 4.70 pesos.

The solid financial situation of Corporación Moctezuma has been clear throughout our history and is characterized by responsible management and optimal handling of its resources which allows us to report profits consistently, even in times of adverse economic conditions.

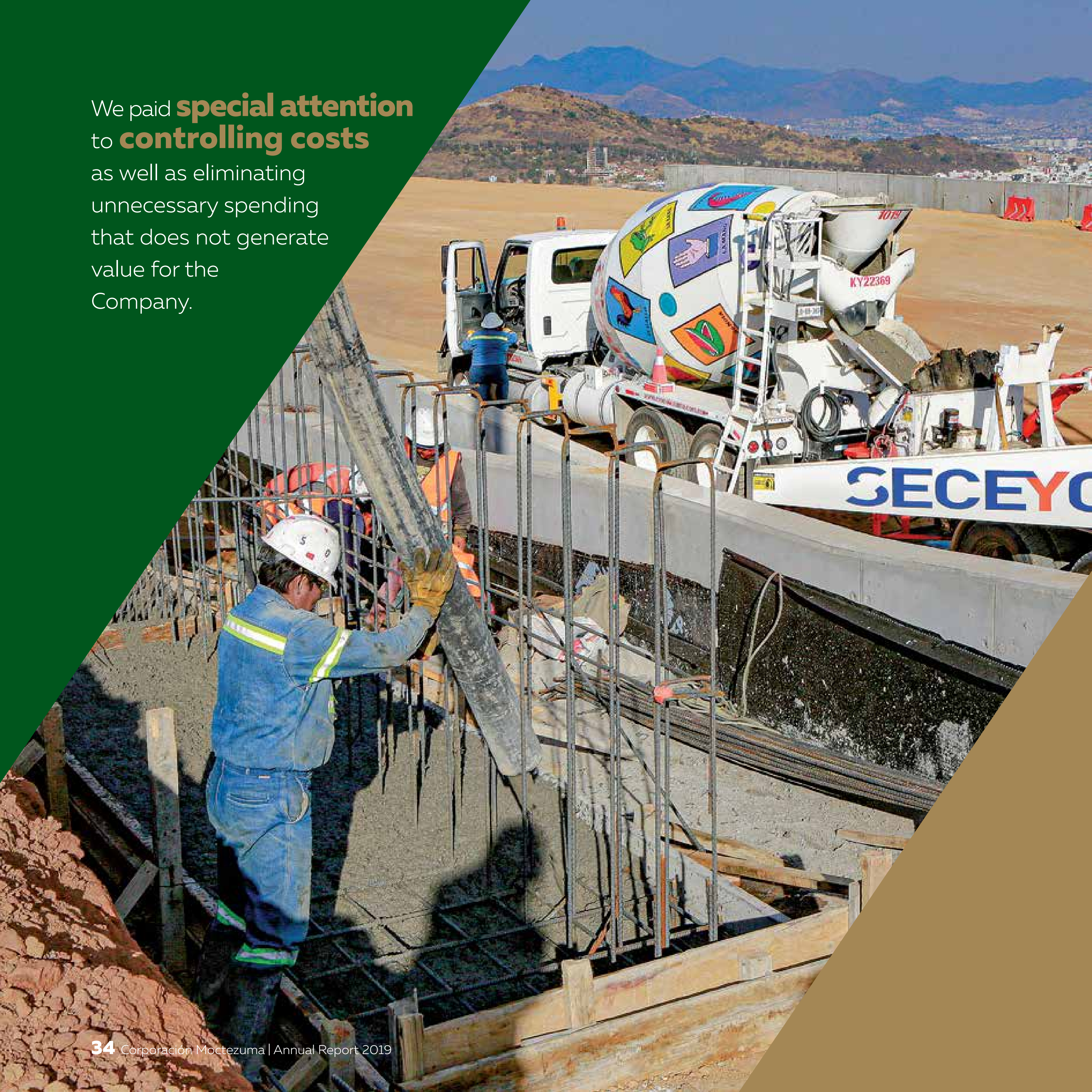
2019 presented a challenging environment for the Mexican economy in general and for the cement industry in particular. A fall in demand for the product, which made it impossible to raise prices, along with a number of input cost increases had a negative impact on the cost structures of cement manufacturers participating in the sector.

The behaviour of fuel prices such as petcoke and electricity deserves a special mention, as cement producers are particularly sensitive to this. In addition, the cost of paper sacks also rose, thus putting even more pressure on our margins.

Over the years, we have worked to control costs and spending. However, in the face of a challenging environment, coping with these adversities was only possible thanks to the attention we paid to both fixed and variable costs as well as the follow up done to identify and eliminate unnecessary spending that does not generate value.

While it is true that the macroeconomic conditions were reflected in their impact on our sales levels as well as our financial results, the discipline maintained with respect to optimizing costs and spending made it possible for Corporación Moctezuma to maintain attractive margins when compared with other cement companies listed on the Mexican Stock Exchange.

We paid **special attention** to **controlling costs** as well as eliminating unnecessary spending that does not generate value for the Company.



With the aim of improving our cost structure, this year we signed a long-term contract with Fisterra that will provide us with electrical energy from 2020 onwards.

We lay the groundwork to make use of alternative fuels with the well-known benefits that this brings. We signed a contract with Veolia and will soon begin operating this project.

To achieve higher efficiency, we worked with special dedication to optimizing our processes which will allow us to improve operations and use of resources.

We have kept up our investments in plants and equipment focused on environmental care, safety and maintenance as well as the efficient use of resources.

During the year, we carried out a process of corporate simplification which reduced the number of subsidiaries in our organizational structure and helped improve administrative processes. The process was completed as planned in a timely manner without affecting the operation of the Company.

Actions of this type, which permeated the whole Organization, produced important benefits and were made possible thanks to the support of all our employees who, over the years, have been aware of the need to work more efficiently.

During 2019, once again, we rewarded our shareholders with cash dividends. This year we made two payments, the first for a total of 2,199.6 million Mexican pesos corresponding to 2.50 pesos per share was made on 22 April. The second payment was made on 10 December and totalled 1,932.4 million pesos, for which each share was paid 2.20 pesos. With this, the total

We maintain **attractive margins** when compared with other cement companies listed on the **Mexican Stock Exchange.**

During the final months of 2019, the **National Infrastructure Agreement** was announced which will generate higher cement consumption.

amount paid in dividends was 4,132.0 million pesos, corresponding to a payment per share of 4.70 pesos.

With respect to dividends, the Company has not established a specific payout ratio or limit, which means it will continue to pay its shareholders in accordance with cash flows, investment projects and working capital required.

Faced with a slowdown in the construction industry, the work we did allowed us to prepare for the opportunities that will present themselves in the years to come.

During the final months of 2019, the National Infrastructure Agreement (Acuerdo Nacional de Infraestructura) was announced which will set in motion a number of different projects. This in turn will be reflected in a higher demand for cement.

We will keep focussed on achieving greater efficiency, going forward together with a common objective in order to achieve better results for Corporación Moctezuma.

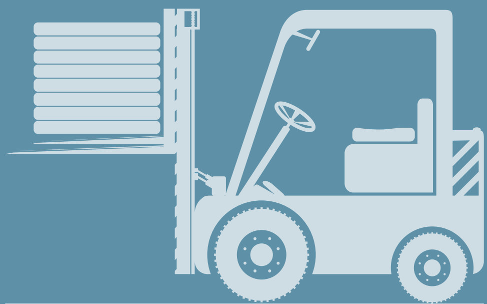
PROCUREMENT

2019 was a year of economic deceleration which had a negative impact in general. This was felt to greater extent in the construction industry and in turn, on the demand for cement and concrete. In addition, the prices of inputs important to participants in the cement sector increased, thus putting pressure on costs and in consequence on their margins.

In view of this scenario, the function of procurement took on greater challenges as it is responsible for providing inputs for the different areas, production and logistical processes. Since 2017, purchasing has been concentrated in the Procurement Department, thus achieving improved specialization in this field as well as greater benefits as larger volumes are bought allowing us to take advantage of economies of scale.

A new, improved organization within the Department allowed us to give more attention to increasing our portfolio of suppliers in 2019, with the aim of having more options and obtaining better input prices and quality.

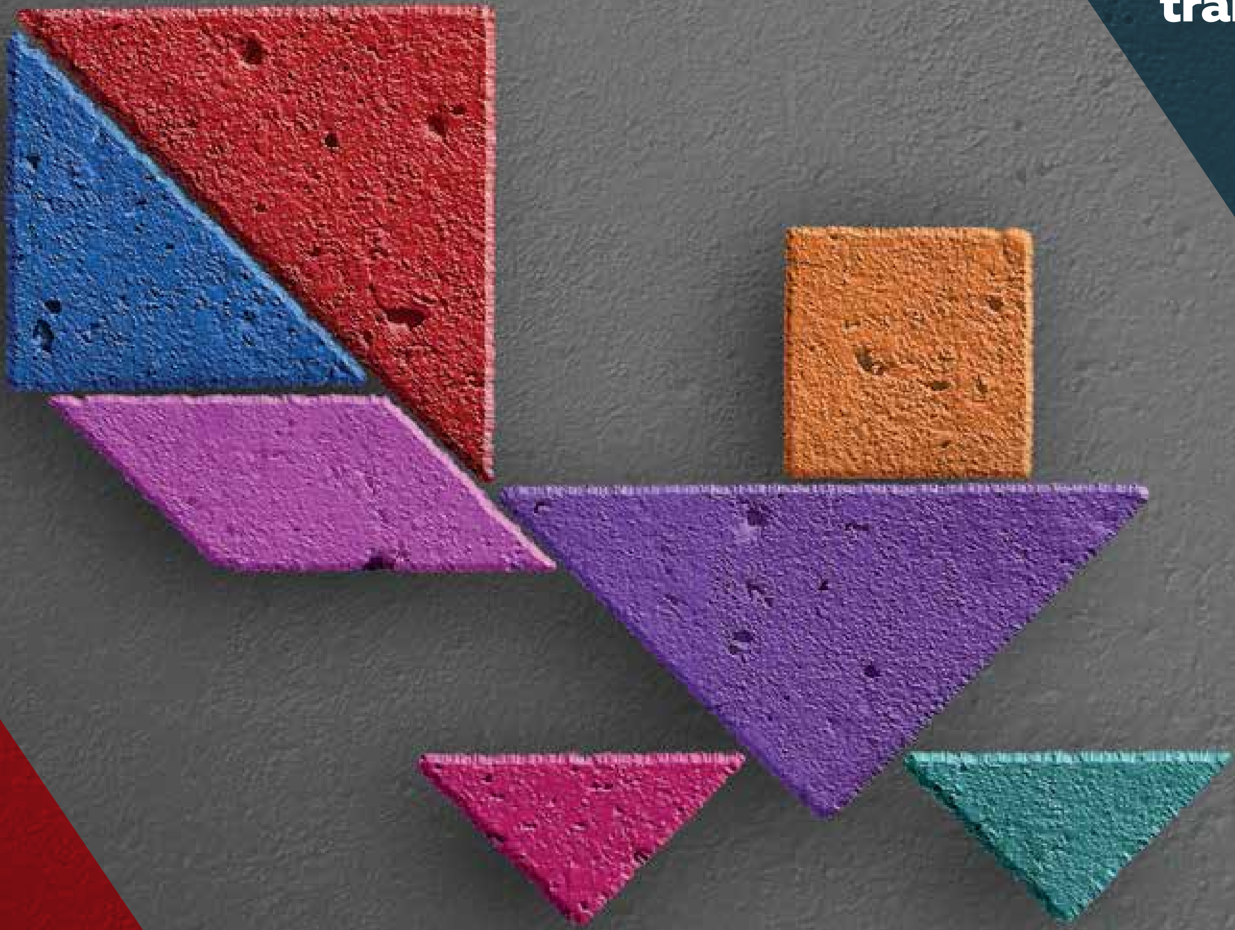
This year, we carried out a process of corporate simplification which brought concrete operations under a single operating management together with cement operations, resulting in a more agile and solid structure. Due to this consolidation, the Procurement Department took on the responsibility for the acquisition of inputs and suppliers of Concretos Moctezuma which will allow us to optimize purchas-



Improved organization within the Procurement Department allowed us to pay more attention to **increasing our portfolio** of suppliers with the aim of having more options and obtaining better input **prices and quality.**

During the year we received **support from our suppliers,** allowing us to remain **competitive** in the market.

In 2019, we began the **implementation of the Ariba** system, a tool which will allow us to make **purchases** with more efficiency and total **transparency.**

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Lotería
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ing for all the operations of the businesses that make up Corporación Moctezuma.

The sector is very sensitive to energy costs. Throughout the year, there were great price movements. With the opening up of the energy sector to private organizations, there are more companies that generate and supply electricity so we could work on developing new, improved options to make savings in this area.

During 2019, there was also a lot of volatility in the price of petcoke which rose throughout the first semester and fell in the second half of the year. In order to lower the impact of volatility, we invested in a project so that as of 2020, we will be able to use alternative fuels as an additional option. This will allow us to reduce the use of oil based fuels and use cheaper options which will also have environmental benefits.

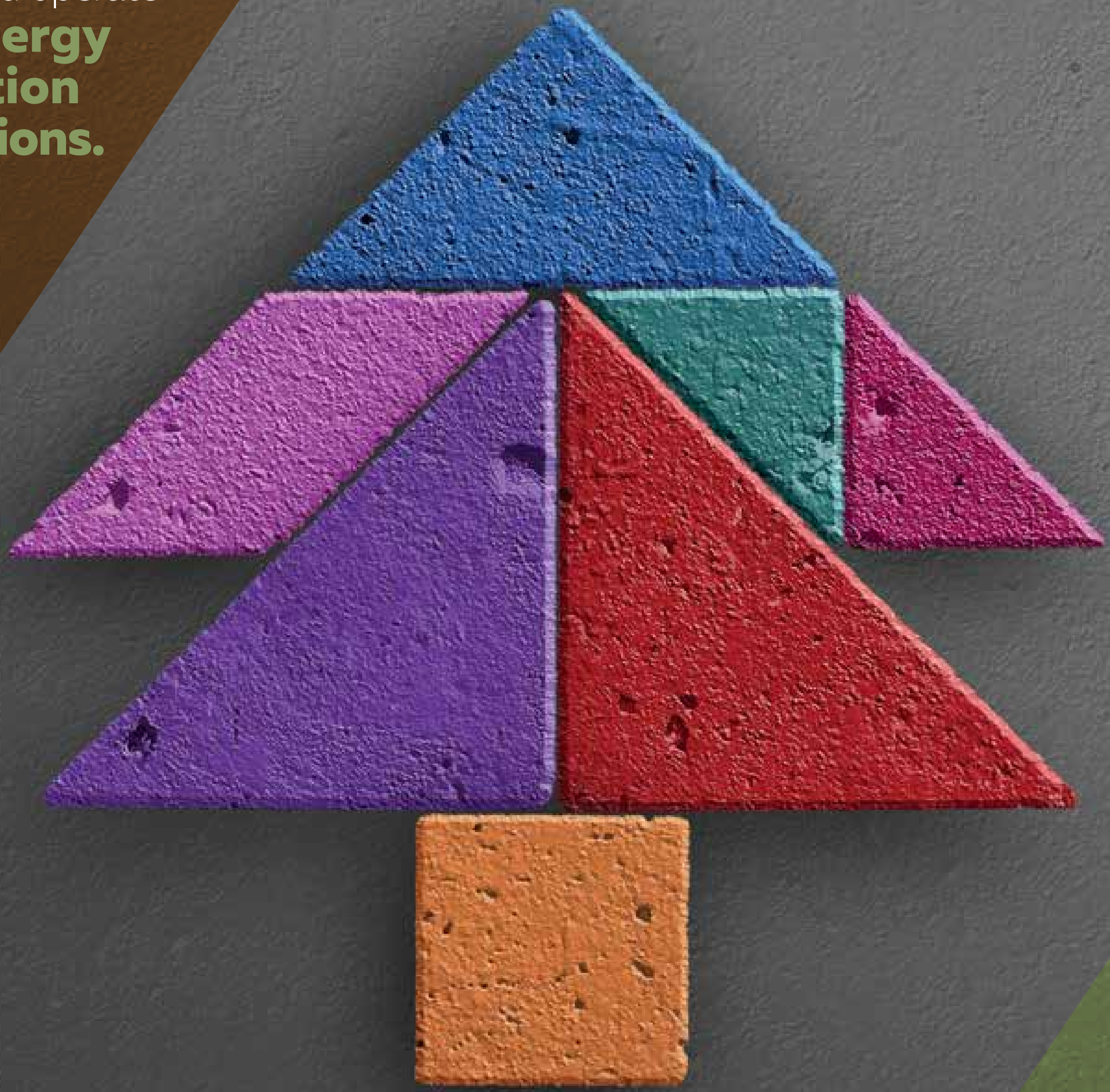
We also managed to overcome the challenges of 2019 thanks to the support of our suppliers who, knowing that Moctezuma is a responsible and serious company, limited price increases to their products, thus making it possible for us to remain competitive in the market. In order to support our suppliers, we reinforced our use of factoring so as to help their cash flows, allowing them to reinvest their working capital and keep their operations healthy.

In 2019, we began the implementation of the Ariba system in order to make purchases electronically with more efficiency and total transparency as it is totally auditable. We estimate that this system, that will be fully operational during the first quarter of 2020, will aid purchase decision making based on the evaluation of different variables contemplated by the programme.

The team responsible for purchasing bases its actions on strict respect for the ethics and values aimed at maintaining transparent and lasting business relations with suppliers, always based on the win-win principal.

Towards 2020, Procurement will continue to support the development of Corporación Moctezuma with a greater capacity to adapt to the conditions that present themselves, generating value for the different areas of the Organization.

We have **modern installations** that comply with current environmental regulations and operate with **low energy consumption and emissions.**



SUSTAINABILITY

Our actions in the field of social **responsibility** provide benefits in **health, education and job training.**

We held the **Health Fair** in our three cement plants: Tepetzingo, Cerritos and Apazapan, **benefiting** a total number of **1,229 people.**

In Corporación Moctezuma sustainability is an essential element of our operations, given our conviction and commitment to our values of comprehensive responsibility.

Social Responsibility

For years, we have actively participated in the development of the neighbourhoods and communities surrounding our installations by taking programmes with long-term benefits for the lives of the inhabitants. For this reason, our social responsibility initiatives provide benefits to health, education and job training, things that we know make a great difference to lives of the beneficiaries.

In coordination with local governments and health authorities, we took our now traditional Health Fair to three cement plants: Tepetzingo, Cerritos and Apazapan, benefiting a total number of 1,229 people. These services emphasise preventative medicine and clinical analysis as well as dental and specialist consultations.

In communities surrounding our production installations, we supported education by providing scholarships to outstanding students, rewarding their efforts and encouraging meritocracy, aspects that will accompany them throughout their academic and professional lives. Cementos Moctezuma awarded 270 scholarships during the year. We also provided packs of school supplies which help family economies. During 2019, 7,500 school supply packs were distributed in Cementos Moctezuma, while in Concretos Moctezuma we distributed 1,500 packs.

We offer job training programmes through which we train the beneficiaries in productive activities to enable them to become self-employed and improve their economic situation.

We handed out **9,000 packs of school supplies** in different parts of the country.

Below are our social responsibility programmes along with the number of beneficiaries:

Programmes	Beneficiaries
Health Fair	1,229
School Scholarships	270
School Supply Packs	9,000
Total	**10,499**

Environment

Following our own convictions, in 2019 we decided to join the Global Cement and Concrete Association (GCCA) despite the challenges involved. However, we have faith in our capacities and level of professionalization. Belonging to this organization will broaden our range of action, collaborating, providing and receiving information about the industry in other countries with the most recent advances in the field of sustainability.

The benchmarking provided will help us incorporate best practice, optimize our procedures and also share our own experience within the association.

We have modern installations which comply with current environmental regulations and operate with a level of performance that is amongst the best in the world with respect to energy consumption and emissions thanks to the technology installed as well as preventive and corrective maintenance we carry out periodically.

Throughout 2019, we continued to standardize our concrete plants following the

In Cementos Moctezuma **we awarded 270 scholarships** during the year.

We invested in a project to take advantage of **alternative fuels** which will have **important social and environmental benefits.**

environmental regulation NADF-021, compliance with which is obligatory in Mexico City, but we also applied it independently of the location of the plant. In addition, in the Concrete Division, we also continued with the plan of environmental audits required in the capital city.

We invested in a project to take advantage of alternative fuels, in full compliance with the present legal requirements. In this way, we will use residues that cannot be used in other processes, thus avoiding environmentally inappropriate management.

This year, we signed a contract for alternative fuels supply with Veolia. With this commitment, we began investments which will end in 2020, starting with the use of these fuels in the Cerritos Plant. We now have the necessary permits to get this project started and it will doubtlessly contribute to improving our overall residue management, and in turn generate social and environmental benefits.

Thanks to what we have learned over the years, we continue to trust in our use of the railways for Cementos Moctezuma, as we can transport greater volumes of our products over longer distances, optimizing costs with lower emissions than if we used other means of transport. In order to achieve this, we continued to invest in railway infrastructure which allows us to operate efficiently and deliver products to our distributors. With respect to highway transport, we constantly review our routes in order to improve them and also frequently renew our own vehicles, measures which contribute to reducing emissions thanks to lower fuel consumption.

No less important is an adequate use of water. We have installed water treatment systems which guarantee a 100% reuse in green areas, thus continuing the water cycle.

In the Concrete Division, the use of washing bays allowed us to recycle water, thus reducing our consumption of this important natural resource. At the same time, we con-

tinue our mixing truck renewal programme which helps to lower our environmental footprint.

Transparency

We work with clarity towards our different audiences; we are an honest company that complies with current legislation and continues to invest in order to reduce its environmental footprint. For this reason, in 2019, we continued with our Open Days (Jornadas de Puertas Abiertas) in our three cement plants and during the year hosted about 1,500 people at each event.

Thanks to this initiative, we remained close to our stakeholders so that they could obtain first-hand knowledge of our installations, production processes and understand the working of our environmental protection systems which protect the surroundings we share.

Our efforts are focussed on becoming an exemplary company in all respects, which is why we stress our respect for each person as one of our principal values. This means respect for those who interact with Moctezuma, both internally and externally, with no discrimination of any sort, as the basis on which to achieve better social relations within the Company and in society in at large.

All our actions in the field of sustainability have a common objective which fits in with our business vision of contributing to the construction of a better country, which is reflected in better living conditions for everyone.

We have **water treatment systems which guarantee a 100%** recycling in **green areas.**

We continued with our **Open Days** and during the year hosted about **1,500 people at each event.**

CORPORATE GOVERNANCE

2019 was a year of consolidation for Corporación Moctezuma, during which we reinforced our decision making bodies, putting special emphasis on providing the Company with greater institutionalization and improving processes, putting in place policies and strengthening internal controls but also taking care not to create more bureaucracy that obstructs key functions.

This year's business environment demanded particular attention to costs and spending in all areas of the Organization. In the Internal Audit Department, we were well aware of this situation and with everyone's participation, we intensified controls in order to reduce Company spending as far as possible.

We carried out a process of corporate simplification which involved reducing the number of companies without affecting the group's operations. We are convinced that having a smaller number of companies will optimize administrative functions and facilitate the work of internal control.

On 12 April, 2019, Mr. Juan Molins Amat, who contributed a great deal to the development and growth of the Company, decided to resign from his post as Member and Chairman of the Board. There is no doubt that he has made contributions of great relevance to the history of the Company. We also continued to reinforce our management team and at the end of 2018 appointed a new Director of Procurement and during 2019, Directors of Concretos Moctezuma and Human Resources joined the Company to help us continue evolving. During this process of passing on the baton in a number of departments, the Internal Audit Department closely accompanied the new Directors in order to facilitate their integration into the Company.

We continued with the system of strategic risk evaluation and this year concluded the process of formalization and systematization. Each department will periodically evaluate its risks and the results will then be passed on to a Risks Committee for evaluation and appropriate treatment. It will then be decided which solutions will be incorporated into the system and presented to the Corporate Practice and Audit Committee.

Throughout the year, we made a special effort to reinforce the ethical aspects of the Organization. In July, the formalization of the Ethics and Compliance Committee was approved. At the same time, we reinforced our Code of Ethics with a series of policies on integrity which were approved by the Board and related to: anticorruption, attention to reports of legal irregularities, human resources, training and communicating safety policies and psychosocial risk factors. We also continued to reinforce Alza la Voz (Speak Out), our communication channel, in order to raise awareness of the importance of these issues amongst our employees, as well as those that the channel already deals with.

On 31 December, 2019, our decision making bodies are made up as follows:

We reinforced our **Code of Ethics** with a series of policies on issues of **anticorruption,** attention to report of irregularities, human resources, **training** and communication on **safety** policies and psychosocial risk factors.

BOARD OF DIRECTORS	
Non-Independent Members	
Proprietary Members	**Substitute Members**
Enrico Buzzi (Chairman)	Luigi Buzzi
Salvador Fernández Capo	Carlos Martínez Ferrer
Pietro Buzzi	Benedetta Buzzi
Julio Rodríguez Izquierdo	Ignacio Manuel Machimbarrena Gutiérrez
Independent Members	
Proprietary Members	**Substitute Members**
Roberto Cannizzo Consiglio	Adrián Enrique García Huerta
Antonio Cosío Ariño	Antonio Cosío Pando
Guillermo Simón Miguel	
Carlo Bartolomeo Cannizzo Reniú	Stefano Amato Cannizzo
Marco Cannizzo Saetta (*)	
Secretary of the Board	
(*) Not-Board member	

Corporate Practices and Audit Committee	
Roberto Cannizzo Consiglio	Chairman
Guillermo Simón Miguel	Member
Carlo B. Cannizzo Reniú	Member

We will continue to put in place adequate **controls,** reinforcing our **policies and procedures,** keeping our sights on safeguarding the Company's **resources,** maximizing the **benefits** for our stakeholders and always basing our conduct on the **values** of Corporación Moctezuma.

TEAM OF EXECUTIVE DIRECTORS	
José María Barroso	Chief Executive Officer
Luis Rauch	Director of Finance and Administration
Gerardo Gabriel González	Director of Human Resourcess
Miguel Ángel Gómez	Commercial Director, Cementos Moctezuma
Marco Grugnetti	Internal Audit Director
Alejandro Del Castillo	Logistics Director
Jesús Navarro	Director of Legal Affairs and Governance
Ioannis Karidis	Director Concretos Moctezuma
José Alejandro Salinas	Procurement Director
Isidro Ramírez	Technical Director
Secondino Quaglia	Director, Tepetzingo Plant
Miguel Medina	Director, Cerritos Plant
Octavio Adolfo Senties	Director, Apazapan Plant

We formalized the system of **strategic risk evaluation.**

Every department will be systematically evaluated periodically.

Comments and Analysis of **FINANCIAL** RESULTS

Figures expressed in millions of pesos, except when otherwise indicated
**EBITDA. Earnings before interest, taxes, depreciation and amortizations*

2019 was a year characterized by a national and international economic slowdown that had a negative impact on all productive activities.

In Mexico, lower investment nationally was reflected in an economic slowdown, mainly in secondary activities affecting the construction sector in particular.

The construction industry responds in a greater proportion to the behaviour of the economy as a whole, so traditionally, when economic activity grows, construction grows with it. However, when the economy contracts, construction decreases with greater intensity.

Uncertainty over the USMCA persisted because although at the end of 2018 Mexico, the USA and Canada signed a commercial agreement which would replace NAFTA, Democratic legislators asked for changes to the text before giving their approval and it was not until December 2019 that the U.S. House of Representatives approved the modified text which was then sent to the Senate where it was approved in January 2020. It is expected that Canada will ratify the agreement during 2020 and that it will come into effect this year.

Amongst the external factors, the trade war between the United States and China continued, with the mutual imposition of tariffs. On 13 December, 2019 both countries announced that they had reached "stage one" of an agreement in which there would be no more new tariffs. In the meantime; talks would continue in order to reach a broader understanding. The scaling up of tariffs generated worries given the possibility that a worldwide recession scenario might occur.

The possibility of a no-deal Brexit caused nervousness at an international level. Finally, a time limit of 31 January, 2020 was agreed on and after the parliamentary elections held on 12 December, 2019, the agreement was approved and the exit date confirmed.

On a global level, the United States economy continued to be the most dynamic economic driving force maintaining a GDP growth of 2.3%. However, in Europe and Asia there was a deceleration which caused volatility and nervousness on the financial markets. As a measure to stimulate the economy, the central banks cut their interest rates. The Federal Reserve made three cuts each of 25 base points during the year, thus closing in a range of between 1.50% and 1.75%, while the Bank of Mexico made four 25 base point cuts, closing at a rate of 7.25%.

In the case of Mexico, in 2019 GDP registered an annual decrease of 0.1%, the first reduction since 2009. This behaviour is explained by a decrease in secondary activities, particularly in the construction sector, where there was an annual fall in GDP of 5.0%, a situation felt by all participants in the industry due to a decrease in demand for their products.

In order to cope with this environment, during 2019, Corporación Moctezuma worked to form a solid yet flexible corporate structure that gives us the capacity to respond with agility. At the same time, we continued to focus on controlling costs and spending, optimizing processes and updating policies, all of which is aimed at achieving greater efficiency.

Sales

The Company's net sales were $12,788, a decrease of 9.8% compared with the previous year. This can be explained by the fall reported in the construction industry overall which in turn was reflected in a lower demand for cement and concrete.

It should be pointed out that the deceleration registered in both the national economy and Mexico's construction industry are the most pronounced since the international financial crisis of 2009.

Gross Profit

The great volatility in production costs during the year was felt by the business sector, particularly the rise in industrial electricity tariffs. In addition, there were increases in the prices of fuel and paper sacks. Even with the great challenges we faced, the Company paid special attention to cost controls which, added to its modern installations that operate with low levels of energy consumption and the use of more efficient processes, was translated into a 3.2% reduction in sales costs.

The gross profit registered an annual decrease of 17.4%, at $5,505. The gross margin ended the year at 43.0%. In 2018, the margin was 47.0%.

Operating Profit

Throughout the year, Corporación Moctezuma maintained a strict control on spending, identifying and eliminating those that were unnecessary. This situation is of great importance in an adverse environment like this one.

Total administration costs and sales increased 7.6% in the annual comparison. The operating profit decreased 19.5% in 2019 with respect to the previous year, falling to $4,832. The operating margin ended 2019 at 37.8%, while the previous year it was 42.3%.

*EBITDA

As a result of the situation described above, the EBITDA was $5,437 in 2019, a decrease of 17.1% compared to the previous year. In spite of the reduction in sales, the 2019 EBITDA margin remained above 40% at 42.5%, compared to 46.3% in 2018, thanks to the dedication and hard work of the whole Moctezuma team.

Interest earned, interest paid and exchange fluctuations

In 2019, net financial income was $39, which is 61.6% lower than that reported the previous year. This is explained by an 18.7% increase in interest payments, a reduction of 16.8% in interest received as well as a 120.2% increase in net foreign exchange losses.

Consolidated Net Income and Consolidated Comprehensive Income

The consolidated net income for 2019 was $3,399, a decrease of 21.9% with respect to the figure for 2018. The consolidated net margin for 2019 was 26.6%, while that for 2018 was 30.7%

A total of $3,394 was registered for consolidated comprehensive income, which was 22.1% lower than the figure for 2018. The consolidated comprehensive margin in 2019 was 26.5%, whereas the year before it was 30.7%.

Investments

Corporación Moctezuma made investments totalling $696, an increase of 80% compared to 2018. This was in line with our policy to invest in equipment to reduce our environmental footprint, to improve the safety of our personnel and installations, as well as the maintenance of our plants to keep them operating efficiently.

Dividends

Even in an adverse environment, Corporación Moctezuma continued to pay dividends to its shareholders without halting investment in updating and maintaining production equipment or putting its financial position at risk, as its cash flow level has not been compromised.

Throughout 2019, the Company paid a total of $4,132 in dividends, in two payments, the first on 22 April for a total of $2,200, corresponding to a payment of $2.50 per share. The second, for a total of $1,932 was made on 10 December, a payment of $2.20 pesos per share.

While the scenario in 2019 was complex for the construction industry, it should be pointed out that the Company maintained attractive margins compared to other issuing cement companies listed on the Mexican Stock Exchange.

At the end of 2019, the National Infrastructure Agreement was announced, by means of which large scale investments will be made in construction. This agreement will stimulate the reactivation of the construction industry and the economy in general.

In Corporación Moctezuma, we are ready to take advantage of future business opportunities and to always do our best to maintain our position as a profitable and competitive company to the benefit of all our stakeholders.

REPORT OF **INDEPENDENT AUDITORS**

and Consolidated Financial Statements **2019 and 2018**

Contents

Construyendo un mejor entorno de negocios

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Independent auditors' report to the Shareholders and Board of Directors of Corporación Moctezuma, S.A.B. de C.V. and subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Corporación Moctezuma, S.A.B. de C.V. and subsidiaries (the Company), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Corporación Moctezuma, S.A.B. de C.V. and subsidiaries as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards

Basis for audit opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *"Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico according with the "Código de Ética Profesional del Instituto Mexicano de Contadores Públicos" ("IMCP Code")*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the "Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Assessment of general information technology controls

We focused on reviewing the Company’s information technology general controls since the Company is significantly dependent on the effective and continuous operation of its IT platform, which it developed internally. The IT platform is critical to the Company’s management and management relies on the platform for the Company’s financial reporting processes. The fact that the Company’s IT system is developed internally gives rise to a number of risks for the Company, including risks related to the integrity of the data used, the system’s accuracy, and appropriate maintenance of all levels of security against unauthorized system access or alteration to system data. The Company continuously enhances the efficiency and effectiveness of its IT structure, as well as the reliability and continuity of its electronic data processing systems.

Our audit procedures included the involvement of our IT specialists to review the segregation of functions, the reliability of changes made to the systems, and the effectiveness of the design and operation of system and process controls. We also verified the integrity and accuracy of the reports provided by management on the review of controls and the respective substantive procedures.

Long-term assets available for sale

As mentioned in note 4 (k to the consolidated financial statements, the Company has certain assets, mainly real estate, available for sale that have been foreclosed as part of the recovery process of its accounts receivable and mainly in 2019 it led out a relevant award. Such assets should be subject to impairment tests. The administration uses external experts to value real estate and this process is considered complex since it requires judgments and assumptions that are affected by future market conditions.

Our audit procedures included the validation of the hypotheses, methodology and technical competence of the external experts of the administration. Additionally, we verified the reconciliation of accounting records against the assets available for sale and for the relevant 2019 award we reviewed the corresponding supporting documentation. Finally, we evaluated the disclosures made by management about these assets.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report filed with the National Banking and Securities Commission (the Commission) and the Mexican Stock Exchange and the annual report submitted to the shareholders, but does not include the consolidated financial statements and our auditor’s report thereon. We expect to obtain the other information after the date of this auditor’s report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when we have access to it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read and consider the Annual Report filed with the Commission and the annual report submitted to the shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to issue a statement on the Annual Report required by the Commission that contains a description of the matter.

Responsibilities of Management and of those charged with governance for the consolidated financial statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The partner responsible for the audit is the one who signs this report.

Our audit opinion and the accompanying financial statements and footnotes have been translated from the original Spanish version into English for convenience purposes only.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited

C.P.A. Fernando Ruiz Monroy

Mexico City
February 12, 2020

Corporación Moctezuma, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Financial Position

As at 31 December 2019 and 2018
(Amounts in thousands of Mexican pesos)

	Notes	2019	2018
Assets			
Current assets			
Cash and cash equivalents	7	$ 2,110,636	$ 2,821,661
Accounts receivable, net	8	982,268	1,080,333
Other accounts receivable	9	151,030	115,560
Inventories, net	10	824,446	1,045,151
Prepayments		108,041	70,722
Total current assets		**4,176,421**	**5,133,427**
Non-current assets			
Equity investments	26	14,182	12,837
Property, plant and equipment, net	11	6,727,598	6,852,719
Deferred income tax asset	20b	35,962	145,159
Intangibles and other assets, net		344,806	192,971
Right-of-use assets, net	12a	94,402	-
Total non-current assets		**7,216,950**	**7,203,686**
Total assets		**$ 11,393,371**	**$ 12,337,113**
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable to suppliers		$ 446,958	$ 463,839
Other accounts payable and accrued liabilities	13	630,299	635,063
Lease liabilities	12b	54,470	11,063
Taxes payable		289,944	258,620
Employee profit sharing and other employee liabilities		53,755	45,341
Total current liabilities		**1,475,426**	**1,413,926**
Non-current liabilities			
Deferred income tax liability	20b	593,467	802,279
Income tax on tax consolidation and deconsolidation and deferred income tax		68	68
Employee benefits	14	18,066	9,934
Lease liabilities	12b	79,316	14,510
Total non-current liabilities		**690,917**	**826,791**
Total liabilities		**$ 2,166,343**	**$ 2,240,717**
Equity			
Share capital		$ 607,480	$ 607,480
Share premium		215,215	215,215
Reserve for share buybacks		247,021	150,000
Retained earnings		4,752,707	4,750,312
Comprehensive income for the year		3,391,919	4,351,677
Equity holders of the parent		**9,214,342**	**10,074,684**
Non-controlling interest		12,686	21,712
Total equity		**$ 9,227,028**	**$ 10,096,396**
Total liabilities and equity		**$ 11,393,371**	**$ 12,337,113**

The accompanying notes are an integral part of these financial statements.

Corporación Moctezuma, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Income and Other Comprehensive Income

For the Years Ended December 31, 2019 and 2018
(Amounts in thousands of Mexican pesos, except basic and diluted earnings per share, which are expressed in Mexican pesos)

	Notes	2019	2018
Net sales		$ 12,788,027	$ 14,184,301
Cost of sales	22a	7,282,894	7,523,318
Administrative expenses	22b	287,538	282,206
Selling expenses	22b	411,461	367,662
Other operating (income)/expenses, net	22c	(26,153)	6,626
Total operating costs and expenses		7,955,740	8,179,812
Operating income		**4,832,287**	**6,004,489**
Interest expense		(21,483)	(18,098)
Interest income		122,548	148,067
Foreign exchange loss, net		(62,620)	(28,443)
Gain on disposal of financial assets		574	-
Share of profit of a joint venture		1,345	10,620
Income before income tax		**4,872,651**	**6,116,635**
Income tax	20a	1,474,041	1,764,301
Consolidated net income		**3,398,610**	**4,352,334**
Other comprehensive income, net of income tax:			
Items not to be reclassified to profit or loss			
(Loss)/gain of defined benefit obligation	14	(4,961)	1,608
Consolidated comprehensive income		**$ 3,393,649**	**$ 4,353,942**
Consolidated net income attributable to:			
Equity holders of the parent		$ 3,396,880	$ 4,350,069
Non-controlling interest		1,730	2,265
		$ 3,398,610	**$ 4,352,334**
Consolidated comprehensive income attributable to:			
Equity holders of the parent		$ 3,391,919	$ 4,351,677
Non-controlling interest		1,730	2,265
		$ 3,393,649	**$ 4,353,942**
Basic and diluted earnings per ordinary share, equity holders of the parent	27	$ 3.86	$ 4.94
Weighted average number of outstanding shares (thousands of shares)		879,258	880,312

The accompanying notes are an integral part of these financial statements.

Corporación Moctezuma, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2019 and 2018
(Amounts in thousands of Mexican pesos)

	Contributed capital		Earned capital		Components of other	Total equity		
	Share capital	Share premium	Reserve for share buybacks	Retained earnings	comprehensive (loss)/income	holders of the parent	Non-controlling interest	Total equity
Balance as at 1 January 2018	**$ 607,480**	**$ 215,215**	**$ 150,000**	**$ 9,453,043**	**$ (37,079)**	**$ 10,388,659**	**$ 22,712**	**$ 10,411,371**
Capital contribution	-	-	-	-	-	-	(3,265)	(3,265)
Dividends paid	-	-	-	(4,665,652)	-	(4,665,652)	-	(4,665,652)
Consolidated comprehensive income	-	-	-	4,350,069	1,608	4,351,677	2,265	4,353,942
Balance as at 31 December 2018	**607,480**	**215,215**	**150,000**	**9,137,460**	**(35,471)**	**10,074,684**	**21,712**	**10,096,396**
Capital contribution/(reduction)			97,021	(209,766)		(112,745)	1,044	(111,701)
Other concepts of capital				(7,478)		(7,478)		(7,478)
Dividends paid	-	-	-	(4,132,038)	-	(4,132,038)	(11,800)	(4,143,838)
Consolidated comprehensive income	-	-	-	3,396,880	(4,961)	3,391,919	1,730	3,393,649
Balance as at 31 December 2019	**$ 607,480**	**$ 215,215**	**$ 247,021**	**$ 8,185,058**	**$ (40,432)**	**$ 9,214,342**	**$ 12,686**	**$ 9,227,028**

The accompanying notes are an integral part of these financial statements

Corporación Moctezuma, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended 31 December 2019 and 2018

(Amounts in thousands of Mexican pesos)

	2019	2018
Operating activities:		
Consolidated net income	$ 3,398,610	$ 4,352,334
Adjustments for:		
Foreign exchange loss on cash and cash equivalents	69,122	15,659
Income tax recognized in the income statement	1,474,041	1,764,301
Depreciation, amortization and impairment allowance	604,508	557,475
Loss/(gain) on sale of property, plant and equipment	22,488	(1,135)
(Gain)/loss on sale of other assets	(35,173)	2,250
Share on the results of joint ventures	(1,345)	(10,620)
Interest income	(122,548)	(148,067)
Interest expense	10,279	2,851
	5,419,982	**6,535,048**
Changes in working capital:		
Decrease/(increase)in:		
Accounts receivable	98,065	47,239
Inventories	220,705	(131,257)
Prepaid expenses	(37,319)	(5,874)
Other assets	19,475	(27,906)
Increase/(decrease) in:		
Accounts payable to suppliers	(16,881)	(208,622)
Other accounts payable and accrued liabilities	(4,764)	70,534
Taxes payable	(1,560,253)	(1,969,307)
Employee profit sharing and other employee liabilities	8,414	980
Retirement benefits	1,045	1,370
Net cash flows from operating activities	**4,148,469**	**4,312,205**
Investing activities:		
Sale of shares of subsidiaries	(6,434)	(3,265)
Decrease in joint ventures	-	30,000
Purchase or property, plant and equipment	(582,256)	(363,736)
Sale of property, plant and equipment	28,616	31,847
Purchase of other assets	(113,529)	(22,892)
Sale of other assets	61,123	9,320
Interest received	112,269	145,216
Net cash flows used in investing activities	**(500,211)**	**(173,510)**
Financing activities:		
Dividends paid	(4,143,838)	(4,665,652)
Capital increase and buying own shares	(112,745)	-
Increase in lease liabilities	21,394	13,601
Payments of leases	(54,972)	(15,909)
Net cash flows used in financing activities	**(4,290,161)**	**(4,667,960)**
Net decrease in cash and cash equivalents	**(641,903)**	**(529,265)**
Cash and cash equivalents at beginning of year	2,821,661	3,366,585
Net foreign exchange differences on cash and cash equivalents	(69,122)	(15,659)
Cash and cash equivalents at end of year	**$ 2,110,636**	**$ 2,821,661**

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and 2018
(Amounts in thousands of Mexican pesos)

1. Activities

Corporación Moctezuma, S.A.B. de C.V. and subsidiaries (the Company) is the majority shareholder of a group of companies that are primarily engaged in the production and sale of Portland cement, ready-mix concrete, sand and gravel, which means that the operations of these companies are primarily concentrated in the cement and concrete industry (Note 23). A list of the Company's subsidiaries is shown in Note 4b and the Company's related party information is disclosed in Note 16.

Corporación Moctezuma, S.A.B de C.V. is a Mexican entity controlled by a joint investment of 66.67% of Buzzi Unicem S.p.A. (Italian Entity) and Cementos Molins, S.A. (Spanish entity).

The Company's business headquarters are located at Monte Elbruz 134 PH, Lomas de Chapultepec, Miguel Hidalgo 11000, Mexico City.

2. Compliance Statement

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

3. Basis of Preparation

a. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Entity applied IFRS 16 Leases for the first time. The nature and effect of the changes resulting from the adoption of these new accounting standards are described below.

Several other interpretations are applied for the first time, but do not have an impact on the Entity's consolidated financial statements.

I. IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company adopted IFRS 16 applied the modified retrospective transition method and thus prior year comparatives were not restated. It also elected to apply the transition practical expedient that permits the entity not to reassess if a contract is, or contains, a lease at the date of initial application. The entity applies the recognition exemptions for short-term leases and leases for which the underlying asset is of low value.

The amounts disclosed in the notes are expressed in thousands of pesos. In addition to disclosing its accounting policies for lessor accounting, the entity also disclosed its accounting policy for right-of-use assets.

Right-of-use assets and movements of the period:

	2019
Right-of-use assets as at January 1°	**$ 109,157**
Additions of assets	31,942
Disposals of assets	(5,237)
Depreciation of additions	(47,389)
Depreciation of disposals	5,237
Other movements of depreciation	692
Right-of-use assets at December 31	**$ 94,402**

Lease liabilities and movements of the period:

	2019
Lease liabilities as at January 1°	**$ 109,157**
Additions	31,942
Other movements	689
Accumulated interests	5,024
Other lease liabilities	34,357
Payments	(47,383)
Lease liabilities at december 31	**$ 133,786**

Short-term liabilities	$ 54,470
Long-term liabilities	$ 79,316

The following are the amounts recognized in profit and loss:

	2019
Depreciation expense of right-of-use assets	**$ 47,389**
Interest expense on lease liabilities	5,024
Total amount recognized in profit or loss	**$ 52,413**

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years	More than five years	Total
Termination options expected to be exercised	$ 28,762	$ -	$ 28,762

Impact on consolidated financial statement (increase/(decrease)):

	December 31, 2019
Assets	
Right-of-use assets, net	**$ 94,402**
Total assets	**$ 94,402**
Liabilities	
Lease liabilities	**$ 99,429**
Total liabilities	**$ 99,429**

Impact on consolidated income statement (increase/(decrease)):

		2019
Costs and expenses for unrealized leases	$	**47,383**
Cost of sales_depreciation		(10,930)
Operating expenses_depreciation		(36,459)
Operating profit		**(6)**
Finance costs		(5,024)
Profit before tax		**(5,030)**
Income tax		1,509
Profit for the year	**$**	**(3,521)**
Attributable to:		
Equity holders of the parent	**$**	**(3,521)**

Impact on consolidated cash flow statement (increase/(decrease):

		2019
Lease payments	**$**	**(47,383)**
Interest paid		5,024
Net cash flows from operating activities	**$**	**(42,359)**
Cash payments for the interest portion of the lease liability	**$**	**47,383**
Net cash flows used in investing activities	**$**	**47,383**

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

For the year ended as of december 31, 2019:

- Depreciation expense increased because of the depreciation of additional assets recognized (i.e., increase in right-of-use assets), this resulted in increases in Cost of sales and Administrative expenses of $10,930 and $ 36,459 respectively.

- Rent expense included in Cost of sales and Administrative expenses, relating to previous operating leases, decreased by $10,929 y $ 36,454 respectively.

- Finance cost increased by $ 5,024 relating to the interest expense on additional lease liabilities recognized.

- Income tax expenses decreased by $1,509 relating to the tax effect of these changes in expenses.

- Cash outflows from operating activities decreased by $ 42,359 and cash outflows from financing activities increased by $ 47,383 relating to decrease in operating lease payments and increases in principal and interest payments of lease liabilities.

II. IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.

- How an entity determines taxable profit, tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Interpretation did not have an impact on the consolidated financial statements of the Company.

III. Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Company.

IV. Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset)

The amendments had no impact on the consolidated financial statements of the Company.

V. Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Company does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

i. IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Company.

ii. IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments are currently not applicable to the Company as there is no transaction where a joint control is obtained.

iii. IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, the Company had no impact on the consolidated financial statements of the Company.

4. Summary of Significant Accounting Policies

a. Basis of preparation

The accompanying consolidated financial statements have been prepared on a historical-cost basis, except for certain financial instruments, such as cash and cash equivalents, which are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally equal to the fair value of the consideration paid for goods and services.

ii. Fair value

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, as determined using either observable inputs or other valuation techniques.

b. Basis of consolidation of financial statements

The consolidated financial statements include the financial statements of Corporación Moctezuma and those of its subsidiaries as at and for the year ended 31 December 2019. The Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Company re-assesses if it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Entity has less than most of the voting rights of an investee, the Entity has power over it when the voting rights are sufficient to grant it the practical ability to direct its relevant activities, unilaterally. The Entity considers all relevant facts and circumstances to assess whether the Entity's voting rights in an investee are sufficient to grant it power, including:

- The size of the investor’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the investor, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate the investor has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company’s accounting policies.

All intercompany balances and transactions (assets, liabilities, equity, revenue, expenses and cash flows) have been eliminated on consolidation.

Over several years the Entity has redesigned its corporate organization so that the way to integrate its industrial, commercial and customer service operations is supported by a flexible and efficient corporate structure of its subsidiaries. Based on these criteria, in 2019 the Entity consolidated in a single subsidiary the cement and concrete operations that were previously carried out through two groups of subsidiaries, one for each business segment.

This corporate integration of cement and concrete operations does not represent relevant changes in asset, personnel, processes, customer service, markets or suppliers, but aims to optimize resource management for the benefit of stakeholders.

As at 31 December 2019 and 2018, the Company's equity interest in its subsidiaries and associates is as follows:

Entity	2019	2018	Activity
Cementos Moctezuma, S.A. de C.V.	100%	100%	Production and sale of Portland Cement and ready-mix concrete
Cementos Portland Moctezuma, S.A. de C.V.	100%	100%	Technical services
Cemoc Servicios Especializados, S.A. de C.V.	0%	100%	Logistics services
Latinoamericana de Concretos, S.A. de C.V. and subsidiaries	0%	100%	Production of ready-mix concrete
Concretos Moctezuma de Xalapa, S.A. de C.V.	0%	60%	Production of ready-mix concrete
Concretos Moctezuma del Pacífico, S.A. de C.V.	0%	85%	Production of ready-mix concrete
Concretos Moctezuma de Jalisco, S.A. de C.V.	0%	51%	Production of ready-mix concrete
Maquinaria y Canteras del Centro, S.A. de C.V.	51%	51%	Sand and gravel extraction
Inmobiliaria Lacosa, S.A. de C.V.	100%	100%	Real state renting
Latinoamericana de Comercio, S.A. de C.V.	100%	100%	Administrative services
Lacosa Concretos, S.A. de C.V.	100%	100%	Technical services

c. Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the agreement on the rights to the net assets of the joint venture. Joint control is the contractual agreement to share the control, it exists when the decisions on the relevant activities require the unanimous consent of the parties that share the control.

The operating results and the assets and liabilities of joint ventures are recognized in the financial statements using the equity method, except if the investment is classified as held for sale in accordance with IFRS 5 non-current assets held for sale and discontinued operations. Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. If the Company's share of losses of a joint venture exceeds its net investment (together with any long-term interests that, in substance, form part of the Company's net investment in the joint venture), the Company discontinues recognizing its share of further losses. Additional losses are provided for to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which it becomes a joint venture. On acquisition of the investment any difference between the cost of the investment and the Company's share of the net fair value of the identifiable assets and liabilities of the joint venture is accounted for as goodwill, which is included in the carrying amount of the investment. Any excess of the Company's share of the net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment, after remeasurement, is recognized immediately in profit or loss in the period in which the investment was acquired.

Under the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the joint venture. The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets, as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment in the joint venture. Accordingly, any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date the investment ceases to be a joint venture, or when the investment is classified as held for sale. When an investment ceases to be a joint venture, the retained interest is measured at fair value, which is its fair value on initial recognition as a financial asset in accordance with IAS 39.The difference between the carrying amount of the joint venture at the date that use of the equity method is discontinued and the fair value of any retained interest and any proceeds from disposing of the part of interest in the joint venture is recognized in profit or loss as part of the gain or loss on the disposal of the joint venture. In addition, the Company accounts for all amounts recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if the joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by a joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when use of the equity method is discontinued.

If an investment in an associate becomes a joint venture or a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

If the Company's interest in a joint venture is reduced, but the equity method is continued to be applied, the Company reclassifies to profit or loss the proportion of the gain or loss previously recognized in other comprehensive income relative to that reduction in ownership interest if the gain or loss would have been reclassified to profit or loss in the case of disposal of the related assets or liabilities.

Profits and losses resulting from transactions between the Company and the joint venture are recognized in the Company's consolidated financial statements only to the extent of unrelated investors' interests in the joint venture.

d. Current non-current classification

The Company presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

e. Financial Instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are measured initially at fair value. At initial recognition, the Company measures financial assets or financial liabilities at their fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

f. Financial assets

All financial assets are recognized initially at fair value plus transaction costs. Financial assets are classified in four categories: “financial assets at fair value through profit or loss", "held-to-maturity investments”, “available-for-sale financial assets” and “loans and receivables”. Financial assets are classified at initial recognition based on their characteristics and intended purpose. At the reporting date, all the Company’s financial assets are classified as held-to-maturity investments, loans and receivables.

i. Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including fees, points, transactions costs, and premiums or discounts) through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the instrument.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment. Interest income is recognized using the method.

iii. Impairment of financial assets

Financial assets that are not carried at fair value through profit or loss are subject to an impairment test at the end of each reporting period. A financial asset is impaired, and impairment losses are recognized, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of financial asset.

Objective evidence of impairment may include:

- Significant financial difficulty of the issuer or obligor;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It 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.

For trade receivables, the Company periodically assesses them for impairment based on an analysis of the risk of uncollectibility of past-due accounts that are more than a year old. This analysis is performed by a credit committee composed of the general director, the finance director, the sales director, and the credit and collection managers of the cement and concrete divisions.

For financial assets carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For all impaired financial assets except trade receivables, the carrying amount of the asset is reduced directly and in the case of trade receivables, the carrying amount of the asset is reduced through the use of an allowance for doubtful accounts. Trade receivables that are assessed as uncollectible are charged to the allowance account. Subsequent recovery of previously recognized impairment losses are reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. However, this reversal may not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

iv. Derecognition of financial assets

The Company derecognizes financial asset when, and only when the contractual rights to the cash flows from the financial asset expire or it transfers substantially all the risks and rewards of ownership of the financial asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. If the Company retains substantially all the risks and rewards of ownership of a transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss allocated that had been recognized in other comprehensive income is recognized in profit or loss.

g. Inventories and cost of sales

Inventories are valued at the lower of cost and net realizable value. The costs, including a portion of the fixed and variable indirect costs, are allocated to inventories using the absorption costing method and valued using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

h. Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services or for administrative purposes are stated in the consolidated statement of financial position at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Likewise, when a major repair is performed, its cost is recognized in the carrying amount of the fixed asset as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is recognized to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, on a straight-line basis. The Company has determined that the residual values of its assets are immaterial.

Freehold land is not depreciated.

Properties during construction for production, supply and administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and other directly attributable costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated income statement.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed and retrospectively adjusted at each financial year-end.

i. Intangible assets

a. Intangible assets acquired separately

Intangible assets acquired separately are carried at cost, net of accumulated amortization and accumulated impairment losses, if any. Amortization is determined on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of amortization are reviewed at the end of each financial year and adjusted prospectively, if appropriate. Intangible assets with indefinite useful lives are not amortized, but are separately tested for impairment on an annual basis. The Company has determined that the residual values of its assets are immaterial.

b. Derecognition of intangible assets

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset. This gain or loss is immediately recognized in profit or loss when the asset is derecognized.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Company assesses whether there is any indication that its tangible and intangible assets may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis can be identified, corporate assets are also allocated to the cash-generating unit.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. 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 each asset.

If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

k. Non-current assets held-for-sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and its sale must be highly probable. The Company must be committed to a plan to sell the asset within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets held for sale are reviewed for impairment at each reporting date to determine if there is objective evidence of impairment.

l. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position principally consist of cash at banks and on hand and short-term investments with maturities of three months or less.

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

m. Leases

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position, except for short-term leases and leases of low-value assets.

Company as a lessee

The Company classifies its leases into two categories:

- *Statement of financial position*

  Under the new standard, at the commencement date of a lease, the Company recognizes a lease liability for the lease payments to be made over the lease term (i.e. short-term and long-term lease liabilities) and a right-of-use asset representing the right to use the underlying assets. Lessees will be required to separately recognize the interest expense on the lease liability and the amortization expense on the right-of-use asset, if they meet the following criteria:

  a. The asset is recognized as of the date when the lessor requires the first payment under a new lease supported by a lease agreement, and if Company management determines that the lease does not qualify for any of the recognition exemptions in the standard.
  b. Depreciation of the underlying asset begins as of the month in which it is initially recognized.
  c. The discount rate is provided by the treasury area, supported by a formal bank quote. This rate is reviewed on an annual basis.
  d. The amortization schedule is not revised unless the terms and conditions of the lease agreement have changed.
  e. When the lease term expires, the Company derecognizes the asset and accumulated amortization.

- *Statement of profit or loss*
  The Company applies the short-term lease recognition exemption to its leases with a lease term of 12 months or less, and to leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

n. Provisions

Provisions are recognized when the Company 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.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured based on the estimated cash flows required to settle the present obligation, its carrying amount represents the present value of these cash flows.
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when, an only when, it is virtually certain that the reimbursement will be received, and the amount of the receivable can be measured reliably.

o. Financial liabilities

i. Financial liabilities

Financial liabilities are measured initially at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate (EIR) method.

ii. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid is recognized in profit or loss.

p. Employee benefits

Employee benefits are determined based on current salaries and in proportion to the services rendered. The related liability is recognized as the benefits accrue. These benefits consist mainly of employee profit sharing, the cost of compensated absences, such as paid annual leave and vacation premiums, and incentives.

The liability for seniority premiums is recognized in accordance with IAS 19 based on actuarial valuations performed at the end of each reporting period. Actuarial gains and losses are recognized in other comprehensive income so that the net pension liability reported in the consolidated statement of financial position reflects the real value of the deficit in the plan. Past service cost is recognized immediately in the consolidated income statement and unamortized past service cost is recognized in profit or loss.

The cost of retirement benefits is determined using the projected unit credit method.

Employee profit sharing is recognized in profit or loss of the year it is incurred and is presented as part of cost of sales, administrative expenses or selling expenses in the consolidated income statement.

q. Taxes

Income tax expense is the aggregate amount of year tax and deferred tax.

Current income tax

Current tax is the Company's income tax expense for the year and it is recognized in the consolidated income statement.

Deferred taxes

Deferred taxes are recognized on all temporary differences between financial reporting and tax values of assets and liabilities based on tax rates that have been enacted at the reporting date and where applicable, they include unused tax losses and certain unused tax credits.

The Company recognizes deferred tax assets for all deductible temporary differences and unapplied deductions to the extent that the Company will have taxable profit in future years against which it may carryforward its deductible temporary differences.

Deferred tax assets and liabilities are not recognized when the deductible temporary difference arises from the initial recognition of goodwill or the initial recognition (different from the business combination) of an asset or liability in a transaction and which at the time of the transaction, affects neither the accounting profit nor taxable profit or tax loss.

The Company recognizes deferred tax liabilities for all taxable temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, but only to the extent that the Company is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future. Deferred tax assets arising from temporary differences associated with investments in these investments and interests are recognized only to the extent that that it is probable that sufficient taxable profit will be available to allow that deferred tax asset to be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that taxable profit will be available against which the deductible temporary difference can be utilized.

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

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes

Current and deferred taxes are recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity.

r. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Sale of goods

Revenues from the sale of goods are recognized in profit or loss when the customer takes possession of the goods or when the goods have been delivered to the customer at their home, during which time the following conditions are considered to be fulfilled:

- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- Revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The costs incurred or to be incurred in respect of the transactions can be measured reliably.

Interest income

Interest income is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

s. Transactions in foreign currency

The Company's functional currency is the Mexican peso. Transactions in foreign currency are initially translated using the exchange rate prevailing on the day of the transaction. Foreign currency denominated assets and liabilities are translated into Mexican pesos using the prevailing exchange rate published in the Official Gazette at the reporting date. Foreign currency gains and losses are recognized in profit or loss or other comprehensive income.

t. Reserve for share buybacks

In accordance with the Securities Market Act, the Company has created a reserve for share buybacks funded through retained earnings in an effort to improve the performance of its shares on the Securities Market. The shares acquired and temporarily removed from the market are retained by the Company as treasury shares.

u. Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Since the Company has no dilutive potential shares, its diluted earnings per share are the same as its basic earnings per share.

5. Significant accounting judgments, estimates and assumptions

In the process of applying the Company's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the period of the change and future periods if the change affects both.

a. Critical accounting judgments

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

Litigation contingencies

As discussed in Note 24, the Company is party to various legal proceeding that have arisen in the normal course of its business. The outcome of these lawsuits is uncertain and there is a possibility that the Company may lose the cases. Although it is not possible to quantify the potential losses for the Company, management believes that any resulting liability will not have a significant effect on the Company's financial position or on its operating results.

b. Key sources of estimation uncertainty

The key sources of estimation uncertainty at the date of the consolidated statement of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

✓ **Useful life estimates**

As mentioned in Note 4h, the Company reviews the useful lives of its property, plant and equipment at each financial year-end and adjusts them prospectively, if appropriate. Changes in these estimates could have a significant effect on the Company's consolidated statement of financial position and statement of income and comprehensive income.

- ✓ **Allowance for doubtful accounts**

With respect to its trade receivables, the Company calculates its allowance for doubtful accounts using estimates. Specifically, the Company assesses its trade receivables for impairment on a quarterly basis in March, June, September and December of each year based on an analysis of the risk of non-recoverability of trade receivable more than 180 days old. This analysis is performed by a credit committee composed of the Company's general director, finance director, sales director, credit and collection managers of the cement and concrete divisions.

- ✓ **Environmental provision**

The Company determines the cost of rehabilitating the quarries from which it extracts the raw materials it needs for its cement production considering its obligations under current law. To determine the amount of this obligation, a site rehabilitation study is performed by an independent specialist taking into account the Company's obligations under the relevant legislation. This provision is recognized in accounting based on the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

- ✓ **Provision for labor obligations**

The cost of the present value of labor obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. The discount rate is determined using the long-term government bond yield curve considering the duration of the bonds, as established in the relevant accounting standards.

The mortality rate is based on Mexico's publicly available mortality tables.

Future salary increases are based on expected future inflation rates for Mexico.

The Company based its assumptions and estimates on the parameters available when the consolidated financial statements were prepared. However, the existing circumstances and assumptions about future events may change due to changes in the market or circumstances that are beyond the Company's control. Such changes are reflected in the assumptions as they occur. Such changes are reflected in the assumptions as they occur.

6. Non-cash Transactions

During 2018, the Company acquired assets totaling $ 12,536 (without VAT) under finance leases. In 2019, as a result of the adoption of IFRS 16, the Company recognized right-of-use assets totaling $ 141,099 in the statement of financial position. The Company also recognized non-monetary investments as part of financing activities in the statement of cash flows.

7. Cash and cash equivalents

The Company maintains its cash and cash equivalents in its functional currency Mexican pesos as well as in foreign currency euros and US dollars invested in instruments not greater than three months placed in Mexico, the United States and Spain; It is integrated as follows:

	2019	2018
Cash and cash in banks	$ 681,609	$ 907,773
Mexican Treasury Certificates	430,237	562,207
Certificates of deposit	651,021	924,662
Bank paper	347,769	427,019
Total	**$ 2,110,636**	**$ 2,821,661**

8. Accounts Receivable, net

Accounts receivable in Mexican pesos and foreign currency are integrated as follows:

	2019	2018
Trade receivables	$ 1,102,213	$ 1,176,188
Allowance for doubtful accounts	(119,945)	(95,855)
Accounts receivable, net	**$ 982,268**	**$ 1,080,333**

Accounts receivable are measured at amortized cost.

There is no charge for interest on accounts receivable, because the collection and recovery of past due debts is monitored according to the parameters of their seniority, in order to identify doubtful accounts in a timely manner. The due debts of difficult recovery are sent to lawyers for collection through the courts.

Procedure for estimating allowance for doubtful accounts

- The Company records an allowance for credit losses, with the effects of the allowance reported in the consolidated income statement.

- Based on the Company's past collection experience in the construction industry in Mexico, management determines risk percentages to be applied to the balance of the Company's trade receivables. These risk percentages are determined based on the ages of the trade receivables.
- Management determines what risk percentages should be applied to the balances of trade receivables based on the ages of the balances. For trade receivables that are more than 180 days past due, management identifies conducts a collectability analysis applying the following considerations:

  ✓ Professional judgment that considers the Company's past collection experience.
  ✓ Status of related legal proceedings and the likelihood of favorable rulings.
  ✓ Guarantees obtained and management's expectations regarding their recovery.

- Whenever the Company loses a lawsuit associated with a past due account receivable, the account receivable is immediately written off, ensuring that the Company meets all legal requirements for the income tax deduction of the bad debt.
- On a quarterly basis (March, June, September and December of each year), Company management reviews the aging parameters of the Company's accounts receivable and determines whether the amount of the allowance is reasonable. Any adjustment to the allowance resulting from this analysis must be authorized by the Credit Committee.

In order to manage the credit risk in its accounts receivable, the Company has adopted a policy of only engaging in transactions with solvent counterparties and obtaining sufficient guarantees from those counterparties. As a result, it takes steps to examine and subsequently select potential customers based on their creditworthiness and financial stability. It assigns credit limits and obtains guarantees in the form of debt instruments, lists of assets, collateral and mortgage guarantees that are duly supported by either the counterparty's legal representative or a third-party guarantor.

The collateral and mortgage guarantees that the Company receives are usually represented by properties.

In the Cement division, accounts receivable guaranteed as of December 31, 2019 amounted to $ 24,000 and as of December 31, 2018, it was $ 40,000; Accounts receivable in the Concrete division as of December 31, 2019 and 2018 are guaranteed for $ 1,550 in both years.

As at 31 December 2019 and 2018, the cement division has approximately 670 and 675 customers, respectively; however, as of December 31, 2019, 92% of receivables are concentrated in 600 customers and in 2018 90% of receivables were concentrated in 610 customers.

As at 31 December 2019 and 2018, the concrete division has approximately 975 and 2,295 customers, respectively; however, as of December 31, 2019 53% of the total accounts receivable of this division are concentrated in 13 customers and in 2018 56% of the total accounts receivable are concentrated in 14 customers.

a. Aging of trade receivables that are past-due but not impaired

		2019		2018
1-60 days	$	68,580	$	88,580
61-90 days		13,708		13,183
91-180 days		26,507		10,066
More than 180 days		138,823		105,135
Total	**$**	**247,618**	**$**	**216,964**

The Company calculates the aging of accounts receivable using a sales depletion system, which differs from the commonly used formula, since the traditional approach is based on average annual income and accounts receivable, while under the Company's sales depletion approach the aging of accounts receivable is calculated based on layers of sales until the balance of the portfolio is reduced to zero.

b. Movement in the allowance for doubtful accounts

		2019		2018
Balance at beginning of year	**$**	**95,855**	**$**	**111,588**
Write off amounts deemed uncollectible during the year		(6,103)		(41,881)
Impairment losses recognized on accounts Receivable		30,415		26,148
Cancellation due to sale of shares of subsidiaries		(222)		-
Balance at end of year	**$**	**119,945**	**$**	**95,855**

To determine the recoverability of a trade receivable, the Company considers changes in the credit quality of each account from the time the credit was granted until the end of the reporting period. The concentration of credit risk in the Company's trade receivables is limited by the fact the Company has a broad customer base that is geographically diverse. The credit limits assigned to customers are reviewed continually on a case-by-case basis.

9. Other Accounts Receivable

The other accounts receivable are integrated as follows:

	2019	2018
Related party receivables (Note 16)	$ 13	$ 249
Recoverable taxes	38,937	43,111
Sundry debtors	102,690	61,772
Security deposits	9,168	9,666
Other accounts receivable	222	762
Total	**$ 151,030**	**$ 115,560**

10. Inventories, net

The inventories are integrated as follows:

	2019	2018
Finished products	$ 99,944	$ 108,440
Production in process	173,248	199,609
Raw materials	54,839	58,017
Spare parts and operating materials	391,328	411,032
Fuel	50,650	103,640
Allowance for obsolete and slow-moving inventories	(3,461)	(1,927)
	766,548	**878,811**
Merchandise in transit	57,898	166,340
Total	**$ 824,446**	**$1,045,151**

Changes in the allowance for obsolete and slow-moving inventories:

	2019	2018
Opening balance	**$ 1,927**	**$ 3,914**
Increase in the allowance	1,534	-
Charges to the allowance	-	(1,987)
Ending balance	**$ 3,461**	**$ 1,927**

11. Property, Plant and Equipment, net

The carrying amounts of property, plant and equipment at the beginning and end of 2019 and 2018 are as follows:

	Balance as at 31 December 2018	Additions	Disposals	Other movements	Balance as at 31 December 2019
Cost:					
Buildings	**$ 2,766,589**	**$ 3,631**	**$ (20,398)**	**$ 32,979**	**$ 2,782,801**
Machinery and equipment	9,776,074	30,744	(193,194)	248,869	9,862,493
Automotive equipment	69,368	18,542	(15,508)	2,018	74,420
Computer equipment	58,003	1,440	(159)	21,258	80,542
Office furniture and equipment	34,972	-	(178)	651	35,445
Construction in process	289,494	441,780	(3,621)	(333,861)	393,792
Land	873,386	86,119	(236)	(59,781)	899,488
Total	**$13,867,886**	**$ 582,256**	**$ (233,294)**	**$ (87,867)**	**$14,128,981**

	Balance as at 31 December 2018	Depreciation expense	Fully depreciated	Other movements	Balance as at 31 December 2019
Depreciation and impairment:					
Buildings	**$ (1,519,649)**	**$ (110,779)**	**$ 10,196**	**$ 571**	**$ (1,619,661)**
Machinery and equipment	(5,236,660)	(412,851)	128,911	6,042	(5,514,558)
Automotive equipment	(44,803)	(14,602)	14,777	49	(44,579)
Computer equipment	(44,233)	(7,335)	47	-	(51,521)
Office furniture and equipment	(29,261)	(1,451)	178	31	(30,503)
Total	**$ (6,874,606)**	**$ (547,018)**	**$ 154,109**	**$ 6,693**	**$ (7,260,822)**
Impairment losses on tangible assets	**$ (140,561)**	**$ -**	**$ -**	**$ -**	**$ (140,561)**
Net investment	**$ 6,852,719**	**$ 35,238**	**$ (79,185)**	**$ (81,174)**	**$ 6,727,598**

	Balance as at 1 st January 2018	Additions	Disposals	Other movements	Balance as at 31 December 2018
Cost:					
Buildings	**$ 2,724,414**	**$ 0**	**$ (4,025)**	**$ 46,200**	**$ 2,766,589**
Machinery and equipment	9,278,096	50,875	(43,150)	490,253	9,776,074
Automotive equipment	24,689	197	(870)	(347)	23,669
Equipment acquired under finance leases	45,196	12,536	(12,380)	347	45,699
Computer equipment	43,579	7,715	(217)	6,926	58,003
Office furniture and equipment	34,272	-	-	700	34,972
Construction in process	546,702	291,088	(113)	(548,183)	289,494
Land	868,407	1,325	(3,639)	7,293	873,386
Total	**$ 13,565,355**	**$ 363,736**	**$ (64,394)**	**$ 3,189**	**$13,867,886**

	Balance as at 1st January 2018	Depreciation expense	Fully depreciated	Other movements	Balance as at 31 December 2018
Depreciation and impairment:					
Buildings	**$ (1,405,857)**	**$ (116,135)**	**$ 2,343**	**$ 0**	**$ (1,519,649)**
Machinery and Equipment	(4,839,950)	(412,264)	15,554	-	(5,236,660)
Automotive equipment	(16,944)	(3,969)	385	-	(20,528)
Equipment acquired under finance leases	(23,353)	(10,008)	9,086	-	(24,275)
Computer equipment	(43,321)	(1,086)	174	-	(44,233)
Office furniture and equipment	(27,638)	(1,623)	-	-	(29,261)
Total	**$ (6,357,063)**	**$ (545,085)**	**$ 27,542**	**$ 0**	**$ (6,874,606)**
Impairment losses on tangible assets	**$ (140,561)**	**$ -**	**$ -**	**$ -**	**$ (140,561)**
Net investment	**$ 7,067,731**	**$ (181,349)**	**$ (36,852)**	**$ 3,189**	**$ 6,852,719**

The Company's average depreciation rates determined based on the estimated useful lives of the assets are as follows:

	Average rates
Buildings	5.00%
Machinery and equipment	5.00 to 7.00%
Transport equipment	25.00%
Computer equipment	33.30%
Office furniture and equipment	10.00%
Assembly and installation	10.00%
Intangible assets	33.33%

12. Leases

a) Right-of-use assets, net

The values in books at the beginning and end of the 2019 financial year, of the rights of use are as follows:

	Balance as at 1° January 2019	Additions	Disposals	Other movements	Balance as at 31 December 2019
Right-of-use assets:					
Buildings	**$ 4,328**	**$15,579**	**$ (334)**	**$ 0**	**$ 19,573**
Transport equipment	92,232	10,131	-	-	102,363
Machinery and equipment	1,581	2,991	(4,572)	-	-
Land	11,016	3,241	(331)	-	13,926
Total	**$ 109,157**	**$31,942**	**$(5,237)**	**$ 0**	**$ 135,862**

	Balance as at 1° January 2019	Additions	Disposals	Other movements	Balance as at 31 December 2019
Depreciation:					
Buildings	**$ 0**	**$ (8,414)**	**$ 334**	**$ 923**	**$ (7,157)**
Transport equipment	-	(29,376)	-	-	(29,376)
Machinery and equipment	-	(4,341)	4,572	(231)	-
Land	-	(5,258)	331	-	(4,927)
Total	**$ 0**	**$ (47,389)**	**$ 5,237**	**$ 692**	**$ (41,460)**
Right-of-use assets,net	**$ 109,157**	**$ (15,447)**	**$ 0**	**$ 692**	**$ 94,402**

b) Lease liabilities

Lease liabilities and movements of the period:

	2019
Lease liabilities as at January 1°	**$ 109,157**
Additions	31,942
Other movements	689
Accumulated interests	5,024
Other lease liabilities	34,357
Payments	(47,383)
Lease liabilities as at December 31	**$ 133,786**
Short-term liabilities	$ 54,470
Long-term liabilities	$ 79,316

Due to maturities long-term are as follows:

	2019
2021	$ 44,136
2022	30,448
2023	4,556
2024	176
Total	**$ 79,316**

13. Other Accounts Payable and Accrued Liabilities

The balance of other accounts payable and accrued liabilities are integrated as follows:

	2019	2018
Trade advances	$ 397,770	$ 395,814
Expense provisions	69,996	82,326
Sundry creditors	162,533	156,923
Total	**$ 630,299**	**$ 635,063**

14. Employee Benefits

In 2019 and 2018, the Company has a provision that covers it obligation related to the payment of seniority premiums, which consists of a onetime payment equal to 12-days' salary of each year worked calculated based on the employee's final monthly salary (capped at twice the legal minimum daily wage established in the Federal Labor Law). The related liability and the annual cost of benefits are calculated by an independent actuary using the projected unit credit method.

The principal assumptions used in the actuarial valuations are as follows:

	2019	2018
Discount rate	7.00%	9.11%
Salary increase rate	5.50%	5.50%
Inflation	5.00%	4.00%

The amounts recognized in the consolidated income statement for the seniority premium provision in 2019 and 2018 are:

	2019	2018
Current year service cost	$ 1,408	$ 1,029
Interest cost	151	794
Effect of curtailments and settlements	-	(13)
Net periodic benefit expense	**$ 1,559**	**$ 1,810**

An analysis of the actuarial (remeasurements)/gains on seniority premiums recognized in other comprehensive income in 2019 and 2018 is as follows:

	2019	2018
Actuarial (remeasurements)/gains on the obligation	$ (7,087)	$ 2,297
Deferred income tax	2,126	(689)
Defined benefit cost items in other items	**$ (4,961)**	**$ 1,608**

The amount recognized in the consolidated statement of financial position in respect of the Company's obligation regarding the seniority premiums for 2019 and 2018 is as follows:

	2019	2018
Present value of defined benefit obligation for seniority premiums	$ 18,066	$ 9,934
Net liability generated by seniority premium	**$ 18,066**	**$ 9,934**

Changes in the present value of the seniority premium provision in 2019 and 2018 is as follows:

	2019	2018
Opening balance of defined benefit obligation	**$ 9,934**	**$ 10,861**
Current year service cost	1,408	1,029
Interest cost	151	794
Actuarial loss/(gain)	7,087	(2,297)
Effect of curtailments or settlements of labor obligations	-	(13)
Benefits paid	(514)	(440)
Ending balance of defined benefit obligation	**$ 18,066**	**$ 9,934**

The sensitivity analyses described below consider reasonable potential changes in the respective assumptions at the end of the reporting period, with all other assumptions remaining constant.

2019 analysis

If the discount rate had been 0.5% higher and all other variables had remained constant, the Company's equity and consolidated comprehensive income for the years ended 31 December 2019 would have increased by $86.

A decrease of 0.5% with all other variables held constant would have resulted in a decrease in the Company's equity and consolidated comprehensive income of $93.

If the wage increase rate had been 0.5% higher and all other variables had remained constant, the Company's equity and consolidated comprehensive income for the years ended 31 December 2019 would have increased by $783

A decrease of 0.5% with all other variables held constant would have resulted in a decrease in the Company's equity and consolidated comprehensive income of $864.

2018 analysis

If the discount rate had been 0.5% higher and all other variables had remained constant, the Company's equity and consolidated comprehensive income for the years ended 31 December 2018 would have increased by $38.

A decrease of 0.5% with all other variables held constant would have resulted in a decrease in the Company's equity and consolidated comprehensive income of $42.

In the sensitivity analysis described above, the present value of seniority premiums is calculated using the projected unit credit method at the end of the reporting period, which is the same method applied to calculate the liability for seniority premiums recognized in the consolidated statement of financial position.

There were no changes in the methods or assumptions considered in the sensitivity analyses of prior years.

15. Foreign currency balances and transactions

a. The monetary position in foreign currency as at December 31, 2019 and 2018 is:

	2019	2018
Thousands of U.S. dollars:		
Monetary assets	USD 55,581	USD 72,690
Monetary liabilities	(2,155)	(5,559)
Long position	**USD 53,426**	**USD 67,131**
Thousands of euros:		
Monetary assets	€ 6,304	€ 12,435
Monetary liabilities	(1,598)	(1,181)
Long position	**€ 4,706**	**€ 11,254**

b. In the years ended 31 December 2019 and 2018, the Company performed the following transactions in foreign currency that were translated and stated in Mexican pesos using the prevailing exchange rate at the date of each transaction:

	2019	2018
	(In thousands of U.S. dollars)	
Interest income	USD 743	USD 953
Purchases	(57,832)	(87,762)
	(In thousands of euros)	
Purchases	€ (7,670)	€ (6,982)

c. The exchange rates as at 31 December were as follows:

	2019	2018
U.S. dollar	$ 18.8727	$ 19.6566
Euro	$ 21.1846	$ 22.4753

16. Related party balances and transactions

a. Commercial transactions

Transactions carried out with related parties in the normal course of the Company's operations is as follows:

	2019	2018
Revenue from product sales, interest income, etc.	$ 36	$ 1,492
Expenses for services received	(12,646)	(11,464)
Total	**$ (12,610)**	**$ (9,972)**

Balances receivable due from and payable due to related parties that are presented as part of other accounts receivable and other accounts payable in the consolidated statement of financial position are as follows:

	2019	2018
Receivables:		
Lone Star Industries, Inc	$ 13	$ -
Total	**$ 13**	**$ -**
Payables:		
Buzzi Unicem S.p.A.	$ 2,608	$ 3,551
Cementos Molins, S.A.	1,519	828
Total	**$ 4,127**	**$ 4,379**

b. Loans to related parties

The Company has granted loans to key personnel at a rate that is comparable to standard commercial average interest rates:

	2019	2018
Loans to key personnel	$ 0	$ 279
Total	$ 0	**$ 279**

Due to their immateriality, the balance receivable from the related party are presented as part of other accounts receivable.

c. Compensations of key management personnel

Compensation paid to the Company's Directors and other senior executives during the period is as follows:

	2019	2018
Short-term employee benefits	$ 74,664	$ 58,379
Total	**$ 74,664**	**$ 58,379**

The compensation paid to the Company's directors and senior executives is determined by the Remuneration Committee based on the individual performance of each executive and on current market trends.

17. Financial Instruments

a. Capital risk management

The objective of the Company's capital management is to ensure that the Company is able to continue as a going concern. The Company's policy it to not contract long-term debt, except for certain finance leases whose amounts are immaterial for its financial position taken as a whole. The Company is not subject to any external restrictions affecting its capital management.

Company management periodically reviews the Company's capital structure at the time it presents the financial projections included in its business plan to the Company's Board of Directors and shareholders.

	2019	2018
Leases	$ 133,786	$ 25,573
Equity	9,227,028	10,096,396
	$ 9,360,814	**$ 10,121,969**
%	1.43%	0.25%
Leases	$ 133,786	$ 25,573
Operating cash flows	4,148,469	4,312,205
%	3.22%	0.59%

b. Categories of financial instruments

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 2,110,636	$ 2,821,661
Trade receivables and other accounts receivable	1,094,361	1,152,782
Financial liabilities:		
Accounts payable	$ 1,077,257	$ 1,098,902
Short-term leases	54,470	11,063
Long-term leases	79,316	14,510

c. Objectives of financial risk management

The role of the Company’s treasury function is to manage financial resources and mitigate the financial risks associated with its operations using internal risk reports, which analyze the level and magnitude of exposure to risks. These risks include market risk (foreign currency and commodity prices), credit risk and liquidity risk.

The Company minimizes the potentially adverse effects of these risks on its financial performance through various strategies. The Company’s bylaws prohibit the Company from contracting any type of financing. The internal auditors periodically evaluate the Company’s compliance with its policies and exposure limits. The Company does not contract financial instruments for either speculative or hedging purposes.

d. Management of foreign currency risk

The Company is exposed to foreign currency risk primarily through its purchases of materials and spare parts for its operations, which are paid for in foreign currencies (U.S. dollars and euros) and so give rise to accounts payable denominated in those currencies. The Company has investment policies that dictate the amounts of cash and cash equivalents that it needs to maintain in each currency, resulting in natural hedges against this risk. The Company’s foreign currency position is shown in Note 15.

If the Mexican peso/U.S. dollar exchange rate had been 10% higher and all of the other variables had remained constant, the Company’s equity and income after taxes as at 31 December 2019 and 2018 would have increased by $100,829 and $ 131,957, respectively. A decrease of 10% with all other variables held constant would have resulted in a decrease in the Company’s equity and income after taxes by the same amount.

If the Mexican peso/euro exchange rate had been 10% higher and all of the other variables had remained constant, the Company’s equity and income after taxes as at 31 December 2019 and 2018 would have increased by $9,971 and $ 25,294, respectively. A decrease of 10% with all other variables held constant would have resulted in a decrease in the Company’s equity and income after taxes by the same amount.

e. Management of interest rate risk

The Company has no debt and it maintains investments in fixed-yield instruments. Interest under the Company's finance leases is at a fixed rate. In view of the above, the Company does not have significant exposure to interest rate risk.

f. Management of commodity price risk

One of the energy commodities that the Company consumes most is pet coke, which is subject to price changes. However, the Company is not exposed to any financial risk due to these price changes since it has no financial instruments in its consolidated statement of financial position that are subject to variability.

g. Management of liquidity risk

The Company does not have any significant long-term financial liabilities and it maintains significant balances of cash and cash equivalents, as shown in Note 7. The Company also periodically analyzes its cash flows and it maintains open lines of credit with banks and suppliers.

The maturities of the Company's finance leases are disclosed in Note 12. Given the high amounts of cash and cash equivalents that the Company maintains, no other disclosures are considered necessary.

h. Management of credit risk

Credit risk is the risk that the counterparty will default on its payment of obligations, leading to a financial loss for the Company. As mentioned in Note 8, the Company's policy is to only engage in transactions with solvent counterparties and, where appropriate, to obtain sufficient guarantees from those counterparties, as a way to mitigate its credit risk.

With respect to investments classified as cash equivalents, as indicated in Note 7, these investments are made in Mexican, U.S. and Spanish securities and accordingly, the credit risk surrounding these instruments is tied to the economic risk of these countries.

The Company's policy for managing the credit risk in its accounts receivable is described in Note 8.

18. Fair Value Measurement of Financial Instruments

Management believes that the carrying amount of the financial assets and liabilities recognized at amortized cost in the Company's consolidated financial statements approximates fair value, since these assets and liabilities are all settled in the short-term.

In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

In addition, for purposes of financial reporting, fair value measurements are classified in Level 1, 2 or 3 based on the degree to which observable inputs are included in the measurements and their importance in determining fair value in their totality, which are described as:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - Unobservable inputs for the asset or liability.

The carrying amounts and fair values of the Company's financial assets and liabilities is as follows:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Assets measured at fair value:				
Cash and cash equivalents	$2,110,636	$2,110,636	$2,821,661	$2,821,661
Assets measured at amortized cost:				
Accounts receivable	1,094,361	1,079,606	1,152,782	1,136,174
Financial liabilities				
Liabilities measured at amortized cost:				
Accounts payable	$1,077,257	$1,077,257	$1,098,902	$1,098,902
Short-term leases	54,470	54,470	11,063	11,063
Long-term leases	79,316	79,316	14,510	14,510

19. Derivative financial instruments

The Company's management has decided not exposing to risks that beyond its control, and for this reason the Company's policy is to refrain from contracting derivate financial instruments.

In accordance with article 104, section VI Bis, of the Securities Market Act, it may be concluded that as at 31 December 2019, the Company does not have any transactions with derivatives.

20. Income Tax

The Company is subject to the payment of income tax.

ISR - The rate was 30% for 2019 and 2018, in accordance with the new ISR 2017 Law (it will continue at 30% for subsequent years).

a. The income tax recognized in the consolidated income statement is as follows:

	2019	2018
Current income tax	$ 1,574,201	$ 1,832,653
Annual income tax from prior years	(4,295)	20,990
Deferred income tax	(95,865)	(89,342)
Total	**$ 1,474,041**	**$ 1,764,301**

b. Deferred tax assets and liabilities

Income tax.- The main items that originate the deferred asset and liability deferred balance are:

	2019	2018
Assets:		
Reserves and estimations	$ 0	$ 15,750
Property, plant and equipment and intangibles and immediate deduction	17,616	(14,943)
Trade advances	-	26,717
Provisions and other	20,347	51,761
Prepaid expenses	(6,417)	(5,553)
Tax losses of subsidiaries	4,416	71,427
Total assets	**$35,962**	**$145,159**

	2019	2018
(Liabilities):		
Reserves and estimations	$ 50,139	$ 26,144
Inventories	(103,817)	(109,928)
Property, plant and equipment and intangibles and immediate deduction	(733,676)	(833,527)
Trade advances	122,781	92,452
Provisions and other	81,470	27,916
Prepaid expenses	(12,194)	(7,396)
Tax losses of subsidiaries	1,830	2,060
Total liabilities	**$(593,467)**	**$(802,279)**
Net total	**$(557,505)**	**$(657,120)**

To determine its deferred income tax as at 31 December 2019 and 2018, the Company applied the income tax rate that will be in effect when the temporary differences giving rise to deferred taxes are expected to reverse.

c. Tax consolidation

i. The last portion of the Company's income tax liability related to its tax consolidation was remitted in full in 2018.

ii. A reconciliation of the statutory income tax rate to the effective income tax rate expressed as a percentage of pretax income is as follows:

	2019	2018
Statutory income tax rate	**30.00%**	**30.00%**
Plus/(less):		
Effects of inflation	(0.55)%	(0.90)%
Non-deductible	0.26%	0.37%
Income tax from prior years	(0.09)%	0.34%
Other	0.63%	(0.97)%
Effective income tax rate	**30.25%**	**28.84%**

21. Equity

a. Contributed capital

The share capital as at 31 December 2019 is as follows:

	Shares	Amount
Fixed share capital		
Common nominative shares of the single series (with no par value)	80,454,608	$ 15,582
Variable		
Common nominative shares of the single series (with no par value)	804,432,688	155,795
Total shares	**884,887,296**	**171,377**
Treasury shares	(6,501,210)	-
Outstanding shares	**878,386,086**	**$ 171,377**

Serial Number	*
Current cupon	**36**

b. Earned capital

I. At a regular shareholders' meeting held on April 5, 2019 a dividend was approved for $2,199,588,355 (two thousand one hundred ninety-nine million five thousand eighty-eight three hundred and fifty-five pesos) from accumulated profits for the years 2014 to 2018.

Payment of the dividend in cash of $ 2.50 (Two pesos 50/100 M.N.) per share will be paid through S.D. Indeval, Institution for the Deposit of Securities, S.A. of C.V to from April 29, 2019 against the delivery of Coupon No. 34.

II. At a regular shareholders' meeting held on November 29, 2019, the payment of a cash dividend was o for approved for total amount of $1,932,449,389.20 (One thousand nine hundred and thirty-two million four hundred forty-nine thousand three hundred and eighty-nine pesos 20/100 MN), Net Fiscal Income for the 2014 financial year and subsequent.

Payment of the dividend in cash of $ 2.20 (Two pesos 20/100 M.N.) per share paid as of December 10, 2019, through S.D. Indeval, Institution for the Deposit of Securities, S.A. of C.V. in one exhibition against the delivery of Coupon No. 35.

1. At a regular shareholders' meeting held on April 12, 2018 a dividend was approved for $3,081,091,286 (three thousand and eighty-one million ninety-one thousand two hundred and eighty-six pesos) from accumulated profits for the years 2014 to 2017.

   Payment of the dividend in cash of $ 3.50 (Three pesos 50/100 M.N.) per share will be paid through S.D. Indeval, Institution for the Deposit of Securities, S.A. of C.V. in two exhibitions:

   - The first exhibition for an amount of $ 2.00 (two pesos 00/100) per share, that is, a total amount of $ 1,760,623,592.00 (one thousand seven hundred sixty million six hundred twenty-three thousand five hundred and ninety-two pesos 00/100), will be paid to from April 23, 2018 against the delivery of Coupon No. 31.

   - The second exhibition, for an amount of $ 1.50 (one peso 50/100) per share, that is, a total amount of $ 1,320,467,694.00 (one thousand three twenty million four hundred sixty-seven thousand six hundred and ninety-four pesos 00/100), will be paid as of June 18, 2018 against the delivery of Coupon No. 32

2. At a regular shareholders' meeting held on November 30, 2018, the payment of a cash dividend was o for approved for total amount of $1,584,561,232.80 (One thousand five hundred and eighty-four million five hundred sixty-one thousand two hundred and thirty-two pesos 80/100 MN), from:

- Net Fiscal Income for the 2013 financial year and previous ones for $107,037,268.31 (One hundred and seven million thirty-seven thousand two hundred and sixty-eight pesos 31/100 M.N.)

- Net Fiscal Income for 2014 and subsequent amounts of $ 1,477,523,964.49 (One thousand four hundred and seventy-seven million five hundred twenty-three thousand nine hundred and sixty-four pesos 49/100 M.N.).

Payment of the dividend in cash of $ 1.80 (one peso 80/100 M.N.) per share paid as of December 11, 2018, through S.D. Indeval, Institution for the Deposit of Securities, S.A. of C.V. in one exhibition against the delivery of Coupon No. 33.

The Company's legal reserve is included in its retained earnings. In accordance with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's share capital. The legal reserve may be capitalized but may not be distributed to the shareholders unless the Company is dissolved. Also, the legal reserve must be replenished if it is reduced for any reason. The legal reserve as at 31 December 2019 and 2018 is $130,024.

The distribution of net assets, except for the updated amounts of the social capital contributed and retained earnings, will cause the tax charged to the Entity at the rate in effect at the time of distribution. The tax paid for such distribution, may be credited against the ISR of the fiscal year paid for the dividend tax and in the following two immediate fiscal years, against the fiscal year tax and the provisional payments of the same.

The balances of the fiscal accounts of equity are:

	2019	2018
Consolidated restated contributed capital account	$ 2,329,097	$ 2,265,218
Consolidated net taxed profits account	1,727,841	1,674,332
Total	**$ 4,056,938**	**$ 3,939,550**

22. Costs and expenses based on their nature

a. The cost of sales recognized in the consolidated income statement is as follows:

Cost of sales	2019	2018
Raw materials, freight, fuel and maintenance	$ 5,356,592	$ 5,681,164
Depreciation and amortization	548,903	532,175
Other costs	1,377,399	1,309,979
Total	**$ 7,282,894**	**$ 7,523,318**

b. The selling and administrative expenses recognized in the consolidated income statement is as follows:

Selling and administrative expenses	2019	2018
Wages, benefits and fees	$ 360,426	$ 343,036
Depreciation and amortization	64,644	25,300
Other expenses	273,929	281,532
Total	**$ 698,999**	**$ 649,868**

c. The other operating expenses/(income) recognized in the consolidated income statement is as follows:

Other operating expenses/(income)	2019	2018
Inflation restatement and surcharges on tax difference	$ (517)	$ (3,249)
Asset reserves	(25,537)	14,505
Clearing and adjusting of accounts	(331)	(214)
Allowance for doubtful accounts	24,090	23,389
(Gain)/loss on sale of fixed assets and other assets	(12,685)	1,115
Insurance recovery	(2,832)	(4,938)
Depreciation and Impairment of Assets	(9,038)	-
Other	697	(23,982)
Total	**$ (26,153)**	**$ 6,626**

23. Segment information

The Company identifies its operating segments based on internal reports regarding the Company's various components, which are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segments and evaluate their performance.

The Company's activities are grouped into three main business segments: Cement, Concrete and Corporate.

The tables below show financial information by business segment based on management's approach. Intersegment transactions have been eliminated. The Company's reportable segments in accordance with IFRS 8 Operating Segments are as follows:

2019	Net sales	PP&E, intangible and ADV, net	Equity investments	Depreciation and amortization
Cement	$ 10,855,739	$ 6,170,934	$ 476,692	$ 515,688
Concrete	1,931,742	841,221	89,806	74,051
Corporate	546	43,589	15,758	14,769
Total	**$ 12,788,027**	**$ 7,055,744**	**$ 582,256**	**$ 604,508**

2018	Net sales	PP&E, intangible and ADV, net	Equity investments	Depreciation and amortization
Cement	$ 11,989,653	$ 6,054,222	$ 220,704	$ 480,565
Concrete	2,194,102	938,314	116,664	69,355
Corporate	546	39,976	26,368	7,555
Total	**$ 14,184,301**	**$ 7,032,512**	**$ 363,736**	**$ 557,475**

24. Contingencies

The Entity has pending lawsuits as a result of the normal course of its operations. Such judgments involve uncertainties, and, in some cases, they may be resolved in favor or against. Although it is not possible to determine the amounts involved in the pending lawsuits, the management considers that based on the known elements, any resulting liabilities would not significantly affect the financial situation or operating results of the Entity.

25. Short-term leases or low-value assets

The Company has short-term leases (lease terms of 12 months or less) and leases of low value assets of land, property, machinery, computers and office equipment.

Payments recognized as expenses in results:

	2019	2018
Annual cost	$ 34,203	$ 76,902
Average monthly payments	2,850	6,408

The Company is subject to contractual penalties for its failure to meet the obligations established in its lease agreements. These penalties are determined based on the terms and conditions of each agreement. As at 31 December 2019 and 2018, management is not aware of any failure by the Company to comply with the terms and conditions established in these agreements that would give rise to any contractual penalties, and the consolidated statement of financial position therefore does not include any liabilities related to these commitments.

26. Joint ventures

The Company indirectly holds equity interest in the following joint venture through its subsidiary Cementos Moctezuma, S.A. de C.V.:

Joint venture	Activity	Location of incorporation	Interest and voting rights held by the Company (50%)	
			2019	2018
CYM Infraestructura, S.A.P.I. de C.V.	Construction of streets, highways, roads and bridges	Mexico City	**$ 14,182**	$12,837

This Company recognizes its interest in this joint venture in its consolidated financial statements using the equity method.

A summary of the information on the joint venture is provided below. Highlights of the financial information shown are the amounts included in the Company's consolidated financial statements prepared under IFRS:

	2019	2018
Current assets	$ 31,189	$ 30,538
Current liabilities	$ 2,826	$ 4,864

The assets indicated above include the following:

	2019	2018
Cash and cash equivalents	$ 25,635	$ 17,524

	2019	2018
Sales	$ 0	$ (642)
Net gain for the year	$ 2,690	$ 21,240

The net gain indicated above includes the following:

	2019	2018
Interest expense	$ (1,282)	$ (2,515)
Gain fixed assets sales	$ (4)	$ (39,081)
Income tax expense/(benefit)	$ (1,841)	$ 12,863

27. Basic Earnings Per Share

The profit and the average weighted number of ordinary shares used to calculate basic earnings per share are as follows:

	2019	2018
Net income attributable to equity holders of the parent	$ 3,396,880	$ 4,350,069
Weighted average number of outstanding shares (thousands of shares)	879,258	880,312
Basic earnings per ordinary share, equity holders of the parent	$ 3.86	$ 4.94

Since the Company has no dilutive potential shares, its diluted earnings per share are the same as its basic earnings per share.

28. Authorization of the Consolidated Financial Statements

On February 12, 2020, the accompanying consolidated financial statements and these notes were authorized by the Company's Board of Directors and Audit Committee and Corporate Practices, for their issue and subsequent approval by the shareholders, who have the authority to modify the Company's consolidated financial statements in accordance with Mexican Corporations Act.

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