CORPORACIÓN MOCTEZUMA

PURE MEXICAN PRIDE

2020 ANNUAL REPORT

MISSION

To produce low-cost, competitively priced cement and concrete that meets the needs of our clients, providing a safe environment in which our personnel can develop; to be an environmentally aware company that has a healthy relationship with the surrounding community, pays its employees a fair wage, and adds value to the investment of its shareholders and clients.

VISION

To maintain our leadership position in efficiency and profitability, expanding our cement and concrete operations at the national level, and positioning our brand as the high-quality product that it is.

VALUES

Our values are the foundation on which we have built our corporate identity, as are the shared convictions that are part of our long-term strategy and the service we provide to the market.

Committed: We are committed to the well-being of Mexico
Accessible: We listen and respond
Competitive: We invest and innovate
Consistent: Our consistency builds trust

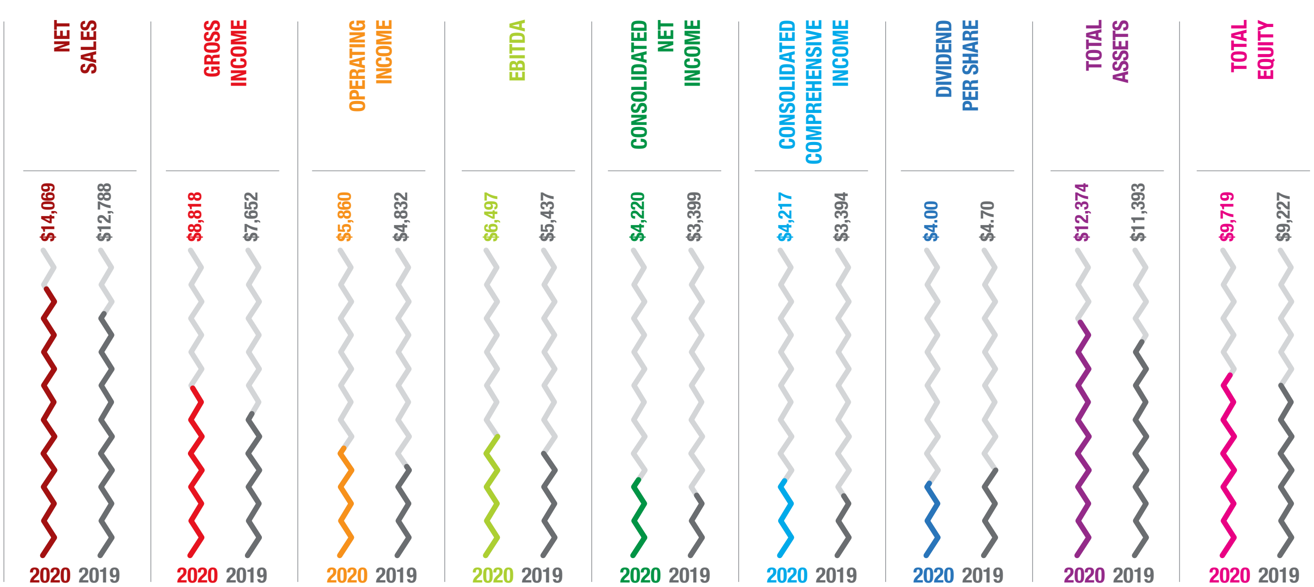
CONTENIDO

KEY FIGURES

Figures in millions of Mexican pesos, except dividends per share, which are stated in pesos.

	2020	2019	Var.
Total Assets	**$ 12,374**	$ 11,393	8.6%
Total Liabilities	**$ 2,656**	$ 2,166	22.6%
Total Equity	**$ 9,719**	$ 9,227	5.3%
Net Sales	**$ 14,069**	$ 12,788	10.0%
Gross Income	**$ 8,818**	$ 7,652	15.2%
Gross Margin	**62.7%**	59.8%	
Operating Income	**$ 5,860**	$ 4,832	21.3%
Operating Margin	**41.7%**	37.8%	
EBITDA*	**$ 6,497**	$ 5,437	19.5%
EBITDA Margin	**46.2%**	42.5%	
Consolidated Net Income	**$ 4,220**	$ 3,399	24.2%
Consolidated Net Margin	**30.0%**	26.6%	
Consolidated Comprehensive Income	**$ 4,217**	$ 3,394	24.3%
Consolidated Comprehensive Income Margin	**30.0%**	26.5%	
Dividend per Share	**$ 4.00**	$ 4.70	-14.9%

**EBITDA: Earnings before interest, taxes, depreciation, amortization and impairment.*



MESSAGE TO SHAREHOLDERS

In Mexico on March 16, 2020, the Secretary of Health implemented the National Day of Social Distancing, temporarily suspending non-essential activities. It was not until the middle of May that the construction and cement-manufacturing industry were considered to be essential activities, and were allowed to restart operations in order to continue work on the federal government's infrastructure projects. Operations were reinitiated in strict compliance with official safety protocols.

In 2020, humanity as a whole found itself facing the COVID-19 pandemic, which spread quickly to every country on the planet. The world was not prepared for such adversity. To stem the pandemic, governments and societies took unprecedented measures, which heavily impacted all activities.

The economic backdrop, however, helped contribute to overcome the negative impacts caused by the pandemic: 1. The federal government's infrastructure projects continued (the Felipe Ángeles Airport in Santa Lucía and the Dos Bocas Refinery in Tabasco); 2. Higher remittances from abroad; 3. Increased do-it-yourself (DIY) construction.

After realizing the magnitude and the possible consequences we might face due to the pandemic that was unfolding in China and Europe, we immediately made decisions that focused on prioritizing the health and safety of our personnel, with five main lines of action:

Awareness

We communicated quickly to our personnel regarding the gravity of the consequences of the global situation and how it could impact us.

Commitment

Every area of Corporación Moctezuma made huge efforts at all levels, from operators to directors, to adhere closely to protocol.

We continued to pay our employees their same salaries, thus ensuring that we would be able to focus on the challenges we knew would have to be overcome.

Anticipation

Complying with guidelines from the World Health Organization and the Mexican health authorities, we developed and implemented protocols, quickly purchasing personal protective equipment and sanitizing materials.

We defined joint strategies with our providers to ensure timely supply of the materials necessary for our operation and to protect our personnel, clients, and providers, especially because of the disruption in supply chains all over the world.

Adaptation

We have been developing plans and programs over the years to make our operations more efficient and flexible. This helped us make a coordinated effort in the areas of production, sales, administration, and human resources.

The Company has adequate technological tools that allowed it to adapt to remote working in under two weeks; this was the result of years at the vanguard in information systems.

Opportunity

The DIY segment presented additional demand. We met that excess demand efficiently and effectively, which contributed to our market position, and to the recognition of Cementos Moctezuma as a quality brand.

We would like to emphasize that the decisions and actions taken to protect the health of our employees, clients, and providers were successful, as there was not a single report of

contagion from COVID-19 at any of Corporación Moctezuma's facilities.

We increased sales by participating in the Felipe Ángeles Airport project in Santa Lucía, the Dos Bocas Refinery, and in serving the DIY sector. We also served the market through our high level of client service, and by being flexible in meeting their needs.

We reduced production costs and operating expenses, taking advantage of the combination of better prices for some materials, negotiating beneficial terms with providers early in the year, and focusing on working in conformance with the Company's efficiency programs.

Profitability increased through a coordinated effort by the Corporación Moctezuma team. In 2020, we paid cash dividends to our shareholders for a total of $3.5 billion pesos, which is equivalent to a dividend per share of $4.00 pesos.

In Sustainability, we advanced in the development of our main projects to protect the environment, such as:

- Construction of our first comprehensive automated waste receipt and transport system for alternative fuels, using waste from the Cerritos Plant. In 2021, we will begin to use this waste in our furnaces, which will be very beneficial to the environment.
- We began the process to obtain permits to build a solar farm in San Luis Potosí, which will have generating capacity of 10 MW, at an investment of US$ 10 million. The energy that will be generated will be exclusively for our own consumption at the Cerritos Plant.
- We began participating in working groups of the Global Cement and Concrete Association (GCCA), which will allow us to share our knowledge, and leverage the experience of other participants so that we can optimize environmental performance.
- We launched the "Pink Hardhat" initiative, recognizing the work of women in the construction industry. This initiative provides important numbers, success stories, and highlights the major impact that women have had in construction.

We fully leveraged our knowledge, skills, and ability to adapt, all of which enabled us to handle unknown challenges. Among our employees, clients and providers, we encouraged and solidified the feeling of belonging, identity, collaboration, and solidarity of Corporación Moctezuma, working in a disciplined, coordinated and accessible manner to provide timely and effective responses.

For all of the challenges successfully faced, we would like to express our profound thanks to our shareholders, employees, providers, and clients. Together we have achieved excellent results.

The year 2020 put us to the test, but we emerged as a resilient company, displaying our best human qualities. We are a truly proud Mexican company.

Enrico Buzzi
Chairman of the Board of Directors

José María Barroso
Chief Executive Officer


Cemento
MOCTEZUMA

CEMENT

DIVISION

The outlook for the construction sector in Mexico was less than encouraging at the beginning of 2020. Once our activity was declared essential, however, there was a gradual recovery, although it was not enough to return to pre-pandemic levels.

A look at the cement division

We adopted **technological tools** to facilitate remote communication between the commercial team and clients, and for certain functions we were able to assign people to work remotely.

We served a considerable increase in demand for **bagged cement** in the DIY segment.

We simultaneously **continued** investment projects already under way in matters of sustainability and environmental protection, and we launched industrial safety improvement projects

At the **Tepetzingo Plant** we updated packaging line 2, increasing from 12 nozzles to 16 latest-generation nozzles with packaging capacity of 50 and 25 kg.

The Cerritos Plant recorded its lowest levels of **electricity consumption** per ton produced, and higher yields in cement milling.

The protocols implemented were successful, as **zero cases of Covid-19 contagion** were reported inside the plants.

5 comercial zones

NORTHERN REGION
Coahuila
Durango
Zacatecas
Aguascalientes
San Luis Potosí
Veracruz Norte
Tamaulipas
Nuevo León

CENTRAL REGION
Estado de México
Mexico City
Hidalgo

BAJÍO REGION
Sonora
Sinaloa
Nayarit
Jalisco
Colima
Michoacán
Guanajuato
Querétaro

SOUTHERN REGION
Puebla
Tlaxcala
Guerrero
Morelos
Oaxaca

SOUTHEASTERN PENINSULA
Campeche
Chiapas
Quintana Roo
Tabasco
Veracruz
Yucatán

The outlook for the construction sector in Mexico was not encouraging at the start of 2020, due to the deceleration under way since 2017, but the difficulties increased with the arrival of the COVID-19 pandemic in the first quarter. Based on the Global Economic Activity Indicator (IGAE), the construction index went from 98.2 points in February 2020, to 63.2 points in April 2020, which is a 36% drop in two months. This decline coincided with the strictest lockdown measures in Mexico. Once construction was declared to be an essential activity a gradual recovery began; however it is was not enough to return to pre-pandemic levels.

Against this backdrop we faced the following challenges, among others:

- The uncertainty caused by an unprecedented event
- Restrictions on mobility and in-person meetings imposed by the health authority
- Interruptions in production and the supply chain
- Risk of contagion of operators, sellers, transporters, and clients
- Decrease in formal construction activity
- Excess demand in the DIY segment and large federal government infrastructure projects
- Maintaining a balance between production and market demand
- Sufficient and timely delivery of products to our clients
- Rapid and assertive responses to changing market conditions
- Managing price volatility of supplies, particularly in energy

We defined action plans to minimize pandemic-related health risks in Cementos Moctezuma's production and marketing, under the premise of prioritizing the health and life of workers, providers, and clients.

We implemented the safety protocols ordered by the authorities, as well as additional protocols that Corporación Moctezuma thought were pertinent. This allowed us to quickly reinitiate operations when construction was declared an essential activity.

We installed sanitary filters, hand-washing stations, antibacterial gel dispensers and sanitizing carpets for the floor; we distributed health questionnaires to visitors to rapidly identify any risk factor; we took the measures necessary to allow social distancing inside the plants; and we provided our employees with the necessary protective equipment.

We adjusted our operations and available staff, modifying in-person operations to remote work for those at greatest risk. We also adapted working hours.

In an excellent example of teamwork, **the Technical Division and the Commercial Division coordinated efforts with the other areas of the Company** to serve our clients quickly, efficiently, and safely.

We used technological tools to facilitate remote communication between the commercial team and clients, and where functions allowed, we assigned personnel to work remotely.

In an excellent example of teamwork, the Technical Division and the Commercial Division coordinated efforts with the other areas of the Company to quickly, efficiently and safely serve our clients.

We handled the considerable increase in bagged cement in the DIY segment, which grew because of the substantial flow of remittances from family members received during the year.

We participated in the federal government's flagship infrastructure projects: the Felipe Ángeles International Airport in Santa Lucía, and the Dos Bocas Refinery.

Costs and expenses were well controlled due to fewer in-person activities.

Our efforts were focused on optimizing resources and processes. We followed up on operating indicators and improved control, emphasizing the automation and self-governing management processes that were already under way. In parallel, we continued with investment projects in sustainability and environmental protection programs that had already been initiated, and we launched industrial safety improvement projects.

At all of our operations we began the **"Safety Culture Transformation Project,"** under the guidance of internationally recognized specialists; we also continued training, qualifying, and developing operators and supervisors in industrial safety matters.

In 2020, we made substantial progress in our first comprehensive automated waste receipt and transport system for alternative fuels in partnership with Veolía.

The solar farm at the Cerritos Plant is a project to develop alternative sources of electricity generation, exclusively for our own consumption, which will reduce our environmental impact. Government permits are currently being obtained, which will determine future development.

In our goal to constantly decrease CO2 and NOx emissions, and to continue complying closely with official Mexican standards, we use services from authorized verification units to certify the scheduled readings we perform throughout the year .

We treated 100% of the waste water generated in our processes. That water is then recycled and used to water our nurseries and facilities. At the Tepetzingo Plant, we refurbished packag-

ing line 2, increasing from 12 nozzles to 16 latest-generation nozzles, with packaging capacity of 50 and 25 kg.

At the Cerritos Plant we refurbished the crushing line, performing a general overhaul on the secondary crushing line.

The Apazapan Plant is complementing the secondary crushing line to improve materials management and operating safety.

At all of our operations we launched the "Safety Culture Transformation Project," under the guidance of internationally recognized specialists. We also continued training, qualifying and developing operators and supervisors in industrial safety matters. With these actions we created a work environment with the highest degree of protection possible to prevent contagion from the coronavirus. The protocols implemented were successful, as no cases of contagion were reported from inside the plants.

We continued timely, efficient and safe supply at Cementos Moctezuma, operating the three cement plants continuously, with work shifts adjusted to comply with protocols.

The Cerritos Plant reported its lowest values of electricity consumption per ton produced, and higher cement-milling yields.

The best result attained during 2020 has been the strengthening of our most valuable asset: the people who make production, packaging, marketing, and client satisfaction possible. In addition to their professional capacity, they have shown their very high level of commitment.

CONCRET

DIVISION

Concretos Moctezuma works directly with the processes and people who work in construction, to whom we supply our products. Due to this direct contact, the challenges we faced in 2020 had particular characteristics.


Concretos
MOCTEZUMA
TRES
PUNTOS
DE
APOYO
Concretos
MOCTEZUMA

A look at the concrete division

The Board of Directors and the Management Team decided to

protect jobs,

keeping employees in their positions, at their regular salaries.

We purchased

7 ready-mix concrete trucks

with nearly double the capacity of the others that we operate, and which comply with the new environmental standards that require lower emissions. Both characteristics will decrease our carbon footprint.

We focused our marketing efforts on

new segments and clients

creating the Concrete Floors and Paving Area, to develop concrete that is designed according to particular specifications (thickness, composition, degree of contraction).

In Mexico City, we participated in other

flagship projects,

como la Torre Aeroméxico, la Torre Colón y el nuevo Hyatt en Reforma, así como en la construcción de dos tiendas COSTCO.

We began

supplying concrete

to business parks, industrial buildings, and for floors, to offset the reduced volumes in our traditional markets.

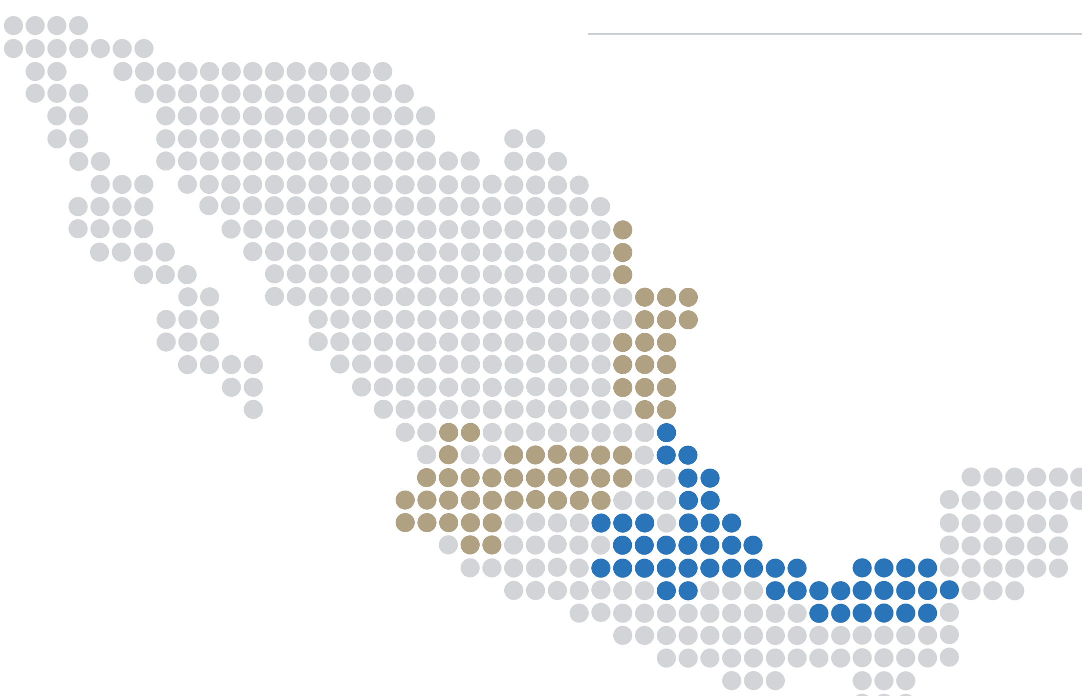
2 commercial zones

SOUTH-CENTRAL REGION

Mexico City
Estado de México
Morelos
Puebla
Veracruz
Tabasco

BAJÍO PACIFIC REGION

Guanajuato
Querétaro
Tamaulipas
Jalisco



The Board of Directors and the Company's Management Team prioritized the health of our personnel and clients.

Authorities at the three levels of government in Mexico ordered the temporary stop of all non-essential activities, including private sector construction activities for several weeks, which impacted our operations.

We faced health risks when delivering product to our clients, who were prepared to different degrees to protect themselves from virus contagion.

The restrictions on mobility made the activities of our sales force more difficult.

Concretos Moctezuma has developed high levels of efficiency, whose lean, flexible and agile structure has been a decisive factor in facing down the challenges of 2020. The principal solutions implemented were the following:

- In-person operations were suspended for our vulnerable personnel. We established health protocols in our plants, ready-mix concrete trucks, and concrete delivery locations at our clients' facilities. We intensified communication with employees regarding precautions and how to take care of themselves. We instructed our personnel to let us know of any cases of contagion, so that a Covid Concretos protocol alert could be issued.

- We purchased materials and protective equipment and created a "COVID Kit" with disinfectant, antibacterial gel, masks, and sanitizers to clean offices, ready-mix concrete trucks, and work locations.
- With the consensus of the main shareholders, the Board of Directors and the Management Team decided to protect jobs, keeping on all employees at their regular salaries.
- We adapted the size of the operation to reflect the new circumstances.
- We adjusted shifts so that everyone could work rotating hours when activity decreased.
- We focused on optimizing the Maintenance Program for plants and mobile units, taking advantages of periods of low activity.
- We optimized personnel rotation, moving people to plants with more production, and helping reduce fixed costs.
- We delivered protective and disinfecting supplies to our clients, gave talks to personnel to make them aware of how to handle the pandemic, and we offered longer service hours.
- We actively participated in the Felipe Ángeles Airport in Santa Lucía, and the Dos Bocas Refinery, in which we invested in high-productivity compact equipment.
- We purchased seven ready-mix concrete trucks with almost double the capacity of the others we operate, and which comply with new environmental standards that require lower emissions. These two factors will decrease our carbon footprint.
- We focused our marketing efforts on new segments and clients, creating a Concrete Floor and Paving Area to design concrete in accordance with particular specifications (thickness, composition, and degrees of contraction).
- We eliminated and simplified non-essential activities to reorganize personnel. We began developing a telemetry system to improve the efficiency, safety, and productivity of our ready-mix concrete trucks. The system monitors the safe operation of each truck, its location, speed, form of operation, and time at job sites.

We encouraged employees' feeling of belonging at Cementos Moctezuma with several campaigns. The main achievement in 2020 was protecting the health and financial security of our team, which resulted in a high degree of integration, feeling of security, commitment, and

We **delivered protective and disinfecting supplies to our clients, gave talks to personnel to make them aware of how to handle the pandemic,** and we offered longer service hours.

improved productivity. We are proud to have avoided any cases of contagion at our facilities.

We are the first company to have assembled a plant inside the Felipe Ángeles Airport in Santa Lucía. We were also pioneers in assembling a plant inside the Dos Bocas Refinery.

The Peribús de Guadalajara project was one of our flagship projects during the year. Even under the most difficult of circumstances, we were able to improve the mobility of the inhabitants by paving the ring around the city with premixed concrete.

In Mexico City, we participated in other notable projects, such as the Torre Aeroméxico, Torre Colón, and the new Hyatt in Reforma, as well as construction of two COSTCO stores.

We began supplying concrete to business parks,industrial buildings, and for floors to offset the reduced volumes in our traditional markets. Our safety index improved in 2020 over the previous year. The number of accidents fell, and we are now beginning a new safety project with the help of experts from Dupont, which will be geared towards Zero Accidents.

In summary, Concretos Moctezuma has been able to quickly respond to meet the demanding requirements of its clients with quality and efficiency, even under the adverse conditions of 2020.

Our safety index improved **in 2020 over the previous year. The number of accidents fell,** and we are now beginning a new safety project with the help of experts from Dupont, which will be geared towards Zero Accidents.


Concreto
LACOSA
5560-1814
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PRECAUCION


Cemento
MOCTEZUMA

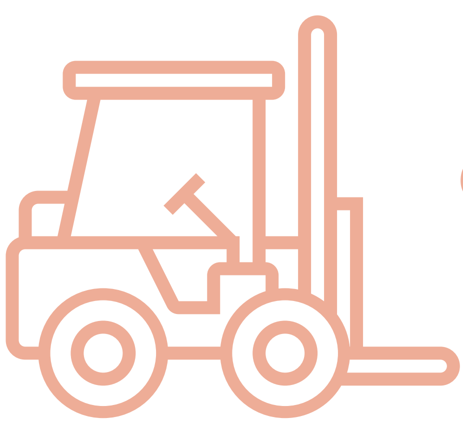
LOGISTICS

The difficulties in scheduling cement shipments during stoppage conditions, or to the contrary, in times of very heavy demand, were resolved by our agility, as we were able to react to quickly changing conditions.

A look at our logistics

We shared
safety and hygiene
protocols with our commercial partners.

We provided
adequate facilities
with duly sanitized waiting areas for transporters.



We organized and optimized our
cement-loading processes
at our plants to prevent groups of people from gathering.

Our ability to redesign

distribution in the country

was a major effort.

We served a network of distributors with

3 cement plants

and nearly 30 distribution centers, serving 95% of Mexico.

We began operations at

2 new distribution centers

served by railway.

We increased the

use of railway

to reduce environmental impacts and costs.

During the year we faced unprecedented challenges in getting our cement to clients, due to restrictions imposed to slow the pace of contagion from the SARS-CoV-2 virus, and other difficulties, which posed the following challenges:

- Uncertain demand due to the extraordinary market conditions.
- Protecting the health of our employees, distributors, and transporters all over the country.
- Railroad blockages.
- Floods and closed roads and highways in the Southeast of the country.
- Temporary suspensions of railway routes in the Southeast due to work on the Transístmico Train and the Maya Train.
- Dangerous roads and highways due to the threat of merchandise theft.
- Control of operating costs, despite important logistical adjustments.

The difficulties in scheduling cement shipments in lockdown conditions, or to the contrary, in cases of extremely heavy demand, were resolved by our agility as we reacted to quickly changing conditions. We remained in close contact with the Commercial area to keep everyone up to date on clients' changing requirements, and we adjusted our logistical resources in close collaboration with the production area.

We redoubled our efforts to adapt quickly to new conditions, adjusting and rebalancing the use of railroads and highways as a function of daily circumstances.

Even with so many people and moving parts involved, we complied strictly with official and our own sanitary measures, providing a safe environment for our employees, clients, transport operators, and distributors all over the country. We also shared safety and hygiene protocols with our commercial partners.

parallel, we organized the cement-loading process at our plants in a way that prevented people from gathering in large groups, offering adequate facilities with properly sanitized waiting areas for transporters.

To resolve operating issues, we adjusted the use of our Logistics resources, assigning loads by railroad and highway transport, always in compliance with the prevailing conditions caused by the pandemic, blockage of railroads, cuts or suspensions due to natural causes, or due to infrastructure work.

Our ability to redesign distribution throughout Mexico required a substantial effort to serve our network of three cement plants and nearly 30 distribution centers, with which we serve 95% of Mexico.

We remained **in close contact with the Commercial area to keep everyone up to date on clients' changing requirements,** and we adjusted our logistical resources in close collaboration with the production area.

We worked in close coordination with the Istmo de Tehuantepec railroad, so that we would know about scheduled periods of stoppage and reestablishment of operations, in order to decide how to best use this important means of transportation.

We relied on the Logistics Service Center (Centro de Atención Logística – CAL) for continuous communication with our transport fleet, in order to dynamically coordinate the operations of all trucks throughout Mexico, and thus maintain an optimal dispatch schedule. On the other hand, with the same tool we were able to remain close to our clients, following up on their orders, progress at their sites, and resolving any problems that might arise.

We began operation of two new distribution centers, which are served by railway.

To ensure the timely and efficient delivery of our product, we have had the invaluable collaboration of our transport providers. During the year we focused on making their operations more profitable.

We reorganized operations at our three cement plants; we modified procedures to decrease cement-loading time to obtain greater efficiency, and to increase shipments and the profitability of transporters.

Cement-loading times for self-transport at plants was reduced by 75%, benefiting the health and profitability of providers and their operators. We reduced costs through adaptation and redesign of routes, shipment scheduling, operating efficiency, and expense control.

We reinforced interactions with the Cement Chamber and private transport associations, participated in road safety forums, and established communication with the authorities to receive help and solutions for safer operation on the highways, emphasizing prevention measures.

We established closer communication between our Commercial and Production areas to define the best way to get cement to different regions of the domestic market.

We assigned transport resources carefully in accordance with the availability of railroad or highway routes.

We increased the efficiency and profitability of transport providers to manage sufficient supply, and to keep costs under control.

We increased railroad use to reduce environmental impacts and costs. A clear example of this is cement delivery to the Felipe Ángeles Airport Project in Santa Lucía.

With the actions implemented we managed timely and efficient supply from our distribution centers and from distributor clients. The loading time for self-transport at the plants was reduced by 75%, resulting in benefits to the health and profitability of providers and their operators.

We reduced costs by adapting and redesigning routes, scheduling shipments, operating efficiency, and controlling expenses. We considerably increased the volume of cement distributed.

Because of the disciplined and streamlined work between all areas of Corporación Moctezuma, providers, and clients, we improved the efficiency and profitability of our operations.

HUMAN

RESOURCES

Management at Corporación Moctezuma prioritized the health and safety of our workers and our commercial partners in 2020, due to global and local commercial challenges wrought by the pandemic.


MOCTEZUMA

A look at human resources

zero
accidents
with long-term work and continuous improvement.

In 2020 we incorporated more than
140
employees
onto our team, thanks to successful labor and union management.

Our management team was strengthened with the addition of
2 *new executives:*
the Director of Internal Audit, and the Director of Logistics.

We strictly
adhered to our budget,
avoiding excess spending under the extraordinary conditions faced.

With the implementation of policies and the structure of

remote work,

in many areas the Company decreased administrative, travel, and representation costs.

We were pioneers in implementing health protocols, namely the implementation of

serological tests,

antigen tests, and PCR tests, used to diagnose COVID-19.

We prioritized developing a culture of interdependence to protect our operations from any possible contagion, implementing an environment of personal care and protection of others.

In meeting these priorities we found ourselves facing several challenges. For example, the regular safety materials in our operations, and materials we do not regularly use, such as items to protect health that were required due to the pandemic, were in short supply, as there was excess demand all over the globe. Another challenge we faced successfully was the expedited and efficient implementation of strong health and safety protocols at all our operations in Mexico. We brought in medical specialists to guide our health team in how to handle COVID-19. Having personnel available to handle the upheaval caused by the pandemic was a challenge, as was the implementation of remote work.

With full backing from upper management, shareholders, board members, and corporate directors, we took the steps necessary to come up with a robust response. The following are some of the most noteworthy actions:

- Ensured in advance a sufficient supply of the materials necessary to protect the health of our personnel.
- Commitment to employees, keeping all of our personnel on the payroll, reinforcing our val-

ues, and consolidating their feeling of commitment and belonging.

- We rewrote protocols implementing health controls upon entry and departure of personnel during the workday to identify symptoms and to minimize exposure in our facilities.
- We encouraged remote work for administrative, commercial, and operational personnel, when their job functions so allowed.
- We designed operational work programs to prevent people from gathering in our facilities, with smaller shifts and availability of other working hours in the event that other contingencies arose.
- We hired specialized medical service providers to support the Company's health team, so that we could manage the pandemic adequately.
- We launched an intense campaign around the culture of protecting health, insisting on the concept of interdependence with the message: "If you take care of yourself, we all take care of each other." This message was spread in conjunction with the concept "We are all Moctezuma."

The Company ensured the continuity of its operations, in lockstep with protecting what is truly most valuable: our people.

In addition to ensuring the integrity of the workforce, we added more than 140 full-time employees, who had previously provided services for us as contractors in operational functions. At the same time, we ensured internal knowledge, experience, and development, positively impacting the Company's culture, and protecting the operating continuity of our plants.

We applied the corporate values that define us as a responsible organization.

We responded to the challenges posed by the pandemic, and we handled other important processes during the year.

Safety. Starting in February 2020, in the Cement Division we launched a program to improve the Moctezuma Safety System, supported by expert advisers, with nine lines of action focused on building a solid culture of safety.

At Concretos Moctezuma we have reduced the number of accidents in comparison with the prior year; and also with expert advisory services, we are starting a new safety project for this business unit, whose purpose is to increase awareness on the importance of taking care of oneself, taking care of fellow workers, and increasing awareness about the personal consequences that can result from lack of care.

Our safety objective is very clear: Zero Accidents, with long-term work and continuous improvement.

In 2020, we began a pilot program in conjunction with Instituto Tecnológico de Monterrey, through which the Company receives **students in their last semesters of university study;** these students work to help develop projects in different areas of the Company.

The Moctezuma Family Grows. Corporación Moctezuma made an important decision this year. Since 2018, we have identified operating positions performed by contractors, and we evaluated the feasibility of establishing a direct working relationship with them.

Labor Union Legitimation. The collective bargaining agreements negotiated with the trade unions were agreed to without any conflicts or setbacks, in compliance with the modifications to the Federal Labor Law, through voting processes at our three cement plants.

Encouraging Talent. In 2020, we initiated a pilot program in conjunction with Instituto Tecnológico de Monterrey, through which the Company receives students in their last semesters of university study, who provide support in managing projects in different areas of the Company. The objective is for them to develop skills and get experience in their respective professions, while we retain our reputation as a great place to work. Within the framework of this program, some of our directors have had professorships at the institution.

Structure. Our management team was strengthened with the inclusion of two new executives: the Director of Internal Audit, and the Director of Logistics.

Expenses. We adhered strictly to our budget during the year, thus avoiding losses due the extraordinary conditions we had to face.

We were pioneers in implementing health protocols, particularly in implementing serological, antigen, and PCR tests to diagnose COVID-19. With the implementation of policies and a remote-working structure, in many areas of the Company administrative, travel, and representation costs decreased.

We ensured the operational continuity of the Company, whose activities are recognized as essential, providing value to families, communities, shareholders, providers, and clients along the entire value chain.

At Corporación Moctezuma, we ended 2020 stronger, with new skills, greater commitment, and a clear human focus on solidarity, awareness, and productivity. We consolidated the qualities of identity, belonging, commitment, and flexibility that define us.

We worked hard to establish closer relationships with federal, state and municipal entities, as well as with the communities where we operate. Our main contributions have been in productive and financial matters, ensuring the continuation of our operations and employment for our personnel, which contributed to the economic and social stability of communities.

At Corporación Moctezuma, we ended 2020 stronger, with **new skills, greater commitment, and a clear human focus on solidarity, awareness, and productivity.** We consolidated the qualities of identity, belonging, commitment, and flexibility that define us.


Cementos
MOCTEZUMA

FINANCE

The year 2020 began with lower levels of public and private investment. Added to the deceleration that the construction sector has been experiencing since 2018, were the negative effects caused by the COVID-19 pandemic

A look at finance

100%

of our employees retained their salaries, with no changes.

We retained our level of efficiency, expense control, and the Company's profitability,

without any layoffs from our workforce,

or decreases to their salaries.

We have built robust

information technology systems.

We used this important tool to implement remote work to perform administrative activities, customer service, and logistics coordination.

Administrative activities, customer service, and logistics coordination were adapted to

remote systems.

Corporación Moctezuma is a company that has

no interest-bearing liabilities.

We ensured the safety of our personnel and the continuity of our operations with the

supply

of raw materials.

We financially supported

the supply of raw materials and other supplies that would protect the health of our personnel, and help ensure the continuity of our operations.

When the pandemic first reached Mexico, a lockdown was ordered that stopped all activities deemed to be non-essential. Many formal construction projects were interrupted for several weeks, until the authorities included construction as an essential activity.

During the year, distortions appeared in the markets for raw materials, health supplies, and in the financial markets, which caused volatility in prices, interest rates, and currency exchange rates.

Worldwide, the pandemic increased economic, political, and international trade uncertainty. In the United States, the presidential election was held amidst tensions that deeply divided voters.

Supply chains were subject to suspensions, delays, or limitations, resulting in shortages and the risk of interrupted operations.

On the positive side, favorable conditions required an efficient response from Moctezuma.

Continuing construction of the federal government's flagship projects meant there was still a demand for construction materials.

The arrival of historically high levels of family remittances from abroad resulted in a significant increase in do-it-yourself construction, which is a market in which Moctezuma has a significant share.

In this same DIY segment, remodeling work on houses increased during the lockdown period caused by the novel coronavirus. These three elements resulted in very high demand for concrete.

Another challenge was to maintain our levels of efficiency, expense control, and the Company's profitability, without laying anyone off or decreasing their salaries.

1. Zero layoffs

2. 100% of our employees' salaries were unchanged

3. Profitability objective was fulfilled. For many years Moctezuma has invested significant resources in programs that seek to improve efficiency, both in production with state-of-the-art equipment, as well as in commercial and administrative operations, heavily emphasizing continuous productivity improvements.

This strategic vision gave us a solid foundation for anticipating a coordinated and efficient response to the challenges posed.

We have built robust information technology systems. We used this important tool to implement remote work in order to perform adminis-

The arrival of historically high amounts of **family remittances from abroad resulted in a significant increase in DIY construction,** which is a market in which Moctezuma has a significant share.

trative activities, customer service, and logistics coordination that we were unable to do in person, due to the limitations on mobility caused by the pandemic.

4. All of our administrative, customer service, and logistics coordination activities were adapted to run on remote systems.
In parallel, we strengthened safety systems to prevent any issues.

The drastic and sudden change to working from home was successfully implemented using digital means, thanks to the professionalism and participation of all areas of the Company.

We paid special attention to strict control of costs and expenses, which has been an ongoing priority in our organizational culture.

We financially supported the supply of raw materials and other supplies that helped ensure the health of our personnel and the continuity of our operations.

5. We ensured the safety of our personnel and the continuity of our operations with the supply of raw materials.

The process of simplifying administration was consolidated in order to decrease the number of subsidiaries that comprise the Group, with the

benefits of facilitating the internal control and audit processes.

In 2020, we participated actively in the working groups of the Global Cement and Concrete Association. We leveraged the experience of our shareholders Buzzi y Molins, who are experts in the field.

Results

With anticipation, coordination, and discipline, we limited the effect of price volatility on raw materials and several other materials, which benefited our margins.

We moved ahead in building the pilot plant for alternative fuels in Cerritos. We invested in maintaining our production facilities so they would be in optimal operating condition.

Cementos Moctezuma is a company that does not have interest-bearing debt; it also maintains adequate profitability levels.

The Board of Directors responsibly considered the feasibility of remunerating its shareholders once the established priorities had been covered. Under this criterion, the shareholders of Corporación Moctezuma approved a cash dividend payment in 2020 for a total of $4.00 pesos per share.

Beyond the financial numbers, we have confirmed that we are an organization with great resiliency. The feeling of commitment of those who work with us was increased, which helped lead us to historically positive results.

With anticipation, coordination, and discipline, we limited the effect of **price volatility on raw materials and several other materials, which benefited our margins.**

PROCUREMENT

Our challenges included ensuring the supply of personal protective equipment, and guaranteeing the supply of materials for operations, all under conditions of adequate cost and opportunity necessary to continue operating.

A look at procurement

We ensured sufficient and timely supply of materials by building **adequate Inventory.**

A huge effort was made to **avoid price increases** through agreements to absorb price increases fairly.

We negotiated **conditions of mutual support** to ensure successful interaction with our providers.

We strictly complied **with the protocols imposed** by the health authority, and by the Secretary of Labor, Social Security, and the IMSS.

We increased and strengthened relationships with our providers, establishing a long-term vision of fairness.


Cemento
Cemento
MOCTEZUM
Cemento Gris
CPC 30 R RS
50kg
mezcla
perfecta

Many countries took steps to contain the pandemic by locking down their populations for various periods and at varying degrees of restriction, which caused additional challenges.

The temporary stoppage of production and the extraordinary demand for sanitary and sanitizing products disrupted supply chains, causing supply shortages and price spikes for various raw materials.

Our challenges included ensuring the supply of materials to protect personnel and the supply of materials for operations, all under adequate conditions of cost and timeliness necessary to continue operating.

As the first stages of the pandemic were sweeping Asia and Europe, we identified the problems that were occurring, which we knew we would have to face when the contagion reached our shores. In order to handle the imminent shortage of materials, price spikes, and supply chain disruptions, we planned adequately so that we would be well prepared to face the pandemic.

The most important thing was to focus on the health of our personnel, for which we coordinated with the other areas of the Company. We were able to acquire materials that are not usual for our operations sufficiently in advance, such as thermometers, COVID tests, portable washing stations, protective face shields, masks, antibacterial gel, sanitizing liquid, sanitizing carpets, etc. Thus, even when the countries that manufacture these products restricted their exports, at Moctezuma we had sufficient inventory to protect our workers and the visitors to our facilities.

We simultaneously adapted our internal supply processes in coordination with the Operations area. We limited the number of suppliers providing direct services at our facilities, with the intent of fully complying with the provisions issued by the health authority.

Due to the lockdown, many industrial activities had to be suspended, and the regular flow of supply chains was stopped, including oil refineries, which resulted in lower production and supply of coke, our main fuel. Meanwhile, demand remained constant, mainly during the third and fourth quarters of 2020.

In addition to the supply and demand conditions, the dollar-peso parity recorded strong and sudden spikes in March, later dropping gradually, which made us think that a price increase was imminent.

A task of great importance was to negotiate with our providers, to whom we communicated our vision and the need to ensure the sufficient and timely supply of materials, by building up adequate levels of inventory.

With the intention of ensuring successful interactions with our providers, we negotiated mutually beneficial conditions. A huge effort was made to avoid disproportionate price increases, by reaching agreements to absorb price increases equitably.

At the beginning of the year, we began implementing the Ariba system, which is an important technological tool that allows us to optimize our functions. With this platform, our nearly 7,000 approved providers can enter and update their information efficiently. Ariba allowed several functions in the Procurement Department to be automated, which helps provide better service to both our internal and external clients.

We strictly complied with the protocols imposed by the health authority, the Secretary of Labor and Social Security, and the Mexican Institute of Social Security.

We ensured the operation of our plants, locking in the supply of fuel and materials, so that we could deliver cement and concrete to our clients efficiently and on time, even when there was extremely high demand. We increased and strengthened relationships with our providers, establishing a long-term vision of fairness.

The year 2020 put us to the test, demanding great efforts, creativity, and determination. We can say that we have gotten stronger in light of the challenges faced, which have been resolved thanks to the support and the teamwork of all areas that are part of this great company.

At the beginning of the year, we began implementing the Ariba system, which is an important technological tool that allows us to optimize our functions. With this platform, our nearly 7,000 approved providers can enter and update their information efficiently.

SUSTAINABILITY

Throughout this 2020 Annual Report, we have explained the conditions and circumstances that we have faced as an organization, and also what we have experienced in the various components of our focus on sustainability. The values and principles of Corporación Moctezuma were put to the test by rapid and assertive decisions, which, on balance, always resulted in benefits to our stakeholders.

A look at sustainability

We implemented
remote work
for activities that do not require workers to be present at plants or offices.

We installed
protective kits
for our ready-mix concrete trucks, and we provided training in how to prevent infecting Concretos Moctezuma clients.

100%

The main contribution in social responsibility was
continued employment
of our personnel during a pandemic.

A significant transformation as we hired more than
140 contractors,
who are now part of our team as full-time employees.

At the Cerritos Plant, we continued the **reconstruction work** on the first complete automated transport and receipt system for industrial and urban waste, which uses cement as an alternative fuel in manufacturing processes.

Concretos Moctezuma continues moving forward with its sustainability initiatives, acquiring **7 ready-mix concrete trucks** for large-scale concrete casting, which helped reduce CO2 emissions from transfer of materials by 50%.

We remained in touch with the communities in each region, particularly in matters of health and safety in relation to the pandemic.

We acted in strict compliance with our **Code of Ethical Conduct,** approved by the Board of Directors.

Health and industrial safety

Our first response in light of the pandemic was to protect the health of our employees, providers, and clients. To this end we implemented safety protocols in line with official requirements and our own additional measures that we thought were appropriate. We purchased masks, face coverings, thermometers, sanitizing carpets, antibacterial gel, rapid-response and PCR tests. We shored up our medical team with the support of occupational health experts and health crisis management experts. We implemented remote work for the activities that do not require people to be physically present at plants or in offices. In process work, we installed protective kits for our ready-mix concrete truck operators, and we provided training in how to prevent infecting Concretos Moctezuma clients.

Regarding industrial safety, in February 2020 we initiated the "Safety Culture Transformation Project" at Cementos and Concretos Moctezuma, whose focus is to reduce the incidence of accidents, and to reinforce employees' commitment to industrial safety. To bring this transformation about, we hired experts to implement specific activities to achieve the established objectives.

Both at the Cerritos Plant and the Apazapan Plant, we refurbished the crushing line by an overall update to improve materials management and operating safety.

Employment

The Company guaranteed the continuity of its operations, reinforcing the new health protocols, and always putting employee safety first. We did not have any layoffs, and programs were designed for operating personnel that would prevent people from gathering in groups in our facilities. We also encouraged remote work for administrative, commercial, and operating personnel whose functions would so allow.

There was a significant transformation through the addition of more than 140 contractors, who are now part of our Company as full-time employees. With this, we were able to consolidate the spirit of commitment and trust of workers towards the Company, adapting to the new operating conditions, and methods of interaction with providers and clients.

The Environment

At the Cerritos Plant, we continued reconstruction work on the first complete system for automated receipt and transport of industrial and urban waste, in which cement is used as an alternative fuel in manufacturing processes. We will start up this project in 2021, which will reduce emissions and be hugely beneficial to the environment, thus complying with international standards and regulations.

We also began taking steps to obtain technical and environmental permits and authorizations to build a solar farm. The energy produced will be

for our own consumption, and will cover a percentage of our current demand, with the objective of reducing CO2 emissions.

Cementos Moctezuma participates actively in the Global Cement and Concrete Association, which opens up a wide spectrum of opportunities for us to interact with other institutions and companies in the construction industry. It also provides us with access to the most advanced initiatives developed in other countries, with the common objective of reducing our industry's impact on the environment.

We began taking steps to convert to a new type of dust-collection bag at cement plants.

We increased railway use to distribute cement, seeking to ensure continuous and nearby supply to infrastructure projects. Due to the large volumes of cement that we ship, this means of transport is ideal for our product, due to lower energy consumed.

Concretos Moctezuma continues moving forward in sustainability, acquiring seven ready-mix concrete trucks for large-scale concrete casting, which will help reduce CO2 emissions caused by transfer of materials by 50%.

Gender equity

We launched the "Pink Hardhat" campaign, which is an initiative to highlight the important work and valuable contributions of women in the Mexican construction sector. With more than 159,000 women, more than 90,000 of whom are masons and nearly 70,000 of whom are architects in the country, the numbers are substantial and promising. At Cementos and Concretos Moctezuma, more than 150 women work in the corporate area, while among our cement distributors, the number is more than 120 women.

Two examples give an idea of the advances made to date inside the Company:

- In the Procurement Division, more than half of employees are women.
- Mayela is a chemical engineer with several specialties. Over the last seven years, she has been a shift boss at the Cerritos Plant. She is responsible for more than 300 people in an operation that runs 365 days a year, and that has record-breaking daily production of 12,000 tons of cement.

Communities

Thinking about everyone's safety and complying with the new safety and social distancing measures, the decision was made to suspend the traditional Health Fairs this year, and the open-door days at our cement plants, when people can come in and tour the plants. However, we contributed by making donations to foundations that provided personal protective equipment to doctors who were on the front line of the pandemic. Furthermore, food baskets were distributed throughout the communities where we have operations.

Cementos Moctezuma participates actively in the Global Cement and Concrete Association, which opens up a large gamut of opportunities to react with other institutions and companies in the construction industry.

We remained in close communication with authorities at the three levels of government and with the communities in each region, particularly regarding health and wellness in connection with the pandemic, continuing to provide support on specific construction projects.

Providers

We established agreements with our providers to anticipate and resolve materials shortage and price volatility issues, with the objective of protecting relationships with our commercial partners, keeping the long term in mind, while overcoming short-term turbulence.

We worked closely with transporters to improve the profitability of their operations, making the processes at our plants more efficient and reducing waiting times, while also facilitating the safe-loading process.

Ethics

We comply strictly with our Code of Ethics and other Integrity Policies, to guide our actions in anti-corruption matters, handling complaints, human resources, and training and communication around these policies. We also continue to support "Alza la Voz," which is our communication channel, providing information to employees on the importance of our policies and guidelines, and the types of issues this channel handles.

We ensure compliance with our Code of Ethics and Integrity Policies through the Ethics and Compliance Committee, which entity is in charge of leading and supervising correct application throughout the entire organization, thus maintaining the clear guidelines established by the Board of Directors.

CORPORATE
GOVERNANCE

During 2020, COVID-19 **meant facing unknown and uncertain scenarios** in matters of health, the economy, markets and production operations.

For the administrative and internal control areas of Corporación Moctezuma, the most significant challenges we faced were the following:

1. Protecting the health and safety of our personnel
2. Providing job security and confidence to our team
3. Handling the risks of a recessionary economic environment
4. Temporary stoppages in our operations
5. Mobility restrictions
6. Remaining in contact with clients, providers, and employees
7. Safeguarding the Company's productivity and profitability

The Board of Directors, Upper Management, and the Managing Committees, including Internal Audit, made decisions at the speed required by the situation.

Corporación Moctezuma continued operating safely, as we placed particular emphasis on protecting the health of our personnel, clients, and providers, applying health and safety protocols that became necessary due to the pandemic.

During the year we brought on many people full-time who had been working as contractors. This step showed our employees very clearly that we were firm in our decision not to make any cuts to the workforce.

Based on the infrastructure, programs, and tools we have developed over many years, we relied heavily on our technological resources to remain in contact, to coordinate, and to perform many tasks via videoconference calls.

We handled ordinary demand for cement and concrete, as well as the very heavy demand that arose due to a surge in the DIY sector.

There was a change in Internal Audit, with the hiring of Luis Ovando as the new Director for the area, replacing Marco Grugnetti, whom we thank for the important contribution he made during his years at Corporación Moctezuma.

During the year, Internal Audit continued to support the other areas of the Organization, identifying and mitigating risks, implement-

ing new policies and updating others already in place to improve the Company's Internal Control.

No critical violations of the Company's Code of Ethics were recorded during the year. All cases presented were handled and resolved in a timely manner.

We provided a sense of identity and belonging to our personnel, which resulted in cohesion, clear objectives, discipline, and objectives attained.

We provided service to our clients in a timely manner, efficiently getting them the supplies they needed.

We complied with the internal audit plan and other important work carried out by Internal Control.

We maintained and increased revenues, profit margins, and the profitability of Corporación Moctezuma, and we also maintained its financial stability.

Our internal control systems and the performance of our team led the Company to the excellent results obtained this year.

Corporación Moctezuma continued operating safely, **as we placed particular emphasis on protecting the health of our personnel, clients, and providers,** applying health and safety protocols that became necessary due to the pandemic.

DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

*EBITDA. Earnings before interest, taxes, depreciation and amortization.

The pandemic caused by COVID-19 was a determining event that modified all human activities in 2020. The world economy recorded a 3.5% decrease in GDP compared to the previous year. In developed economies, the drop was 4.9%, while in Mexico the fall was 8.5%, according to data published by the International Monetary Fund and the INEGI.

The construction sector in Mexico was one of the industries most heavily affected in 2020, plunging 17% over the prior year (according to non-seasonal information published by INEGI). However, GDP for the cement- and concrete-manufacturing branch decreased 3.6% during the year.

Although the pandemic forced a reduction in economic activity, three factors buffered the impact to the construction and cement industry:

- The infrastructure projects the federal government was building continued construction without stoppages, which kept the demand for cement and concrete stable.
- Mexicans who work in the United States increased the flow of funds they sent to their families in Mexico, which resulted in a historically high level of family remittances back home.
- Families in Mexico increased their investments in home improvements, which caused a significant increase in the do-it-yourself sector.

It was against this backdrop that Corporación Moctezuma operated during 2020. The decisions, actions, and policies enforced by the Company to face the aforementioned external situations, materialized in the following financial results.

Sales

Corporación Moctezuma's sales for fiscal year 2020 were Ps. 14,069 million, which is equal to a 10% increase over revenues in fiscal year 2019.

This increase is explained by the demand generated by the federal government's infrastructure projects that were already under construction. The Company supplied cement and concrete to the Felipe Ángeles Airport, which is being built in Santa Lucía, and to the Dos Bocas Refinery in Tabasco.

We also served the growing demand for cement in the DIY sector, which was stimulated by the flow of remittances from those working abroad to their families in Mexico. The demand in 2020 exceeded sales volumes reported in the previous year.

The pandemic caused by COVID-19 **was a determining event that modified all human activities during 2020.** The world economy recorded a 3.5% decrease in GDP compared to the previous year.

Gross Income

Before providing information on the annual gross income and the factors that led to our results, we would like to highlight that in the 2019 Income Statement, which is presented for comparison with the 2020 Income Statement, the cost of sales and sales expenses lines were reclassified in order to facilitate comparison with the numbers used in preparing the consolidated financial statements for the fiscal year ended December 31, 2020. Expenses related to transportation of finished product inventory and commissions were classified as sales expenses, instead of forming part of the cost of sales.

Supplies experienced price volatility at certain times during fiscal year 2020. To prevent material impacts, we took several steps with our providers, anticipating orders to avoid shortages, and we negotiated mechanisms to jointly absorb price increases, with a long-term vision of fairness. With the measures taken, the cost of sales was Ps. 5,251 million, a 2.2% increase over 2019.

Since the cost increase was significantly lower than the growth in sales, gross income for fiscal year 2020 was Ps. 8,818 million, which is growth of 15.2% over gross income in 2019. Gross margin for fiscal year 2020 was 62.7%.

Operating Income

The investment of significant resources to improve efficiency and productivity in our operations over several years played a significant role in closely controlling expenses, an area to which we paid special attention in light of the challenges faced in 2020. Supervision and control of expenses has been an ongoing priority in our organizational culture.

Operating expenses during the year increased 4.1%, compared to 2019. Administrative expenses decreased 3.4%, while sales expenses grew 4.9% over the preceding year.

Because growth in revenues during the year outstripped operating expenses, the operating income of Corporación Moctezuma was Ps. 5,860 million, which was a 21.3% increase in 2020. Consequently, the operating margin for the year was 41.7%, which compares favorably to the 37.8% margin reported in fiscal year 2019.

*EBITDA

At the close of 2020, EBITDA was Ps. 6,497 million, 19.5% growth over the Ps. 5,437 million reported in the prior fiscal year. EBITDA margin during the year represented 46.2% of sales for the year, which is 3.7 points higher than EBITDA margin during 2019.

Interest earned, interest paid, and exchange rate fluctuations

The net financial result in December 2020 was profit of Ps. 116 million, which is a Ps. 77 million increase over the Ps. 39 million reported in 2019. This was mainly due to the income from exchange rate fluctuations, which went from a loss of Ps. 63 million during fiscal year 2019, to profit of Ps. 47 million in 2020, and to a decrease in interest earned of Ps. 35 million, in comparison with 2019, due to the lower rates applied by the majority of central banks to handle the economic recession.

The factors that contributed to the increase in the net positive exchange rate result in 2020 were the following:

- The significant appreciation of the dollar by Ps. 1.06 and the euro by Ps. 3.20 with respect to the Mexican peso, in a comparison of exchange rates at the end of fiscal years 2020 and 2019, which resulted in significant exchange rate income in 2020.

- The considerable depreciation of the dollar (Ps. 0.78) and euro (Ps. 1.29) with respect to the peso, in a comparison of the numbers at the close of fiscal years 2019 and 2018, resulted in an exchange rate loss in 2019.

Consolidated Net Income and Consolidated Comprehensive Income

The process of administrative simplification that we initiated in 2019 and concluded in 2020, reduced the number of subsidiaries that comprise the Group. This also ended minority stakes in the remaining subsidiaries.

Consolidated net income in 2020 was Ps. 4,220 million, representing growth of 24.2%, when compared to the Ps. 3,399 million obtained in 2019.

The amount in the consolidated comprehensive account in fiscal year 2020 was Ps. 4,217 million, which is an increase of 24.3% over the Ps. 3,394 million reported in 2019.

Investments

During 2020, Corporación Moctezuma earmarked Ps. 484 million to capital investments, which is lower than the Ps. 696 million invested in 2019. The temporary suspension of activities due to the health measures decreed in many countries slowed the pace of capital investments. We moved forward with the construction of our first comprehensive automated waste receipt and transport system, so that this waste can be used as an alternative fuel in our cement-manufacturing processes. This system is being installed at the Cerritos Plant. Furthermore, steps were taken to obtain permits and authorizations necessary to install a solar farm at the same plant. The principal objective of these two projects is to reduce the environmental impact of our operations, using state-of-the-art technology.

The amount invested includes outlays for the ongoing refurbishment of our plants, which increases their efficiency and productivity, and decreases labor and environmental risks.

Dividends

The shareholders of Corporación Moctezuma, in a General Ordinary Shareholders' Meeting held on April 7, 2020, approved the payment of a cash dividend for the total amount of Ps. 1,755 million, from the accumulated accounting and

The main objective of **the automated waste receipt and transport system and the installation of a solar farm** is to reduce the environmental impact of our operations, using state-of-the-art technology.

fiscal income from prior years. A cash dividend of Ps. 2.00 (two pesos and 00/100) was paid for each outstanding share of the Company. The dividend was paid on June 22, 2020, against delivery of Coupon No. 36.

In a General Ordinary Shareholders' Meeting held on December 2, 2020, payment of a cash dividend was decreed for the total amount of Ps. 1,750 million, arising from accumulated accounting and fiscal income from prior years. A cash dividend of Ps. 2.00 (two pesos and 00/100) was paid for each outstanding share of the Company. The dividend was paid in a single installment against delivery of Coupon No. 37.

Acquisition of own shares

The uncertain environment of 2020 impacted the financial markets, with pronounced drops in prices of various financial instruments. The shares of Corporación Moctezuma that trade on the Mexican stock exchange recorded a minimum annual price of Ps. 46.00 per share in August 2020, which is a 21% drop. In order to improve share liquidity, the Company purchased 4,035,657 of its own shares during the year, at different prices. The sum of treasury shares is equal to 0.46% of the total number of shares in circulation at the end of fiscal year 2020.

The increase in consolidated income, and marginally, the elimination of minority stakes and the acquisition of own shares, resulted in basic income per common share of Ps. 4.82 in 2020, which is 25% higher than the Ps. 3.86 reported in 2019.

Solid financial position

Finally, we responded to the challenges of a period of extreme uncertainty, volatility and obstacles by protecting a healthy financial structure, with no interest-bearing liabilities, adequate levels of profitability, and dividend payments to our shareholders.

REPORT OF INDEPENDENT AUDITORS

AND CONSOLIDATED FINANCIAL STATEMENTS 2020 AND 2019

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

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INDEPENDENT AUDITORS´ REPORT

To Shareholders and Board of Directors

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 2020, 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, 2020, 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 as at December 31, 2020 and for year then ended. 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 accompanying 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.

Allowance for doubtful accounts on the concrete division – COVID-19

Why the matter was determined to be a key audit matter

We consider management’s analysis of the allowance for doubtful accounts to be a key audit matter, since this matter required significant judgment as there was an increase in the aging of accounts receivable from the concrete division in 2020 due to the economic impact of the COVID-19 pandemic on the construction sector. The assessment of the recoverability of the account receivables from the concrete division involved significant assumptions, such as credit risk and credit rating of each customer, past collection experience, time value of money, and probability of collection, among others.

As at 31 December 2020, the Company recognized an expected credit loss (ECL) allowance of $90.5 million.

How we responded to this key audit matter

We determined that the ECL allowance involved significant risk arising from the impact of the COVID-19 pandemic on the current economic environment.

We assessed the reasonableness of the assumptions used by management to calculate the ECL allowance.

We performed analytical testing and inquired with Company management to analyze the aging of the account receivable portfolio from the concrete division with respect to prior years.

We performed detailed testing in order to verify whether the Company’s valuation of the trade receivables and the allowance for doubtful accounts from the concrete division was reasonable as at 31 December 2020. In addition, we requested and documented in our workpapers some notes from Credit Committee meetings held to assess portfolio risks as part of our process to understand the processes and controls that management uses to asses risk.

We performed an arithmetic recalculation of the balance of the ECL allowance as at 31 December 2020.

We assessed the reasonableness of the disclosures included in the Note 9 to the accompanying consolidated financial statements.

Emphasis of matter paragraph

As mentioned in note 5w) of the accompanying consolidated financial statements, in accordance with the International Accounting Standards (IAS) 8, the Company made some retrospectively reclassifications in the Cost of Sales and Selling Expenses captions. These reclassifications did not impact our audit opinion.

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 Company'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 accompany 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. Oscar Aguirre Hernandez

Mexico City
February 18, 2021

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

Consolidated Statements of Financial Position

As at 31 December 2020 and 2019
(Amounts in thousands of Mexican pesos)

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	8	$ 3,098,761	$ 2,110,636
Accounts receivable, net	9	1,115,191	982,268
Other accounts receivable	10	83,501	151,030
Inventories, net	11	841,215	824,446
Prepayments		142,771	108,041
Total current assets		**5,281,439**	**4,176,421**
Non-current assets			
Equity investments	28	23,175	14,182
Property, plant and equipment, net	12	6,580,851	6,727,598
Deferred income tax asset	23 b	47,568	35,962
Intangibles and other assets, net	14	54,417	75,239
Assets available for sale	15	270,627	269,567
Right-of-use assets, net	13	116,349	94,402
Total non-current assets		**7,092,987**	**7,216,950**
Total assets		**$ 12,374,426**	**$ 11,393,371**
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable to suppliers		$ 636,071	$ 446,958
Other accounts payable and accrued liabilities	16	791,977	583,856
Taxes payable		471,885	289,944
Lease liabilities	13	63,482	54,470
Employee profit sharing and other employee liabilities		69,840	53,755
Total current liabilities		**2,033,255**	**1,428,983**
Non-current liabilities			
Deferred income tax liability	23 b	486,218	593,467
Income tax on tax consolidation and deconsolidation and deferred income tax		68	68
Employee benefits	17	24,693	18,066
Environmental provision		50,411	46,443
Lease liabilities	13	60,873	79,316
Total non-current liabilities		**622,263**	**737,360**
Total liabilities		**$ 2,655,518**	**$ 2,166,343**
Equity			
Share capital	24	$ 607,480	$ 607,480
Share premium		215,215	215,215
Reserve for share buybacks		44,036	65,500
Retained earnings		4,635,441	4,934,228
Comprehensive income for the year		4,216,736	3,391,919
Equity holders of the parent		**9,718,908**	**9,214,342**
Non-controlling interest		-	12,686
Total equity		**$ 9,718,908**	**$ 9,227,028**
Total liabilities and equity		**$ 12,374,426**	**$ 11,393,371**

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, 2020 and 2019

(Amounts in thousands of Mexican pesos, except basic and diluted earnings per share, which are expressed in Mexican pesos)

	Notes	2020	2019
Net sales		$ 14,069,153	$ 12,788,027
Cost of sales	25 a	5,250,714	5,136,135
Administrative expenses	25 b	277,889	287,538
Selling expenses	25 b	2,684,734	2,558,220
Other operating income, net	25 c	(4,455)	(26,153)
Total operating costs and expenses		8,208,882	7,955,740
Operating income		**5,860,271**	**4,832,287**
Interest expense		(19,142)	(21,483)
Interest income		87,917	122,548
Foreign exchange gain (loss), net		46,931	(62,620)
Gain on disposal of financial assets		-	574
Share of profit of a joint venture and associate		5,789	1,345
Income before income tax		**5,981,766**	**4,872,651**
Income tax	23 a	1,761,848	1,474,041
Consolidated net income		**4,219,918**	**3,398,610**
Other comprehensive income, net of income tax:			
Items not to be reclassified to profit or loss			
Loss of defined benefit obligation	17	(3,182)	(4,961)
Consolidated comprehensive income		**$ 4,216,736**	**$ 3,393,649**
Consolidated net income attributable to:			
Equity holders of the parent		$ 4,219,918	$ 3,396,880
Non-controlling interest		-	1,730
		$ 4,219,918	**$ 3,398,610**
Consolidated comprehensive income attributable to:			
Equity holders of the parent		$ 4,216,736	$ 3,391,919
Non-controlling interest		-	1,730
		$ 4,216,736	**$ 3,393,649**
Basic and diluted earnings per ordinary share, equity holders of the parent	29	$ 4.82	$ 3.86
Weighted average number of outstanding shares (thousands of shares)	29	875,901	879,258

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, 2020 and 2019
(Amounts in thousands of Mexican pesos)

	Contributed capital		Earned capital					
	Share capital	**Share premium**	**Reserve for share buybacks**	**Retained earnings**	**Components of other comprehensive income**	**Total equity holders of the parent**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2019	**$ 607,480**	**$ 215,215**	**$ 81,224**	**$ 9,206,236**	**$ (35,471)**	**$ 10,074,684**	**$ 21,712**	**$ 10,096,396**
Increase (decrease) reserve for share buybacks	-	-	97,021	(97,021)	-	-	-	-
Purchase of own shares			(112,745)			(112,745)		(112,745)
Other equity items				(7,478)		(7,478)	1,044	(6,434)
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**	**65,500**	**8,366,579**	**(40,432)**	**9,214,342**	**12,686**	**9,227,028**
Increase (decrease) reserve for share buybacks			186,638	(186,638)			-	-
Purchase of own shares			(208,102)			(208,102)		(208,102)
Other equity items			-	-		-	(12,686)	(12,686)
Dividends paid	-	-	-	(3,504,068)	-	(3,504,068)	-	(3,504,068)
Consolidated comprehensive income	-	-	-	4,219,918	(3,182)	4,216,736	-	4,216,736
Balance as at 31 December 2020	**$ 607,480**	**$ 215,215**	**$ 44,036**	**$ 8,895,791**	**$ (43,614)**	**$ 9,718,908**	**$ 0**	**$ 9,718,908**

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Cash Flows

For the Years Ended 31 December 2020 and 2019

(Amounts in thousands of Mexican pesos)

	2020	2019
Operating activities:		
Consolidated net income	$ 4,219,918	$ 3,398,610
Adjustments for:		
Foreign exchange loss on cash and cash equivalents	(54,725)	69,122
Income tax recognized in the income statement	1,761,848	1,474,041
Depreciation, amortization and impairment allowance	636,598	604,508
Loss on sale of property, plant and equipment	923	22,488
Loss/(gain) on sale of other assets	826	(35,173)
Short-term, low value lease	21,729	34,203
Share on the results of joint ventures	(8,998)	(1,345)
Interest income	(87,917)	(122,548)
Interest expense	8,550	10,279
	6,498,752	**5,454,185**
Changes in working capital:		
(Increase)/decrease in:		
Accounts receivable	(132,923)	98,065
Inventories	(16,769)	220,705
Prepaid expenses	(34,730)	(37,319)
Other assets	104,183	19,475
Increase/(decrease) in:		
Accounts payable to suppliers	179,035	(16,881)
Other accounts payable and accrued liabilities	209,481	(4,764)
Taxes payable	(1,697,787)	(1,560,253)
Employee profit sharing and other employee liabilities	16,085	8,414
Retirement benefits	2,081	1,045
Short-term, low value lease	(21,729)	(34,203)
Net cash flows from operating activities	**5,105,679**	**4,148,469**
Investing activities:		
Sale of shares of subsidiaries	-	(6,434)
Joint ventures and associate	5	-
Purchase or property, plant and equipment	(463,005)	(582,256)
Sale of property, plant and equipment	5,327	28,616
Purchase of other assets	(20,575)	(113,529)
Sale of other assets	800	61,123
Interest received	79,367	112,269
Net cash flows used in investing activities	**(398,081)**	**(500,211)**
Financing activities:		
Dividends paid	(3,504,068)	(4,143,838)
Purchase of own shares	(208,102)	(112,745)
Increase in lease liabilities	0	21,394
Payments of leases	(62,028)	(54,972)
Net cash flows used in financing activities	**(3,774,198)**	**(4,290,161)**
Net increase (decrease) in cash and cash equivalents	**933,400**	**(641,903)**
Cash and cash equivalents at beginning of year	2,110,636	2,821,661
Net foreign exchange differences on cash and cash equivalents	54,725	(69,122)
Cash and cash equivalents at end of year	**$ 3,098,761**	**$ 2,110,636**

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(Amounts in thousands of Mexican pesos)

1. Activities

Corporación Moctezuma, S.A.B. de C.V. and subsidiaries (the Entity) 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 26). A list of the Entity's subsidiaries is shown in Note 5b and the Entity's related party information is disclosed in Note 19.

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), and the remnant 33.33% is in the largest investing public.

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

2. Relevant events

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On January 30, 2020 the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The Mexican General Health Council declared the Covid-19 epidemic as a public health emergency caused by the SARS-CoV-2 virus.

The Council ordered extraordinary measures throughout Mexico, which include the immediate suspension of non-essential activities from 30 March to 30 April 2020 in public, private and social sectors, as a first step, and subsequently based on the 'traffic light' system as established by the relevant authorities, in order to mitigate the spread of the SARS-CoV-2 virus in the community.

At the date of issue of these financial statements, the authorities haven't determined for how long these extraordinary measures will be in place. However, the Entity has not observed adverse material effects on its financial situation, operating results or cash flows.

3. Compliance Statement

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

4. Basis of Preparation

I. New and amended standards and interpretations 2020

The Entity applied for the first time, in the event that certain standards and modifications are applicable to the Entity, that are effective for annual periods beginning on or after January 1, 2020. The Entity has not early adopted any other standard, interpretations or amended that has been issued and is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Entity, because did not conduct business combination operations, but may impact future periods should the Entity enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Entity because did not conduct hedging operations.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting Entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements, nor is there expected to be any future impact to the Entity.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On May 28, 2020 the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Entity, because no lease concessions were carried out.

II. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Entity financial statements are disclosed below. The Entity intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Entity is currently assessing the impact the amendments will have on current practice.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an Entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the Entity first applies the amendment.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an Entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An Entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Entity will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Entity first applies the amendment.

The amendments are not expected to have a material impact on the Entity's consolidated financial statements.

III. New and amended standards and interpretations 2019

In 2019, the Entity applied a series of new and modified IFRSs issued by the International Accounting Standards Board ("IASB") which area mandatory and entered into force from the years that began on or after from January 1, 2019.

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 Entity 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 Entity applies significant judgement in identifying uncertainties over income tax treatments.

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

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 Entity.

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 Entity.

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 Entity does not have long-term interests in its associate and joint venture.

5. 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 Entity and those of its subsidiaries as at and for the year ended as at December 31, 2020 and 2019. The Entity controls an investee if, and only if, the Entity 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 Entity 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 Entity obtains control over the subsidiary and ceases when the Entity 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 Entity gains control until the date the Entity ceases to control the subsidiary.

Profit and each component of other comprehensive income are attributed to the equity holders of the parent of the Entity 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 Entity’s accounting policies.

All inter Entity balances and transactions (assets, liabilities, equity, revenue, expenses and cash flows) have been eliminated in full in the consolidation process.

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 2020 the Entity consolidated the administrative service operations previously carried out through three subsidiaries into two subsidiaries.

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 December 31, 2020 and 2019, the Entity's equity interest in its subsidiaries and associates in accordance with IFRS 10:

Entity	2020	2019	Activity
Cementos Moctezuma, S.A. de C.V. and subsidiaries	100%	100%	Production and sale of Portland Cement and ready-mix concrete, pavement, sand and gravel extraction
Cementos Portland Moctezuma, S.A. de C.V.	100%	100%	Technical services
Maquinarias y Canteras del Centro, S.A. de C.V.*	0%	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.**	0%	100%	Administrative services
Lacosa Concretos, S.A. de C.V.	100%	100%	Technical services

* During 2020 this subsidiary stopped consolidating its figures with the Entity (see note 5d).

**Effective January 1, 2020, this Entity merged with Cementos Portland Moctezuma, S.A. de C.V.

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 Entity determines whether it is necessary to recognize any additional impairment loss with respect to the Entity's net investment in the joint venture.

The Entity 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.

The Entity continues to use the method of participation when an investment becomes a joint venture or an investment in a joint venture becomes an investment in an associate. There is no fair value assessment of such changes in participation.

If the Entity's interest in a joint venture is reduced, but the equity method is continued to be applied, the Entity 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.

d. Associate

An associate is an Entity over which the investor has significant influence. Where an Entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the Entity will be presumed not to have significant influence unless such influence can be clearly demonstrated.

The existence of significant influence by an Entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the Entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information

An Entity loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. The loss of significant influence can occur with or without a change in absolute or relative ownership levels. It could occur, for example, when an associate becomes subject to the control of a government, court, administrator or regulator. It could also occur as a result of a contractual agreement.

The operating results and the net assets and liabilities of associates are recognized in the consolidated financial statements using the equity method, except if the investment or part of the investment is classified as held for sale in accordance with IFRS 5.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate.

After application of the equity method, the Entity determines whether it is necessary to recognize an impairment loss on its investment in the associate.

The Entity discontinues the use of the equity method from the date the investment ceases to be an associate, or when the investment is classified as held for sale.

e. Current non-current classification

The Entity 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 Entity classifies all other liabilities as non-current.

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

f. Financial Instruments

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

Financial assets and liabilities are measured initially at fair value. At initial recognition, the Entity 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 fair value through profit or loss are recognized immediately in profit or loss.

g. 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 Entity’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 instrument 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 asset or liability or, when appropriate, a shorter period to the net carrying amount of the instrument in the initial recognition.

ii. Loans and receivables

Loans and accounts receivable and other accounts receivables with fixed or determinable payments that are not quoted in an active market, are classified as “loans or accounts receivables”. Loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment. Interest income is recognized using the effective interest 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 becomes 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 Entity 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 an allowance for doubtful accounts. Trade receivables that are assessed as uncollectible are charged to the allowance account. Subsequent recoveries 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 Entity 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 Entity neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Entity continues to recognize the transferred asset to the extent of its continuing involvement. If the Entity retains substantially all the risks and rewards of ownership of a transferred asset, the Entity 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.

h. 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.

Allowance for obsolete and slow-moving inventory

When the Entity determines that the cost of inventories cannot be recovered through use or sale, it recognizes impairment as the difference between the carrying amount and the net realizable value (i.e. the estimated selling price of inventories at the date of the impairment test).

The Entity measures inventories as the lower of cost and selling price, less disposal and selling costs, considering, among other, the following aspects:

The definition of the Technical or Operating department that has concluded that the inventories are obsolete or slow-moving, identified the causes in accordance with the following criteria:

a. Impairment from obsolescence:

  i. Technical. - Inventory is no longer useful because it has been surpassed by other articles that match or exceed features or performance, and which is substituted by better technical and performance qualities. Inventory will no longer be used due to equipment substitution or replacement, either for more recent technology or because the machinery and equipment have been modified.
  ii. Expiration. - Inventory has reached the end of its useful life due to degradation or impairment.
  iii. Slow movement due to disuse.

b. Impairment from damages or contamination during inventory handling.

i. 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 Entity 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. 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.

j. 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 Entity 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.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Entity assesses whether there is any indication that its tangible and intangible assets may be impaired. If any such indication exists, the Entity estimates the asset's recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, the Entity 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.

l. 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 Entity 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.

m. 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.

n. 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.

Entity as a lessee

The Entity classifies its leases into two categories:

- *Statement of financial position*

  Under the new standard, at the commencement date of a lease, the Entity 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 Entity 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 Entity derecognizes the asset and accumulated amortization.

- *Statement of profit or loss*

  The Entity 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.

o. Provisions

Provisions are recognized when the Entity 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.

p. 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.

q. 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.

r. Taxes

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

Current income tax

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

The Entity 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 Entity 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 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 Entity 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.

s. 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 Entity 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.

t. Transactions in foreign currency

The Entity'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.

u. **Reserve for share buybacks**

In accordance with the Securities Market Act, the Entity 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 Entity as treasury shares.

v. **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 Entity has no dilutive potential shares, its diluted earnings per share are the same as its basic earnings per share.

w. **Reclassification**

The captions of cost of sales and selling expenses recognized in the consolidated financial statements as at December 31, 2019, issued on February 12, 2020, have been reclassified for uniformity of presentation with the financial statements as at December 31, 2020. In 2020, Entity´s Management determined that costs associated with transportation of finished product inventories and commission should be classified as selling expenses rather than as part of cost of sales. The effects of these reclassifications were recognized retrospectively in the consolidated statement of comprehensive income as at December 31, 2019, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. An analysis of the effects of the aforementioned changes in the financial statements as at December 31, 2019 is as follows:

Caption	Balances as at 31 December 2019 originally presented	Reclassified Amount	Reclassified balances as at 31 December, 2019
Cost of Sales	$ 7,282,894	$ (2,146,759)	$ 5,136,135
Selling Expenses	411,461	2,146,759	2,558,220

These reclassifications had no material effects on the financial statements from prior years, and therefore the Entity has not included a third statement of financial position as part of these consolidated financial statements, nor additional movements in the consolidated statement of changes in equity from prior years and there were not material changes on the statement of comprehensive income or statement of cash flows of the consolidated financial statements of the Entity.

6. Significant accounting judgments, estimates and assumptions

In the process of applying the Entity's accounting policies, which are described in Note 5, 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 Entity'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 27, the Entity is party of various legal proceedings that have arisen in the normal course of its business. The outcome of these lawsuits is uncertain and there is a possibility that the Entity may lose the cases. Although it is not possible to quantify the potential losses for the Entity, management believes that any resulting liability will not have a significant effect on the Entity'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 5i, the Entity 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 Entity's consolidated statement of financial position and statement of income and comprehensive income.

- **Allowance for doubtful accounts**

  The Entity calculates its allowance for doubtful accounts using estimates. Specifically, the Entity assesses its trade receivables for impairment on a quarterly basis in March, June, September and December of each year based on an analysis of current and overdue accounts and on an analysis of the risk of non-recoverability. This analysis is performed by a credit committee composed of the Entity's general director, finance director, sales director, credit and collection managers of the cement and concrete divisions.

- **Environmental provision**

  The Entity determines the cost of rehabilitating the quarries from which it extracts the raw materials it needs for its cement production considering its obligations under the current law. To determine the amount of this obligation, a site rehabilitation study is performed by an independent specialist considering the Entity'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 Entity 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 Entity's control. Such changes are reflected in the assumptions as they occur.

The Entity has a provision that covers seniority premiums as at 31 December 2020 and 2019, which consists of a single payment of 12 days for each year worked based on the last salary, limited to twice the minimum salary established by federal labor law.

7. Transactions not affecting cash flows

During 2019, as a result of the adoption of IFRS 16, the Entity recognized right-of-use assets totaling $ 141,099, and in 2020 it acquired right-of-use assets totaling $ 66,097. These are non-monetary investment transactions, and therefore they have no impact on the consolidated statements of cash flows. Lease payments are recognized as part of financing activities.

8. Cash and cash equivalents

The Entity 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; These cash and cash equivalents are integrated as follows:

	2020	2019
Cash and cash in banks	$ 1,568,822	$ 681,609
Mexican Treasury Certificates	728,009	430,237
Certificates of deposit	1,129	651,021
Bank paper	800,801	347,769
Total	**$ 3,098,761**	**$ 2,110,636**

9. Accounts Receivable, net

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

	2020	2019
Trade receivables	$ 1,258,014	$ 1,102,213
Allowance for doubtful accounts	(142,823)	(119,945)
Accounts receivable, net	**$ 1,115,191**	**$ 982,268**

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 aging, 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 Entity records an allowance for credit losses, with the effects of the allowance reported in the consolidated income statement.
- Based on the Entity's past collection experience in the construction industry in Mexico, management determines risk percentages to be applied to the balance of the Entity'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 conducts a collectability analysis applying the following considerations:

  ✓ Professional judgment that considers the Entity'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 Entity loses a lawsuit associated with a past due account receivable, the account receivable is immediately written off, ensuring that the Entity 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), Entity management reviews the aging parameters of the Entity'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 Entity 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 Entity receives are usually represented by properties.

The Entity guarantees some of its accounts receivable. This guarantee as of December 31, 2020 amounts to $ 30,756, and as of December 31, 2019 it was $ 25,550.

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

	2020	2019
1-30 days	$ 55,079	$ 47,580
31-60 days	30,079	21,356
61-90 days	29,347	22,561
91-180 days	28,361	32,899
181-360 days	16,076	36,581
More than 360 days	105,069	67,772
Total	**$ 264,011**	**$ 228,749**

b. Movement in the allowance for doubtful accounts

	2020	2019
Balance at beginning of year	**$ 119,945**	**$ 95,855**
Write off amounts deemed uncollectible during the year	(4,727)	(6,103)
Impairment losses recognized on accounts Receivable	27,605	30,415
Cancellation due to sale of shares of subsidiaries	-	(222)
Balance at end of year	**$ 142,823**	**$ 119,945**

To determine the recoverability of a trade receivable, the Entity 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 Entity's trade receivables is limited by the fact the Entity has a broad customer base that is geographically diverse. The credit limits assigned to customers are reviewed continually on a case-by-case basis.

10. Other Accounts Receivable

The other accounts receivable are integrated as follows:

	2020	2019
Related party receivables (Note 19)	$ 13,367	$ 13
Recoverable taxes	37,377	38,937
Sundry debtors	23,523	102,690
Security deposits	8,862	9,168
Other accounts receivable	372	222
Total	**$ 83,501**	**$ 151,030**

11. Inventories, net

The inventories are integrated as follows:

	2020	2019
Finished products	$ 91,228	$ 99,944
Production in process	165,543	173,248
Raw materials	62,236	54,839
Spare parts and operating materials	399,211	391,328
Fuel	64,371	50,650
Allowance for obsolete and slow-moving inventories	-	(3,461)
	782,589	**766,548**
Merchandise in transit	58,626	57,898
Total	**$ 841,215**	**$ 824,446**

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

	2020	2019
Opening balance	**$ 3,461**	**$ 1,927**
Increase in the allowance	7,300	1,534
Charges to the allowance	(10,744)	-
Other movements	(17)	-
Ending balance	**$ 0**	**$ 3,461**

12. Property, Plant and Equipment, net

The carrying amounts of property, plant and equipment at the beginning and end of 2020 and 2019 are as follows:

	Balance as at 1 January 2020	Additions	Disposals	Capitalizations	Other movements	Balance as at 31 December 2020
Cost:						
Buildings	**$ 2,782,801**	**$ 0**	**$ (2,056)**	**$ 21,123**	**$ (20,559)**	**$ 2,781,309**
Machinery and equipment	9,862,493	20,379	(48,446)	323,317	(38,271)	10,119,472
Automotive equipment	74,420	300	(1,752)	1,214	(51,404)	22,778
Computer equipment	80,542	-	-	6,259	(174)	86,627
Office furniture and equipment	35,445	-	-	-	1,751	37,196
Construction in process	393,792	355,361	-	(377,257)	10,834	382,730
Land	758,927	86,965	-	25,344	13,618	884,854
Total	**$13,988,420**	**$ 463,005**	**$ (52,254)**	**$ 0**	**$ (84,205)**	**$14,314,966**

	Balance as at 1 January 2020	Depreciation expense	Fully depreciated	Other movements	Balance as at 31 December 2020
Depreciation and impairment:					
Buildings	**$ (1,619,661)**	**$ (108,564)**	**$ 666**	**$ 146**	**$(1,727,413)**
Machinery and equipment	(5,514,558)	(430,387)	42,947	9,598	(5,892,400)
Automotive equipment	(44,579)	(1,345)	2,391	23,434	(20,099)
Computer equipment	(51,521)	(10,711)	-	170	(62,062)
Office furniture and equipment	(30,503)	(1,492)	-	(146)	(32,141)
Total	**$ (7,260,822)**	**$ (552,499)**	**$ 46,004**	**$ 33,202**	**$(7,734,115)**
Property, plant and equipment, net	**$ 6,727,598**	**$ (89,494)**	**$ (6,250)**	**$ (51,003)**	**$ 6,580,851**

	Balance as at 1 January 2019	Additions	Disposals	Capitalizations	Other movements	Balance as at 31 December 2019
Cost:						
Buildings	**$ 2,766,589**	**$ 3,631**	**$ (20,334)**	**$ 35,797**	**$ (2,882)**	**$ 2,782,801**
Machinery and equipment	9,776,074	30,744	(170,023)	264,456	(38,758)	9,862,493
Automotive equipment						
Equipment acquired under finance leases	69,368	18,542	(14,831)	-	1,341	74,420
Computer equipment	58,003	1,440	(159)	21,256	2	80,542
Office furniture and equipment	34,972	-	(178)	681	(30)	35,445
Construction in process	289,494	441,780	-	(328,209)	(9,273)	393,792
Land	732,825	86,119	-	6,019	(66,036)	758,927
Total	**$ 13,727,325**	**$ 582,256**	**$ (205,525)**	**$ 0**	**$ (115,636)**	**$13,988,420**

	Balance as at 1 January 2019	Depreciation expense	Fully depreciated	Other movements	Balance as at 31 December 2019
Depreciation and impairment:					
Buildings	**$ (1,519,649)**	**$ (110,779)**	**$ 10,196**	**$ 571**	**$(1,619,661)**
Machinery and Equipment	(5,236,660)	(412,851)	129,223	5,730	(5,514,558)
Automotive equipment					
Equipment acquired under finance leases	(44,803)	(14,602)	14,777	49	(44,579)
Computer equipment	(44,233)	(7,335)	47	-	(51,521)
Office furniture and equipment	(29,261)	(1,451)	178	31	(30,503)
Total	**$ (6,874,606)**	**$ (547,018)**	**$ 154,421**	**$ 6,381**	**$(7,260,822)**
Property, plant and equipment, net	**$ 6,852,719**	**$ 35,238**	**$ (51,104)**	**$ (109,255)**	**$ 6,727,598**

The Entity'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 20.00%
Transport equipment	25.00%
Computer equipment	33.30%
Office furniture and equipment	10.00%
Assembly and installation	10.00%
Intangible assets	33.33%
Licenses and software	17.00%

13. Leases

In accordance with IFRS 16, the Entity applies 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 Entity recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Based on the above, the Entity classifies its leases into:

I. Right of use

a) Right-of-use assets, net

The carrying values at the beginning and end of the 2020 and 2019 financial year, of the rights of use are as follows:

	Balance as at 1 January 2020	Additions	Disposals	Reclassification	Balance as at 31 December 2020
Right-of-use assets:					
Buildings	**$ 19,573**	**$ 10,182**	**$ (12,803)**	**$ 0**	**$ 16,952**
Transport equipment	102,363	13,514	(21,978)	49,449	143,348
Machinery and equipment	-	38,533	-	-	38,533
Land	13,926	3,868	(7,005)	-	10,789
Total	**$ 135,862**	**$ 66,097**	**$ (41,786)**	**$ 49,449**	**$ 209,622**

	Balance as at 1 January 2020	Additions	Disposals	Reclassification	Balance as at 31 December 2020
Depreciation:					
Buildings	**$ (7,157)**	**$ (10,116)**	**$ 8,887**	**$ 0**	**$ (8,386)**
Transport equipment	(29,376)	(41,952)	21,782	(21,479)	(71,025)
Machinery and equipment	-	(7,786)	-	-	(7,786)
Land	(4,927)	(5,154)	4,005	-	(6,076)
Total	**$ (41,460)**	**$ (65,008)**	**$ 34,674**	**$ (21,479)**	**$ (93,273)**
Right-of-use assets, net	**$ 94,402**	**$ 1,089**	**$ (7,112)**	**$ 27,970**	**$ 116,349**

	Balance as at 1 January 2019	Additions	Disposals	Balance as at 31 December 2019
Right-of-use assets:				
Buildings	**$ 4,328**	**$15,579**	**$ (334)**	**$ 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)**	**$ 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:

	2020	2019
Lease liabilities as at January 1°	**$ 133,786**	**$ 109,157**
Additions	66,096	31,942
Other movements	(13,499)	689
Other lease liabilities	-	34,357
Payments	(62,028)	(42,359)
Lease liabilities as at December 31	**$ 124,355**	**$ 133,786**

Short-term liabilities	$ 63,482	$ 54,470
Long-term liabilities	60,873	$ 79,316

Due to maturities long-term are as follows:

	2020	2019
2021	$ 0	$ 44,136
2022	45,679	30,448
2023	12,961	4,556
2024	2,125	176
2025	108	-
Total	**$ 60,873**	**$ 79,316**

II. Shor-term or low-value leases

Short-terms leases (less than or equal to 12 months) or low value of the underlying asset are related to the leasing of land, real state, machinery, vehicles, computer and office equipment.

Payments recognized as expenses in profit or loss:

	2020	2019
Period expense	$ 21,729	$ 34,203
Average monthly payments	1,811	2,850

The Entity is subject to penalties in case of breach of its lease agreements. The Entity's lease obligations are established in accordance with the terms and conditions of the lease agreements. As at December 31, 2020 and 2019, Entity management is unaware of any contractual non-compliance giving rise to penalties. Accordingly, the Entity has not recognized contingent liabilities associated with this caption in the statement of financial position.

14. Net intangibles and other non-current assets

Net intangibles assets and other non-current assets are listed below:

	2020	2019
Intangible assets	$ 40,638	$ 58,579
Sundry debtors	2,055	7,602
Trust rights	8,957	9,058
Accounts receivable from related parties (disclosed in Note 19)	2,767	-
Total	**$ 54,417**	**$ 75,239**

15. Assets available for sale

The carrying values at the beginning and the end of fiscal year 2020 and 2019, of the assets available for sale are the following:

	Balance as at 1 January 2020	Additions	Disposals	(Impairment) recovery of value	Other movements	Balance as at 31 December 2019
Cost:						
Buildings	**$ 142,209**	**$ 10,062**	**$ (978)**	**$ (11,017)**	**$ 0**	**$ 140,276**
Other assets	250	-	-	-	-	250
Land	127,108	2,585	(648)	-	1,056	130,101
Total	**$ 269,567**	**$ 12,647**	**$ (1,626)**	**$ (11,017)**	**$ 1,056**	**$ 270,627**

	Balance as at 1 January 2019	Additions	Disposals	(impairment) recovery of value	Other movements	Balance as at 31 December 2019
Cost:						
Buildings	**$ 45,885**	**$ 87,861**	**$ (13,875)**	**$ 419**	**$ 21,919**	**$ 142,209**
Other assets	250	-	-	-	-	250
Land	77,314	12,579	(11,197)	66	48,346	127,108
Total	**$ 123,449**	**$ 100,440**	**$ (25,072)**	**$ 485**	**$ 70,265**	**$ 269,567**

16. Other Accounts Payable and Accrued Liabilities

The balances of other accounts payable and accrued liabilities in 2020 and 2019 are integrated as follows:

	Balance as at 1 January 2020	Additions	Applications	Balance as at 31 December 2020
Customer Advances	$ 397,770	$ 2,567,896	$ (2,485,781)	$ 479,885
Provisions for expenses	23,553	2,403,276	(2,390,509)	36,320
Sundry creditors	158,406	3,900,348	(3,784,933)	273,821
Account payable to related parties (disclosed in note 19)	4,127	27,684	(29,860)	1,951
Total	**$ 583,856**	**$ 8,899,204**	**$ (8,691,083)**	**$ 791,977**

	Balance as at 1 January 2019	Additions	Applications	Balance as at 31 December 2019
Customer Advances	$ 395,814	$ 2,077,722	$ (2,075,766)	$ 397,770
Provisions for expenses	39,277	2,257,717	(2,273,441)	23,553
Sundry creditors	151,016	4,857,903	(4,850,513)	158,406
Account payable to related parties (disclosed in note 19)	-	4,353	(226)	4,127
Total	**$ 586,107**	**$ 9,197,695**	**$ (9,199,946)**	**$ 583,856**

17. Employee Benefits

In 2020 and 2019, the Entity has a provision that covers its 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:

Financial assumptions

	2020	2019
Discount rate	6.70%	7.00%
Salary increase rate	5.50%	5.50%
Rates of increase to minimum wage	5.00%	5.00%

Demographic assumptions

	2020	2019
Mortality in active employees	EMSSA 2009	EMSSA 2009
Mortality in retired employees	EMSSA 2009	EMSSA 2009
Disability in active employees	EISS 1997	EISS 1997
Rotation	Winklevoss	Winklevoss
Dismissal Factor	20%	20%
Retirement age	60	60

The amounts recognized in the consolidated income statement for the seniority premium provision in 2020 and 2019 are:

	2020	2019
Current year service cost	$ 2,099	$ 1,408
Interest cost	731	151
Net benefit expense	**$ 2,830**	**$ 1,559**

An analysis of the actuarial (remeasurements)/gains on seniority premiums recognized in other comprehensive income in 2020 and 2019 is as follows:

	2020	2019
Actuarial remeasurements on the obligation	$ (4,545)	$ (7,087)
Deferred income tax	1,363	2,126
Defined benefit cost items in other items	**$ (3,182)**	**$ (4,961)**

The amount recognized in the consolidated statement of financial position in respect of the Entity's obligation regarding the seniority premiums for 2020 and 2019 is as follows:

	2020	2019
Present value of defined benefit obligation for seniority premiums	$ 24,693	$ 18,066
Net liability generated by seniority premium	**$ 24,693**	**$ 18,066**

Changes in the present value of the seniority premium provision in 2020 and 2019 is as follows:

	2020	2019
Opening balance of defined benefit obligation	**$ 18,066**	**$ 9,934**
Current year service cost	2,099	1,408
Interest cost	731	151
Actuarial loss	4,545	7,087
Benefits paid	(748)	(514)
Ending balance of defined benefit obligation	**$ 24,693**	**$ 18,066**

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.

2020 analysis

If the discount rate had been 0.5% higher and all other variables had remained constant, the Entity's equity and consolidated comprehensive income for the year ended December 31, 2020 would have been positively impacted by $121.

A decrease of 0.5% with all other variables held constant would have impacted negatively in the Entity's equity and consolidated comprehensive income by $132.

If the wage increase rate had been 0.5% higher and all other variables had remained constant, the Entity's equity and consolidated comprehensive income for the year ended December 31, 2020 would have been negatively impacted by $134.

A decrease of 0.5% with all other variables held constant would have impacted positively in the Entity's equity and consolidated comprehensive income by $123.

2019 analysis

If the discount rate had been 0.5% higher and all other variables had remained constant, the Entity's equity and consolidated comprehensive income for the year ended as at December 31, 2019 would have been positively impacted by $86.

A decrease of 0.5% with all other variables held constant would have impacted negatively in the Entity's equity and consolidated comprehensive income by $93.

Had the salary increase rate increase by 0.5%, with all other variables held constant, the net equity and consolidated net profit as at December 31, 2019 would have been positively impacted by $ 783.

A decrease of 0.5% under the same circumstances would have impacted positively by $ 864.

18. Foreign currency balances and transactions

a. The monetary position in foreign currency as at December 31, 2020 and 2019 is:

	2020	2019
Thousands of U.S. dollars:		
Monetary assets	USD 68,249	USD 55,581
Monetary liabilities	(7,299)	(2,155)
Long position	**USD 60,950**	**USD 53,426**
Thousands of euros:		
Monetary assets	€ 121	€ 6,304
Monetary liabilities	(710)	(1,598)
Short (long) position	**€ (589)**	**€ 4,706**

b. In the years ended as at December 31, 2020 and 2019, the Entity 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:

	2020	2019
	(In thousands of U.S. dollars)	
Interest income	USD 313	USD 743
Purchases	(56,821)	(57,832)
	(In thousands of euros)	
Purchases	€ (8,570)	€ (7,670)

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

	2020	2019
U.S. dollar	$ 19.9352	$ 18.8727
Euro	$ 24.3887	$ 21.1846

As of February 18, 2021, date of issuance of the financial statements, the exchange rate is $20.2257 pesos per dollar and $24.6488 pesos per euro.

19. Related party balances and transactions

a. Commercial transactions

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

	2020	2019
Cementos Molins S.A.	-	23
Income from services rendered	**$ 0**	**$ 23**
Lone Star Industries, Inc.	-	13
Income from the sale of fixed assets, spare parts, etc.	**$ 0**	**$ 13**

	2020	2019
Maquinarias y Canteras del Centro S.A. de C.V.	500	-
Income from interest	$ 500	$ 0
Buzzi Unicem SPA	(8,484)	(9,130)
Cementos Molins S.A.	(1,509)	(3,250)
Cemolins Internacional SL	-	(266)
Expenses for services received	**$ (9,993)**	**$ (12,646)**
Maquinarias y Canteras del Centro S.A. de C.V.	(37,488)	
Purchase of raw materials	**$ (37,488)**	**$ 0**
Total operations	**$ (46,981)**	**$ (12,610)**

Balances receivable and payable with related parties as of December 31, 2020 and 2019, which were reported as part of other accounts receivable and other accounts payable within the statement of financial position are:

	2020	2019
Receivables:		
Lone Star Industries, Inc.	$ 0	$ 13
Maquinarias y Canteras del Centro, S.A. de C.V.	4,124	
Total	**$ 4,124**	**$ 13**
Payables:		
Buzzi Unicem, S.p.A.	$ 253	$ 2,608
Cementos Molins, S.A.	137	1,519
Maquinarias y Canteras del Centro, S.A. de C.V.	1,561	-
Total	**$ 1,951**	**$ 4,127**

b. Balance receivable for loans to related parties

As of December 31, 2020, the Entity has granted loans to its associate and key personnel of its Administration at rates comparable to the average commercial interest rates, their balances are:

	2020	2019
Loan to Maquinarias y Canteras del Centro, S.A. de C.V.	$ 8,133	$ 0
Loans to key personnel	3,877	-
Total	**$ 12,010**	**$ 0**

As of December 31, 2020, and 2019, the total accounts receivable from related parties for their maturity dates are detailed below:

	2020	2019
Accounts receivable current	$ 13,367	$ 13
Non-current accounts receivable	$ 2,767	$ 0

c. Compensations of key management personnel

Compensation paid to the Entity's Directors and other senior executives during the period of 2020 and 2019 that includes all benefits is as follows:

	2020	2019
Short-term employee benefits	$ 61,997	$ 74,664
Total	**$ 61,997**	**$ 74,664**

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

20. Financial Instruments

a. Capital risk management

The objective of the Entity's capital management is to ensure the ability of the Entity to continue as a going concern. The Entity'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 Entity is not subject to any external restrictions affecting its capital management.

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

	2020	2019
Leases	$ 124,355	$ 133,786
Equity	9,718,908	9,227,028
Portion of debts over equity %	1.28%	1.45%
Leases	$ 124,355	$ 133,786
Operating cash flows	5,105,679	4,148,469
Portion of debts over operating cash flows %	2.44%	3.22%

b. Categories of financial instruments

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 3,098,761	$ 2,110,636
Accounts receivables from customers, net	1,115,191	982,268
Accounts receivables from related parties (disclosed in Note 19)	16,134	13
Sundry debtors and other accounts receivables	25,950	110,514

	2020	2019
Financial liabilities:		
Suppliers	$ 636,071	$ 446,958
Accounts payable to related parties (disclosed in Note 19)	1,951	4,127
Sundry creditors	273,821	158,406
Customer advances	479,885	397,770
Other account payable and provisions	86,731	69,996

c. Objectives of financial risk management

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

d. Management of foreign currency risk

The Entity 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 Entity 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 Entity's foreign currency position is shown in Note 18.

If the Mexican peso/U.S. dollar exchange rate had been 10% higher and all of the other variables had remained constant, the Entity's equity and income after taxes as at December 31, 2020 and 2019 would have increased by $121,505 and $ 100,829, respectively. A decrease of 10% with all other variables held constant would have resulted in a decrease in the Entity's equity and income after taxes by the same amount.

Had the Mexican peso-euro exchange rate increased by 10%, with all other variables held constant, the net equity and profit after tax as at December 31, 2020 would have decreased by $1,436, while in 2019 it would have increased by $ 9,971. A decrease of 10% under the same circumstance would have had a positive effect in 2020 and a negative effect in 2019 in the same amount.

e. Management of interest rate risk

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

f. Management of commodity price risk

One of the energy commodities that the Entity consumes most is pet coke, which is subject to price changes. However, the Entity 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 Entity does not have any significant long-term financial liabilities and it maintains significant balances of cash and cash equivalents, as shown in Note 8. The Entity also periodically analyzes its cash flows and it maintains open lines of credit with banks and suppliers.

The maturities of the Entity's finance leases are disclosed in Note 13. Given the high amounts of cash and cash equivalents that the Entity 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 Entity. As mentioned in Note 9, the Entity's policy is to only engage in transactions with solvent counterparties and, where appropriate, to obtain sufficient guarantees from those counterparties, to mitigate its credit risk.

With respect to investments classified as cash equivalents, as indicated in Note 8, 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 Entity's policy for managing the credit risk in its accounts receivable is described in Note 9.

21. Fair Value Measurement of Financial Instruments

Management believes that the carrying amount of the financial assets and liabilities recognized at amortized cost in the Entity'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 Entity considers 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 Entity's financial assets and liabilities is as follows:

	2020		2019	
	Carrying Amount	Fair value	Carrying amount	Fair value
Financial assets				
Assets measured at fair value:				
Cash and cash equivalents	$ 3,098,761	$ 3,098,761	$2,110,636	$2,110,636
Assets measured at amortized cost:				
Account receivables from customers, net	1,115,233	1,098,303	982,379	967,624
Account receivable from related parties	16,134	16,134	13	13
Sundry debtors and other account receivable	25,950	25,950	110,514	110,514
Financial liabilities				
Liabilities measured at amortized cost:				
Suppliers	$ 636,071	$ 636,071	$ 446,958	$ 446,958
Accounts payable to related parties	1,951	1,951	4,127	4,127
Sundry creditors	273,821	273,821	158,406	158,406
Customer Advances	479,885	479,885	397,770	397,770
Other accounts payable and provisions	86,731	86,731	69,996	69,996

22. Derivative financial instruments

The Entity's management has decided not exposing to risks that beyond its control, and for this reason the Entity'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 December 31, 2020 and 2019, the Entity does not have any transactions with derivatives.

23. Income Tax

On October 30, 2019, the Mexican Congress approved the 2020 Tax Reform, which became effective on 1 January 2020. The most relevant aspects, as well as the Entity's assessment and application, are as follows:

1) The reform establishes a net interest expense deduction limitation equal to 30% of an Entity's "adjusted tax profit". Adjusted tax profit is calculated similarly to earnings before interest, taxes, depreciation, and amortization (EBITDA). There is an exception when the amount of the aggregate interest payments of the members of a corporate group in Mexico exceeds 20 million Mexican pesos. Non-deductible interest that exceeds this threshold may be carried forward in the following 10 years.

The Entity prepared the aforementioned calculation and determined that 30% of its adjusted net profit exceeds interest paid for the year. Accordingly, the Entity considered this interest to be fully deductible.

2) Payments made to low tax jurisdictions (for example, those with an income tax rate of less than 22.5%) shall not be deductible for tax purposes. The new article 28, section XXIII, of the Mexican Income Tax Law (MITL) disallows the deduction of payments made to low tax jurisdictions, as well as other payments made to entities resident in countries that are not low tax jurisdictions, regardless of the number of transactions. An exception to this rule will apply, however, when it is demonstrated that the recipient of a payment arising from a business activity has the appropriate substance (personnel and assets) to support the activity. As a result, all payments, including purchases of goods (in Mexico, purchases of goods are deductible when they are sold through cost of sales), made to related parties or under structured agreements subject to a low tax jurisdiction (effective tax rate of less than 22.5%) shall not be deductible unless the recipient is involved in current business activities and certain other requirements are met. Payments made through hybrid mismatch arrangements or attributed to a permanent establishment or to a branch and that are not taxable in either the jurisdiction of the permanent establishment or in the jurisdiction of the central office also cannot be deducted.

The Entity had no transactions with foreign entities resident in low-tax jurisdictions; therefore, it is not subject to these provisions.

3) The Federal Tax Code was amended to add new situations in which partners, shareholders, directors, managers or any other individual entrusted with the management of the business can be held jointly and severally liable. These new situations apply when entities engage in transactions with companies or individuals included on the blacklist of taxpayers identified as having issued electronic invoices for transactions deemed to be non-existent due to a lack of assets, personnel, infrastructure or physical capacity, or when it is determined that they are not registered in Mexico's Federal Taxpayer Registry or there has been a change in their tax address that was not notified to the tax authority within the required term.

4) The reform proposes considering tax evasion to be organized crime subject to the corresponding criminal penalties. Tax evasion includes claiming false deductions or declaring lower taxable income or buying or selling invoices for non-existent transactions for an amount that exceeds $ 7.8 million (USD 410,000 at an exchange rate of 19 Mexican pesos per U.S. dollar).

In order to prevent it from carrying out the transactions established in points 3 and 4 above, the Entity enforces its Corporate Anticorruption Policy, a Code of Conduct applicable to employees, clients and suppliers, a Money Laundering Prevention Manual, and it imparts training to all its personnel about the tax, legal and criminal implications of this type of transactions. Also, on a monthly basis, the Entity checks the taxpayer blacklists published in accordance with Articles 69 and 69-B of the Federal Tax Code against its master record of clients and suppliers; if it identifies any matching taxpayer, they are suspended until their inclusion in the blacklist has been confirmed and, if this is the case, it submits information and documentation to the authorities within the required timeframe to demonstrate the materiality of the transactions.

5) The 2020 Tax Reform introduces mandatory reporting by tax advisors (and in certain cases, direct reporting by taxpayers) of "tax strategies subject to reporting", which are defined as strategies that generate or could generate, directly or indirectly, a tax benefit in Mexico. Examples of strategies of this kind include: (i) restructurings; (ii) transfers of tax losses; (iii) transfers of depreciated assets that can also be depreciated by the acquirer; (iv) application of tax losses that are near expiration; (v) abuse in the application of tax treaties with foreign residents or in the permanent establishment assessment of a foreign resident; (vi) cases where the 10% withholding on the distribution of dividends is not applied; etc.

The Entity is in the process of identifying its tax strategies subject to reporting as at December 31, 2020, which must be reported in 2021.

6) The Federal Tax Code (FTC) will now also include a provision that gives the Mexican tax authority the ability to recharacterize a transaction for tax purposes if it considers that the transaction lacked a business purpose and the reasonably expected quantifiable economic benefit of the transaction is lower than the tax benefit.

The Entity did not carry out this type of transactions, and therefore it is not subject to this provision.

The Entity is subject to the payment of income tax.

ISR - The rate was 30% for 2020 and 2019, in accordance with the ISR Law

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

	2020	2019
Current income tax	$ 1,875,715	$ 1,574,201
Annual income tax from prior years	2,194	(4,295)
Deferred income tax	(116,061)	(95,865)
Total	**$ 1,761,848**	**$ 1,474,041**

b. Deferred tax assets and liabilities

Income tax.- The main items that originate the deferred asset and liability deferred balance as at December 31, 2020 and 2019, are:

	2020	2019
Assets:		
Property, plant and equipment, intangibles and immediate deduction	$ 21,014	$ 17,616
Provisions and other	32,784	20,347
Prepaid expenses	(8,618)	(6,417)
Tax losses	2,388	4,416
Total assets	**$ 47,568**	**$ 35,962**
(Liabilities):		
Reserves and estimations	$ 58,192	$ 50,139
Spare parts inventory	(104,299)	(103,817)
Property, plant and equipment, intangibles and immediate deduction	(668,716)	(733,676)
Advance customers	143,965	122,781
Provisions and other	101,432	81,470
Prepaid expenses	(16,792)	(12,194)
Tax losses	-	1,830
Total liabilities	**$ (486,218)**	**$ (593,467)**
Net total	**$ (438,650)**	**$ (557,505)**

To determine its deferred income tax as at December 31, 2020 and 2019, the Entity applied the income tax rate that will be in effect when the temporary differences giving rise to deferred taxes are expected to reverse (30%).

c. Effective tax rate

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

	2020	2019
Statutory income tax rate	**30.00%**	**30.00%**
Plus/(less):		
Effects of inflation	(0.51) %	(0.55) %
Non-deductible	0.32%	0.26%
Income tax from prior years	0.04 %	(0.09) %
Other	(0.40)%	0.63%
Effective income tax rate	**29.45%**	**30.25%**

24. Equity

a. Contributed capital

The share capital as at December 31, 2020 and 2019 is as follows:

	2020		2019	
	Shares	Amount	Shares	Amount
Fixed				
Common nominative shares of the single series (with no par value)	80,454,608	$ 15,582	80,454,608	$ 15,582
Variable				
Common nominative shares of the single series (with no par value)	804,432,688	155,795	804,432,688	155,795
Total shares	**884,887,296**	**171,377**	**884,887,296**	**171,377**
Treasury shares	(10,536,867)	-	(6,501,210)	-
Outstanding shares	**874,350,429**	**$ 171,377**	**878,386,086**	**$ 171,377**
Update of share capital		436,103		436,103
Total share capital		**$ 607,480**		**$ 607,480**
Valid coupon of share certificates	**38**		**36**	

b. Earned capital

1. At a regular Shareholders' Meeting held on April 7, 2020, the shareholders agreed to the following:

   - Cash dividend totaling $ 1,754,947,504.00 (one billion seven hundred fifty-four million nine hundred forty-seven thousand five hundred four pesos), from retained earnings for accounting and taxable purposes as follow:

     a). $ 1,597,702,380.51 (one billion five hundred ninety-seven million seven hundred two thousand three hundred eighty pesos and fifty-one cents) to be paid from the CUFIN for 2014 and thereafter.

     b). $ 157,245,123.49 (one hundred fifty-seven million two hundred forty-five thousand one hundred twenty-three pesos and forty-nine cents) to be paid from the CUFIN for 2013 and earlier fiscal years.

     Each share earned a cash dividend of two Mexican pesos.

     The cash dividend of two Mexican pesos per share was paid through S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V., on June 22, 2020 against coupon No. 36.

   - The maximum amount that can be allocated for the purchase of own shares for the current year is $ 200,000,000.00 (two hundred million pesos).

2. At a regular Shareholders' Meeting held on December 2, 2020, the shareholders agreed to a cash dividend totaling $ 1,749,912,734.00 (one billion seven hundred forty-nine million nine hundred twelve thousand seven hundred thirty-four Mexican pesos) from retained earnings for accounting and taxable purposes of 2014 and thereafter.

   Each share earned a cash dividend of two Mexican pesos. This dividend is payable starting at December 14, 2020 and was paid through S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V. in one payment,against coupon No. 37.

I. At a regular Shareholders' Meeting held on April 5, 2019, the shareholders agreed to the following:

   - Cash dividend totaling $ 2,199,588,355.00 (two billion one hundred ninety-nine million five hundred eighty-eight thousand three hundred fifty-five pesos), to be paid from the CUFIN account for 2014-2018.

     The cash dividend of $2.5 Mexican pesos per share was paid through S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V., on April 22, 2019 against coupon No. 34.

- The maximum amount that can be allocated for the purchase of own shares for the current year is $ 150,000,000.00 (one hundred fifty million pesos).

II. At a regular Shareholders' Meeting held on November 29, 2019, the shareholders agreed to a cash dividend totaling $ 1,932,449,389.20 (one billion nine hundred thirty-two million four hundred forty-nine thousand three hundred eighty-nine pesos and twenty cents), to be paid from the CUFIN account for 2014 and thereafter.

The cash dividend of $2.20 Mexican pesos per share was payable as at December 10, 2019 through S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V., as a lump-sum payment against coupon No. 35.

The payment of dividends will be made to the shares in circulation on the date of payment.

The Entity's legal reserve is included in its retained earnings. In accordance with the Mexican Corporations Act, the Entity 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 Entity's share capital. The legal reserve may be capitalized but may not be distributed to the shareholders unless the Entity is dissolved. Also, the legal reserve must be replenished if it is reduced for any reason. The legal reserve as at December 31, 2020 and 2019 is $130,024.

During the years 2020 and 2019, the Entity bought its own shares charged to reserve for the repurchase of shares, the movements are detailed below:

Month	2020			2019		
	Shares	Average price	Amount	Shares	Average price	Amount
March	912,334	$ 57.1468	$ 52,137	234,198	$ 59.1081	$ 13,843
April				242,256	59.4495	14,402
May	396,053	51.5057	20,399			
June	306,120	48.9873	14,996			
July	312,860	47.2480	14,782			
August	1,370,570	47.0403	64,472	1,368,337	58.3855	79,891
September	122,111	51.0028	6,228	80,919	56.9582	4,609
October	444	54.0541	24			
November	9,227	59.1742	546			
December	605,938	56.9662	34,518			
Total	**4,035,657**		**$ 208,102**	**1,925,710**		**$ 112,745**

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:

	2020	2019
Consolidated restated contributed capital account	$ 2,400,404	$ 2,329,097
Consolidated net taxed profits account	2,004,811	1,726,817
Total	**$ 4,405,215**	**$ 4,055,914**

25. Costs and expenses based on their nature

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

Cost of sales	2020	2019
Raw materials, fuel and maintenance	$ 3,627,614	$ 3,209,834
Depreciation and amortization	555,365	548,903
Wages, benefits and fees	463,268	455,882
Other costs	604,467	921,517
Total	**$ 5,250,714**	**$ 5,136,136**

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

Selling and administrative expenses	2020	2019
Freight costs of finished products and commissions	$ 2,305,396	$ 2,146,759
Wages, benefits and fees	334,871	360,426
Depreciation and amortization	70,216	64,644
Other expenses	252,140	273,929
Total	**$ 2,962,623**	**$ 2,845,758**

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

Other operating expenses / income	2020	2019
IEPS Tax incentives	$ (24,985)	$ (3,770)
Cement containers	(17,051)	(7,741)
Reserves asset accounts	-	(25,537)
Allowance for doubtful accounts	26,516	24,090
Loss (gain) on sale of fixed assets and other assets insurance recovery	1,749	(12,685)
Depreciation and Impairment of Assets (recovery of value) of Assets.	11,017	(9,038)
Insurance recovery	1,106	(2,832)
Other	(2,807)	11,360
Total	**$ (4,455)**	**$ (26,153)**

26. Segment information

The Entity analyzes the business from a product perspective that assessed the combined performance of its "cement" and "concrete" businesses, since both of these vertically integrated business units are strictly interdependent. Specifically, concrete is essentially a cement distribution channel and does not require, for executive decision-making purposes, evidence of separate results. The Entity assesses the performance of its reporting segments based on operating profit as primary reference.

The table below shows the financial information for the sole business segment based on the managerial approach. The Entity's reporting segment in accordance with IFRS 8 *Operating Segments* is as follows:

Period	Concept	Net sales	PP&E, Intangibles and AAS net	Capital investments[1]	Depreciation amortization and impairment
2020	Cement and concrete	$14,069,153	$ 6,892,116	$ 483,580	$ 636,598
2019	Cement and concrete	$12,788,027	$ 7,055,744	$ 695,785	$ 604,508

[1] Investments in non-current assets for the year

27. 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.

28. Investments in joint ventures and associates

a. Joint ventures

The Entity 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 Entity (50%)	
			2020	2019
CYM Infraestructura, S.A.P.I de C.V.	Construction of streets, highways, roads and Bridges	Mexico City	**$ 10,819**	$ 14,182

This Entity 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 Entity's consolidated financial statements prepared under IFRS:

Statement of financial position, as at December 31, 2020 and 2019

	2020	2019
Current assets	$ 22,628	$ 31,189
Current liabilities	991	2,826

The assets indicated above include the following:

	2020	2019
Cash and cash equivalents	$ 21,143	$ 25,635

Income statement and other comprehensive income

	2020	2019
Other income	$ 16,145	$ 0
Comprehensive financing result	517	1,206
Income tax (profit)	5,484	(1,841)
Net comprehensive income	13,274	2,690

b. Associates

The Entity considered all relevant facts and circumstances to determine whether it had control over an investee and determined that, as of February 2020, it waived control of Maquinarias y Canteras del Centro, S.A. de C.V. Accordingly, the Entity ceased consolidating this Entity as of this date and recognizes its equity-accounted share of profit or loss in this Entity through the subsidiary Cementos Moctezuma, S.A. de C.V.

The Entity's share capital as at December 31, 2020 is represented by 19,597,565 shares with a par value of one Mexican peso per share. The share of equity of Moctezuma is 51%.

As at December 31, 2020, the Entity's retained earnings represent a profit; therefore, the equity investment in subsidiaries from Moctezuma's share of equity increased by $ 2,361. As at December 31, 2019, the share of profit from consolidated subsidiaries is $ 3,209.

The Entity, indirectly through its subsidiary Cementos Moctezuma, S.A. de C.V., owns a 51% equity interest and does not have control over the following Entity:

Associate	Activity	Location of incorporation	Interest and vouting rights held by the Entity (51%)
			2020
Maquinarias y Canteras del Centro, S.A. de C.V.	Sand and gravel extraction	Mexico City	**$ 12,356**

An analysis of the associate's financial information is included below. The financial highlights shown are the amounts included in the associate's financial statements prepared under IFRS.

Statements of financial position as at December 31, 2020:

		2020
Current assets	$	10,725
Non-current assets		27,548
Current liabilities		12,633
Non-current liabilities		1,412
Equity		24,228

The amounts of assets and liabilities detailed above include the following:

		2020
Cash and cash equivalents	$	3,964
Inventories		4,657

Statement of income and other comprehensive income

		2020
Sales	$	41,572
Cost of sales (contractors, fuels, drilling etc.)		(35,136)
Depreciation and amortization		(3,782)
Operating loss		(1,189)
Comprehensive financial result		(491)
Net comprehensive loss		(1,662)

29. Basic Earnings Per Share

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

	2020	2019
Net income attributable to equity holders of the parent	$ 4,219,918	$ 3,396,880
Weighted average number of outstanding shares (thousands of shares)	875,901	879,258
Basic earnings per ordinary share, equity holders of the parent	$ 4.82	$ 3.86

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

30. Commitments and Subsequent Events

At the date of issuance of these financial statements, the Entity has not unquantifiable commitments arising from the normal course of business. Although it is not practical to determine the relevant amounts, Entity management considers that, based on known elements, any contingent liability would not have a material effect on the Entity's financial situation or operating results. The Entity has no additional extraordinary commitments or subsequent events that require disclosure.

31. Authorization of the Consolidated Financial Statements

On February 18, 2021, the accompanying consolidated financial statements were authorized by the Entity'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 Entity's consolidated financial statements in accordance with Mexican Corporations Act.

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