Cemex Latam Holdings, S.A. and Subsidiaries

Consolidated Financial Statements

December 31, 2016

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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CEMEX Latam Holdings S.A. and Subsidiaries

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28046 Madrid

Independent Auditor's Report in accordance with International Standards on Auditing

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of
Cemex Latam Holdings, S.A.

Opinion

We have audited the accompanying consolidated financial statements of Cemex Latam Holdings, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheet at December 31, 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in Stockholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements of 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and we do not provide a separate opinion on these matters.

Evaluation of goodwill	
(See note 14B to the consolidated financial statements)	
The key audit matter	How the matter was addressed in our audit
The Group's balance sheet includes a significant amount in respect of goodwill associated with acquisitions in prior years. In accordance with the financial reporting framework, goodwill must be tested for impairment at least annually. We consider this a key audit matter inasmuch as the amount is significant and because measuring goodwill requires the directors to make complex judgments and apply a high degree of subjectivity with regard to aspects such as long-term sales growth, the costs and operating margins projected in the different countries in which the Group operates, and the discount rates used to discount future cash flows, as well as comparisons of available public information, such as EBITDA in recent market transactions.	Our audit procedures included considering the consistency and appropriateness of the distribution of goodwill between the different cash-generating units (CGUs), as well as testing the method used by the Group to calculate the recoverable amount of goodwill in each unit and, in particular, the assumptions used to prepare the discounted cash flow models. Our valuation specialists were involved in this process. With regard to key aspects such as discount rates and projected economic growth, we compared the assumptions used by the Group when calculating the cash flows with information obtained from external sources. We also compared the assumptions used in the projections of prior years with actual data, considering the potential risk of bias on the part of the directors. We questioned the outcome of the calculations and performed our own sensitivity analysis, including a possible reasonable reduction in the growth rates and cash flows. We also assessed whether the Group's disclosures appropriately reflect the risks inherent in measuring goodwill, particularly as regards the sensitivity of the outcome of the impairment testing to changes in key assumptions, such as discount rates and growth rates.

Legal and tax contingencies	
(See notes 19D and 23 to the consolidated financial statements)	
The key audit matter	How the matter was addressed in our audit
The Group is involved in certain significant tax and legal proceedings. Due to the different tax laws in force in the jurisdictions in which the Group operates and the complexity associated with their interpretation, this area requires the Group to use significant judgments, and is therefore a key audit matter. Furthermore, in view of the diversity and complexity of the Group's operations, exposure to legal claims is a risk that requires the attention of the directors. It could be several years before the tax and legal cases underway are resolved and the process could entail negotiations or new lawsuits. As such, making judgments as to the possible outcome is a complex matter for the Group. The directors use judgments to estimate the probability of the future outcome in each case and recognize a provision for the tax and legal contingencies they consider probable. We focused on this area in view of its inherent complexity and the judgment used to estimate the required provision.	We assessed the reasonableness of any provisions recognized for uncertain tax positions and for legal contingencies, primarily with respect to cases in Colombia, Costa Rica and Panama. We discussed the status of each significant case with management and with the entity's internal legal counsel, and critically assessed their replies. We also obtained answers in writing from the Group's legal counsel where required, with their opinions as regards the relevant exposures and any related lawsuits. With respect to tax, we met with the directors of the Group's tax area to review their assessment of significant cases, their standpoints and strategies, and the technical foundation associated with their position, based on applicable tax legislation, and we brought in our tax specialists to assist us in concluding on the reasonableness of these aspects. We assessed whether the Group's disclosures on legal and tax contingencies provide sufficient information to readers of the consolidated financial statements regarding the importance of these cases.

Override of controls on the part of management	
(See note 1 to the consolidated financial statements)	
The key audit matter	How the matter was addressed in our audit
There is the possibility that management could override the controls implemented by the Group to mitigate the risk of misstatement, whether due to fraud or error, in the financial statements. We consider this to be a key audit matter, the main risk factor being the high degree of decentralization, autonomy and power in the hands of management in each country.	We analyzed in detail the main unusual significant transactions and performed additional audit procedures designed to cover the risk identified. Procedures were performed on fixed assets, supplier payments, receivables, bank reconciliations, manual accounting entries, and databases of customers, suppliers and payrolls. We brought KPMG Forensic department specialists onto our audit team, and they took part in the planning, execution and conclusion stages of the procedures performed. We met with management and the entity's internal legal counsel to ascertain their understanding of the unusual significant transactions, and we critically assessed their replies. We assessed the appropriateness of the procedures performed by the internal audit function where required, and critically examined their conclusions.

Other Information

As mentioned in note 2A, the accompanying consolidated financial statements have not been prepared to comply with legal requirements in Spain; rather, they have been prepared for the purposes of compliance vis-à-vis the stock market regulator in Colombia, inasmuch as the Company's shares are listed on the Colombian stock exchange. The accompanying consolidated financial statements have been audited under International Standards on Auditing. Under no circumstances may this report be considered an audit report in the terms provided in legislation regulating the audit of accounts in Spain.

Responsibilities of the Directors and the Audit Committee of the Company for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the accompanying consolidated financial statements in such a way that they give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine 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, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concem and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

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

Our objectives 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 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 scepticism 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, and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.

- Conclude on the appropriateness of the directors' 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 Group'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 Group 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 a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements for 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.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

David Hernanz Sayans

February 24, 2017

CEMEX Latam Holdings, S.A. and Subsidiaries
Consolidated Income Statements
(Thousands of U.S. dollars)

	Notes		Years ended December 31, 2016	2015
Revenues	2O, 3	$	1,315,326	1,427,058
Cost of sales	2Q		(676,860)	(749,646)
Gross profit			**638,466**	**677,412**
Administrative and selling expenses	2Q		(202,367)	(208,918)
Distribution expenses	2Q		(93,633)	(103,676)
			(296,000)	(312,594)
Operating earnings before other expenses, net			**342,466**	**364,818**
Other expenses, net	3, 5		(30,219)	(83,360)
Operating earnings			**312,247**	**281,458**
Financial expense	3		(63,701)	(73,748)
Other financial expenses, net	3, 6		(3,492)	(1,016)
Foreign exchange results			3,008	(18,173)
Earnings before income tax			**248,062**	**188,521**
Income tax	19A		(107,793)	(92,469)
CONSOLIDATED NET INCOME			**140,269**	**96,052**
Non-controlling interest net income			500	561
CONTROLLING INTEREST NET INCOME		$	**139,769**	**95,491**
BASIC EARNINGS PER SHARE	21	$	**0.25**	**0.17**
DILUTED EARNINGS PER SHARE	21	$	**0.25**	**0.17**

The accompanying notes are part of these consolidated financial statements.

Ana María Gómez
Apoderado General

Jorge Iván Alfonso Calderón
Contador
T.P. 64639-T

CEMEX Latam Holdings, S.A. and Subsidiaries
Consolidated Statements of Comprehensive Income
(Thousands of U.S. dollars)

	Notes		Years ended December 31, 2016	2015
CONSOLIDATED NET INCOME		$	**140,269**	**96,052**
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the defined benefits liability	18		(1,662)	1,974
Items that will be reclassified subsequently to profit or loss when specific conditions are met				
Currency translation effects of foreign subsidiaries	2D		16,041	(184,894)
Total items of comprehensive income (loss) for the period			14,379	(182,920)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD			154,648	**(86,868)**
Non-controlling interest comprehensive income (loss)			500	561
CONTROLLING INTEREST COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		$	**154,148**	**(87,429)**

The accompanying notes are part of these consolidated financial statements.

Ana María Gómez
Apoderado General

Jorge Iván Alfonso Calderón
Contador
T.P 64639-T

CEMEX Latam Holdings, S.A. and Subsidiaries
Consolidated Balance Sheets
(Thousands of U.S. dollars)

	Notes	Years ended December 31, 2016	2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	$ 44,907	53,635
Trade accounts receivable, net	8	100,344	91,568
Accounts receivable from related parties	9	4,484	3,222
Other accounts receivable	10A	16,854	12,694
Prepaid taxes		11,940	25,695
Inventories, net	11	71,595	86,134
Other current assets	12	11,247	14,421
Total current assets		261,371	287,369
NON-CURRENT ASSETS			
Other investments and non-current accounts receivable	10B	13,186	20,868
Property, machinery and equipment, net	13	1,236,150	1,093,359
Goodwill, intangible assets and deferred assets, net	14	1,773,548	1,786,895
Deferred income taxes	19B	10,391	8,439
Total non-current assets		3,033,275	2,909,561
TOTAL ASSETS		**$ 3,294,646**	**3,196,930**
CURRENT LIABILITIES			
Short-term debt	15A	$ 24,050	8,067
Trade payables		151,447	120,274
Accounts payable to related parties	9	171,054	268,512
Taxes payable		41,493	50,634
Other accounts payable and accrued expenses	16	69,819	76,758
Total current liabilities		457,863	524,245
NON-CURRENT LIABILITIES			
Long-term debt	15A	529	8,046
Long-term accounts payable to related parties	9	820,294	822,388
Employee benefits	18	38,401	32,384
Deferred income taxes	19B	487,922	484,522
Other non-current liabilities	16	15,726	8,530
Total non-current liabilities		1,362,872	1,355,870
TOTAL LIABILITIES		**1,820,735**	**1,880,115**
STOCKHOLDERS' EQUITY			
Controlling interest			
Common stock and additional paid-in capital	20A	1,466,818	1,464,986
Other equity reserves	20B	(860,376)	(876,387)
Retained earnings	20C	722,887	627,396
Net income		139,769	95,491
Total controlling interest		1,469,098	1,311,486
Non-controlling interest	20E	4,813	5,329
TOTAL STOCKHOLDERS' EQUITY		**1,473,911**	**1,316,815**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**$ 3,294,646**	**3,196,930**

The accompanying notes are part of these consolidate financial statements.

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CEMEX Latam Holdings, S.A. and Subsidiaries
Consolidated Statements of Cash Flows
(Thousands of U.S. dollars)

	Notes		Years ended December 31, 2016	2015
OPERATING ACTIVITIES				
Consolidated net income		$	**140,269**	**96,052**
Non-cash items:				
Depreciation and amortization of assets	4		81,184	84,954
Provisions and others non-cash expenses	8, 11		(668)	3,814
Financial expense, other financial income and foreign exchange results			64,185	92,935
Income taxes	19		107,793	92,469
Loss on the sale of fixed assets	5		1,108	6,900
Impairment losses	5		21,872	62,366
Changes in working capital, excluding income taxes			38,222	44,291
Net cash flow provided by operating activities before interest and income taxes			**453,965**	**483,781**
Financial expense paid in cash			(66,399)	(70,040)
Income taxes paid in cash			(99,865)	(106,962)
Net cash flows provided by operating activities			**287,701**	**306,779**
INVESTING ACTIVITIES				
Property, machinery and equipment, net	13		(187,408)	(186,628)
Financial expenses (income)	6		(934)	1,747
Intangible assets and other deferred charges			1,826	522
Long term assets and others, net	10B		(124)	(3,347)
Net cash flows used in investing activities			**(186,640)**	**(187,706)**
FINANCING ACTIVITIES				
Related parties debt payments	9		(1,150,966)	(820,990)
Related parties debt			1,043,326	717,910
Non-current liabilities, net			(3,179)	(7,578)
Net cash flows used in financing activities			**(110,819)**	**(110,658)**
Increase (decrease) in cash and cash equivalents			(9,758)	8,415
Cash conversion effect, net			1,030	(6,552)
Cash and cash equivalents at beginning of the period			53,635	51,772
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7	$	**44,907**	**53,635**
Changes in working capital, excluding income taxes:				
Trade receivables, net		$	(8,812)	26,635
Other accounts receivable and other assets			(6,536)	4,625
Inventories			15,243	16,687
Trade payables			31,172	17,179
Short-term related parties, net			10,040	(1,019)
Other accounts payable and accrued expenses			(2,885)	(19,816)
Changes in working capital, excluding income taxes		$	**38,222**	**44,291**

The accompanying notes are part of these consolidated financial statements.

Ana María Gómez
Apoderado General

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CEMEX Latam Holdings, S.A. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
As of December 31, 2016 and 2015
(Thousands of U.S. dollars)

	Notes		Common stock	Additional paid-in capital	Other equity reserves	Retained earnings	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balance as of December 31, 2014		$	718,124	745,225	(695,574)	627,396	1,395,171	5,762	1,400,933
Net income for the period			–	–	–	95,491	95,491	561	96,052
Total other items of comprehensive income for the period			–	–	(182,920)	–	(182,920)	–	(182,920)
Changes in non-controlling interest	20E		–	–	–	–	–	(994)	(994)
Stock-based compensation	20D		–	1,637	2,107	–	3,744	–	3,744
Balance as of December 31, 2016		$	718,124	746,862	(876,387)	722,887	1,311,486	5,329	1,316,815
Net income for the period			–	–	–	139,769	139,769	500	140,269
Total other items of comprehensive income for the period			–	–	14,379	–	14,379	–	14,379
Changes in non-controlling interest	20E		–	–	–	–	–	(1,016)	(1,016)
Stock-based compensation	20D		–	1,832	1,632	–	3,464	–	3,464
Balance as of December 31, 2016		$	718,124	748,694	(860,376)	862,656	1,469,098	4,813	1,473,911

The accompanying notes are part of these consolidated financial statements.

Ana María Gómez
Apoderado General

Jorge Iván Alfonso Calderón
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T.P 64639-T

1) DESCRIPTION OF BUSINESS

CEMEX Latam Holdings, S.A., was constituted under the laws of Spain on April 17, 2012 as capital stock corporation (S.A.) for an undefined period of time. The entity is a subsidiary of CEMEX España, S.A. ("CEMEX España"), also organized under the laws of Spain, as well as an indirect subsidiary of CEMEX, S.A.B. de C.V., a public stock corporation with variable capital (S.A.B. de C.V.) organized under the laws of Mexico. The statutory purpose and main activities of CEMEX Latam Holdings, S.A. consist of the subscription, acquisition, tenure, enjoyment, management or sale of securities and share holdings, as well as the management and administration of securities representing the stockholders' equity (own funds) of non-resident entities in Spanish territory through the corresponding organization of material and human resources. Based on its statutory purpose, CEMEX Latam Holdings, S.A. is the indirect holding company (parent) of entities whose main activities located in Colombia, Panama, Costa Rica, Nicaragua, Guatemala, El Salvador and Brazil, are all oriented to the construction industry through the production, marketing, distribution and sale of cement, ready-mix concrete, aggregates and other construction materials. The common shares of CEMEX Latam Holdings, S.A., are listed in the Colombian Stock Exchange (*Bolsa de Valores de Colombia, S.A.* or "BVC") under the symbol CLH.

The term the "Parent Company" used in these accompanying notes to the financial statements refers to CEMEX Latam Holdings, S.A. without its subsidiaries. The terms the "Company" or "CEMEX Latam" refer to CEMEX Latam Holdings, S.A. together with its consolidated subsidiaries. When the term "CEMEX" is used, refers to CEMEX, S.A.B. de C.V. and/or some of its subsidiaries, which are not direct or indirect subsidiaries of the Parent Company.

The issuance of these consolidated financial statements was authorized by the management and the Board of Director of the Parent Company on February 8, 2017, prior favorable report of the Audit Committee.

Relevant event and administrative changes and corporate governance

Regarding the construction of the new cement plant in the municipality of Maceo, Antioquia province in Colombia (notes 13 and 23A), during 2016, CEMEX received reports through its anonymous reporting line, related to possible deficiencies in the purchase process of the land were the cement plant is located. As a result, CEMEX Latam immediately initiated an investigation and internal audit in accordance with its corporate governance policies and its ethics code, confirming irregularities in such process. As a result of this audit, on September 23, 2016, the Company decided to finish the employment relationship with two executives involved in this transaction immediately: Edgar Ramírez, Vice President of Planning of CEMEX Latam and CEMEX Colombia, S.A. ("CEMEX Colombia"); and Camilo González, Legal Counsel of CEMEX Latam and CEMEX Colombia. In addition, Carlos Jacks, Chief Executive Officer of CEMEX Latam and President of CEMEX Colombia resigned to facilitate investigations effective the same day September 23, 2016. CEMEX and CEMEX Latam have made these findings known to the appropriate authorities in Colombia. Jaime Muguiro, currently President of CEMEX South, Central America and the Caribbean and then Chairman of the Parent Company's Board of Directors, temporarily assumed the functions of Chief Executive Officer of the Company and President of CEMEX Colombia. In order to strengthen the levels of leadership, management and best practices of corporate governance, on October 4, 2016, the Parent Company's Board of Directors, following a favorable report from the Nominations and Remuneration Commission, decided to separate the roles of Chairman of the Board of Directors, Chief Executive Officer of CEMEX Latam and President of CEMEX Colombia. Consequently, the Board of Directors agreed the following appointments which were effective immediately:

- Juan Pablo San Agustín was appointed Chairman of the Board of Directors of the Parent Company.
- Jaime Muguiro Dominguez was ratified as Chief Executive Officer of the Parent Company.
- Ricardo Naya Barba was appointed President of CEMEX Colombia.

Likewise, the aforementioned Board of Directors, following a favorable report from the Nominations and Remuneration Commission, agreed to the appointment of Francisco Aguilera Mendoza as Vice President of Planning of the Parent Company.

In connection with the investigation and internal audit related to Maceo's project and considering the findings and the legal opinions available, during the fourth quarter of 2016, due to the irregularities and the failures to legally formalize the transactions which have not permitted allowed the Company to be the legitimate owner of several assets, including land, the mining concession and the environmental permit, the common shares of the entity Zona Franca Especial Cementera del Magdalena Medio S.A.S. ("Zomam") (holder of the free trade zone concession), as well as other land adyacent to the plant and the access road; the Company determined that: a) there is low probability of recover advanced payments made under different memorandums of understanding for the purchase of these assets for an amount in Colombian pesos equivalent to approximately $14,257, which were recognized as part of investments in progress, have been considered as contingent assets and therefore were reduced to zero recognizing an impairment loss for such amount against other expenses, net; b) certain purchases of equipment installed in the plant were considered exempt for VAT purposes under the benefits of the free trade zone, however, as those assets were actually installed outside of the free trade zone's area, they lack of such benefits, therefore, investments in progress were increased against VAT accounts payable for approximately $9,196; and c) the cancellation of the portion still payable in connection with the acquisition of the assets under the original agreements for approximately $9,073 against a reduction in investments in progress. As of the reporting date, under the presumption that CEMEX Colombia conducted itself in good faith, the Company considers that the rest of its investments made in the development of Maceo's project are protected by Colombian law (for more detail see notes 5, 13 and 23A).

2) SIGNIFICANT ACCOUNTING POLICIES

2A) BASIS OF PRESENTATION AND DISCLOSURE

The consolidated financial statements and the accompanying notes as of December 31, 2016 and 2015 were prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2016, as issued by the International Accounting Standards Board ("IASB").

The IFRS consolidated financial statements are presented to the stock exchange regulator in Colombia, due to the registration of the Parent Company's shares with the aforementioned authority for their trading on the BVC. In addition, the Board of Directors of the Parent Company will prepare the individual annual accounts for 2016, prepared in accordance with the applicable mercantile legislation in Spain and with the rules established by the Spanish General Accounting Standards, for their approval by the General Shareholders Meeting.

Presentation currency and definition of terms

The presentation currency of the consolidated financial statements is the dollar of the United States of America ("United States"), which is also the functional currency of the Parent Company considering that, is the main currency in which the Parent Company realizes its operations and settles its obligations. The amounts in the financial statements and the accompanying notes are presented in thousands of dollars of the United States, except when specific references are made to other currency, according with the following paragraph, or different measuring unit like millions, earnings per share, prices per share and/or exchange rates. For convenience of the reader, all amounts disclosed in these notes to the financial statements, mainly in connection with tax or legal proceedings (notes 19D and 23), which are originated in jurisdictions which currencies are different to the dollar, are presented in dollar equivalents as of December 31, 2016. Consequently, despite any change in the original currency, such dollar amounts will fluctuate over time due to changes in exchange rates. These dollar translations should not be construed as representations that the dollar amounts were, could have been, or could be converted at the indicated exchange rates. Foreign currency translations as of December 31, 2016 and 2015, as well as for the years ended December 31, 2016 and 2015 were determined using the closing and average exchange rates, as correspond, presented in the table of exchange rates included in note 2D.

When reference is made to "$" or dollar, it means the dollar of the United States, when reference is made to "€" or Euros, it means the currency in circulation in a significant number of European Union ("EU") countries. When reference is made to "¢" or colones, it means colones of the República de Costa Rica ("Costa Rica"). When reference is made to "R$" or reales, it means reales of the República Federativa de Brazil ("Brazil"). When reference is made to "Col$" or pesos, it means pesos of the República de Colombia ("Colombia"). When reference is made to "C$" or cordobas, it means cordobas of the República de Nicaragua ("Nicaragua"). When reference is made to "Q$" or quetzales, it means quetzals of the República de Guatemala ("Guatemala").

Income statements

CEMEX Latam includes the line item titled "Operating earnings before other expenses, net" considering that it is a relevant measure for CEMEX Latam's management as explained in note 3. Under IFRS, certain line items are regularly included in income statements such as net sales, operating costs and expenses and financial income and expense, among others, the inclusion of certain subtotals such as "Operating earnings before other expenses, net" and the display of the income statement vary significantly by industry and company according to specific needs.

The line item "Other expenses, net" in the consolidated income statements consists primarily of revenues and expenses not directly related to the Company's main activities, or which are of an unusual and/or non-recurring nature, such as results on disposal of assets, recoveries from insurance companies, as well as certain severance payments during restructuring processes, among others (note 5).

Statements of cash flows

For the years ended December 31, 2016 and 2015, the consolidated statements of cash flows present cash inflows and outflows, excluding unrealized foreign exchange effects, as well as the following transaction that did not represent sources or uses of cash:

- For the years ended December 31, 2016 and 2015, the increase in accounts payable to related parts to long-term $32,067 and $30,825, respectively, relative to the capitalization of interest on the debt with CEMEX companies.

- For the period ended December 31, 2016, the recognition of a granted guarantee on trust created to promote housing projects that represented an increased in short term debt for approximately $7,136 against an increase in "Other accounts receivable", as described in note 10A.

- For the years ended December 31, 2016 and 2015, the net increase in other equity reserves of $1,632 and $2,107, respectively, and the increase in additional paid-in capital of $1,832 in 2016 and $1,637 in 2015, in connection with executive stock-based compensation (note 20B).

Basis of presentation and disclosure– continued

Going Concern

As of December 31, 2016, current liabilities, which include accounts payable to CEMEX companies of approximately $171,054 (note 9), exceed current assets in $196,492.The Parent Company's Board of Directors has approved these consolidated financial statements as of December 31, 2016 under the principle of going concern, considering that the Company will generate sufficient cash flows to enable it to meet any liquidity risk in the short term. The Board of Directors of the Parent Company considers that management would succeed in renegotiating the maturity of some short-term payables to such CEMEX' companies in case it is deemed necessary. For the years ended December, 31, 2016 and 2015, CEMEX Latam generated net cash flows from operations, after interest expense and income taxes, of $287,701 and $306,779, respectively.

2B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of CEMEX Latam Holdings, S.A. and those of the entities, including structured entities, in which the Parent Company exercises control, by means of which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Among other factors, control is evidenced when the Parent Company: a) holds directly or through subsidiaries, more than 50% of an entity's common stock; b) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity, or c) is the primary receptor of the risks and rewards of an structured entity. Balances and operations between related parties are eliminated in consolidation. Each subsidiary is a legally responsible separate entity and maintains custody of its own financial resources.

Changes in the participation of parent company in a subsidiary do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Therefore, adjustments to non-controlling interests, which are based on a proportionate amount of the net assets of the subsidiary, not result in adjustments to goodwill and / or recognition of gains or losses in the income statement.

2C) USE OF ESTIMATES AND MANAGEMENT JUDGMENT

The preparation of consolidated financial statement in accordance with IFRS requires management to make estimates and assumptions that affect amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of reporting, as well as the revenues and expenses of the period. These assumptions are continuously reviewed using available information. Actual results could differ from these estimates.

The main items subject to estimates and assumptions include, among others, impairment tests of long-lived assets, allowances for doubtful accounts and inventories, recognition of deferred income tax assets, as well as the measurement of financial instruments and the assets and liabilities related to employee benefits. Significant judgment by management is required to appropriately assess the amounts of these assets and liabilities.

2D) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION OF FOREIGN ENTITIES' FINANCIAL STATEMENTS

The transactions denominated in foreign currencies are initially recorded in the functional currency of each entity at the exchange rates of their execution. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates in force at the date of the financial statements and the resulting foreign exchange fluctuations are recognized in earnings, except for exchange fluctuations arising from: 1) foreign currency indebtedness associated to the acquisition of foreign entities; and 2) fluctuations associated with related parties' balances denominated in foreign currency, which settlement is neither planned nor likely to occur in the foreseeable future and as a result, such balances are of a permanent investment nature. These fluctuations are recorded against "Other equity reserves", as part of the foreign currency translation adjustment (note 20B) until the disposal of the foreign net investment, at which time, the accumulated amount is recycled through the income statement as part of the gain or loss on disposal.

The financial statements of foreign subsidiaries, as determined using their respective functional currency, are translated to U.S. dollars at the closing exchange rate for balance sheet accounts, at the historical exchange rate for the stockholders' equity and additional paid-in capital accounts, and at the closing exchange rates of each month within the period for income statement's accounts. The functional currency is that in which each consolidated entity primarily generates and expends cash. The corresponding translation adjustment is included within "Other equity reserves" and is presented in the statement of other comprehensive income (loss) for the period as part of the foreign currency translation adjustment (note 20B) until the disposal of the net investment in the foreign subsidiary.

During the reported periods, CEMEX Latam had no subsidiaries operating in a hyperinflationary economy, which is generally considered to exist when the cumulative inflation rate over the last three years is approaching, or exceeds, 100%. In a hyperinflationary economy, the accounts of the subsidiary's income statement shall be restated to constant amounts as of the reporting date, in which case, both the balance sheet accounts and the income statement's accounts would be translated to dollars at the closing exchange rates of the year.

(Thousands of U.S. dollars)

Foreign currency transactions and translation of foreign currency financial statements – continued

The most significant closing exchange rates per U.S. dollar as of December 31, 2016 and 2015 for balance sheet and for income statements purposes, and the average exchange rates per U.S. are as follows:

	2016		2015	
Currency	**Closing**	**Average**	**Closing**	**Average**
Colombian pesos	3,000.71	3,040.09	3,149.47	2,771.55
Costa Rican colones	561.10	552.06	544.87	540.97
Nicaraguan cordobas	29.32	28.68	27.93	27.31
Guatemalan quetzales	7.52	7.60	7.66	7.66
Brazilian reales	3.26	3.45	3.90	3.39

2E) CASH AND CASH EQUIVALENTS (note 7)

Includes available amounts of cash and cash equivalents, mainly represented by short-term investments, which are easily convertible into cash, and which are not subject to significant risks of changes in their values, including overnight investments, which yield fixed returns and have maturities of less than three months from the investment date. These fixed-income investments are recorded at cost plus accrued interest. Other investments which are easily convertible into cash are recorded at their market value. Gains or losses resulting from changes in market values and accrued interest are included in the income statement as part of "other financial expenses, net".

CEMEX Latam has centralized cash management arrangements whereby excess cash generated by the different companies is swept into a centralized cash pool with a related party, and the Company's cash requirements are met through withdrawals or borrowings from that pool. Deposits in related parties are considered highly liquid investments readily convertible to cash and presented as "Fixed-income securities and other cash equivalents" (note 7).

2F) FINANCIAL INSTRUMENTS

Trade accounts receivable and other current accounts receivable (notes 8 and 10A)

Instruments under these captions are classified as "loans and receivables" and are recorded at their amortized cost representing the net present value ("NPV") of the consideration receivable or payable as of the transaction date. Due to their short-term nature, CEMEX Latam initially recognizes these receivables at the original invoiced amount less an estimate of doubtful accounts. Allowances for doubtful accounts as well as impairment of other current accounts receivable, are recognized against administrative and selling expenses.

Balances and transactions with related parties (note 9)

The Company discloses as related parties the balances and transactions within CEMEX Latam companies with CEMEX, in addition to people or entities that because of their relationship with CEMEX Latam may take advantage of these relationships having a benefit on their financial position and results of operations. These balances and transactions resulted primarily from: i) the sale and purchase of goods between group entities; ii) the invoicing of administrative services, rentals, trademarks and commercial name rights, royalties and other services rendered between group entities; and iii) loans between related parties. Transactions between related parties were conducted on arm's length terms based on market prices and conditions.

Other investments and non-current receivables (note 10B)

As part of the category of "loans and receivables," non-current accounts receivable, as well as investments classified as held to maturity are initially recognized at their amortized cost. Subsequent changes in NPV are recognized in profit or loss as part of "Other financial (expense) income, net".

Investments in financial instruments held for trading, as well as those investments available for sale, are recognized at their estimated fair value, in the first case through profit or loss as part of "Other financial (expense) income, net," and in the second case, changes in valuation are recognized as part of "Other comprehensive income (loss) of the period" within "Other equity reserves" until their time of disposition, when all valuation effects accrued in equity are reclassified to "Other financial (expense) income, net," in profit or loss. These investments are tested for impairment upon the occurrence of a significant adverse change or at least once a year during the last quarter.

Debt (notes 15A)

Bank loans and notes payable are initially recognized at their fair value and consequently recognized at its amortized cost. Interest accrued on financial instruments is recognized in the balance sheet within "Other accounts payable and accrued expenses" against financial expense. During the reported periods, CEMEX Latam did not have financial liabilities voluntarily recognized at fair value or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings, as well as debt refinancing or non-substantial modifications to debt agreements that did not represent an extinguishment of debt, by considering: a) that the relevant economic terms of the new instrument are not substantially different to the replaced instrument; and b) the proportion in which the final holders of the new instrument are the same of the replaced instrument, adjust the carrying amount of related debt are amortized as interest expense as part of the effective interest rate of each transaction over its maturity. These costs include commissions and professional fees. Costs incurred in the extinguishment of debt, as well as debt refinancing or modifications to debt agreements when the new instrument is substantially different to the old instrument according to a qualitative and quantitative analysis, are recognized in the statements of operations within financial expense as incurred.

Financial instruments – continued

Capital leases (notes 15A and 22A)

Capital leases are recognized as financing liabilities against a corresponding fixed asset for the lesser between the market value of the leased asset and the net present value of future minimum payments, using the contract's implicit interest rate to the extent available, or the incremental borrowing cost. Among other elements, the main factors that determine a capital lease are: a) if ownership title of the asset is transferred to CEMEX Latam at the expiration of the contract; b) if CEMEX Latam has a bargain purchase option to acquire the asset at the end of the lease term; c) if the lease term covers the majority of the useful life of the asset; and/or d) if the net present value of minimum payments represents substantially all the fair value of the related asset at the beginning of the lease.

Fair value measurements

Under IFRS, fair value represents an "Exit Value" which 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, considering the counterparty's credit risk in the valuation.

The concept of exit value is premised on the existence of a market and market participants for the specific asset or liability. When there is no market and/or market participants willing to make a market, the IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that CEMEX Latam has the ability to access at the measurement date. A quote price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available.
- Level 2 inputs are inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly, and are used mainly to determine the fair value of securities, investments or loans that are not actively traded. Level 2 inputs included equity prices, certain interest rates and yield curves, implied volatility, credit spreads and other market corroborated inputs, including inputs extrapolated from other observable inputs. In the absence of Level 1 inputs CEMEX Latam determined fair values by iteration of the applicable Level 2 inputs, the number of securities and/or the other relevant terms of the contract, as applicable.
- Level 3 inputs are unobservable inputs for the asset or liability. CEMEX Latam used unobservable inputs to determine fair values, to the extent there are no Level 1 or Level 2 inputs, in valuation models such as Black-Scholes, binomial, discounted cash flows or multiples of Operative EBITDA, including risk assumptions consistent with what market participants would use to arrive at fair value.

2G) INVENTORIES (note 11)

Inventories are valued using the lower of cost and net realizable value. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired. When an impairment situation arises, the inventory balance is adjusted to its net realizable value. The positive and negative adjustments related with the valuation of inventory are recognized against the results of the period. Advances to suppliers of inventory are presented as part of other short-term accounts receivable.

2H) PROPERTY, MACHINERY AND EQUIPMENT (note 13)

Property, machinery and equipment are recognized at their acquisition or construction cost, as applicable, less accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is recognized as part of cost and operating expenses (note 4), and is calculated using the straight-line method over the estimated useful lives of the assets, except for mineral reserves, which are depleted using the units-of-production method.

As of December 31, 2016, the average useful lives by category of fixed assets are as follows:

	Years
Administrative buildings	35
Industrial buildings	33
Machinery and equipment	18
Ready-mix trucks and motor vehicles	8
Office equipment and other assets	6

The Company capitalizes, as part of the historical cost of fixed assets, interest expense arising from existing debt during the construction or installation period of significant fixed assets, considering the Company's corporate average interest rate and the average balance of investments in process for the period.

Stripping costs in the production phase surface mine, the costs of waste removal or stripping costs that are incurred in a quarry during the production, and result in better access to mineral reserves are recognized as part of the carrying amount of the related quarries. Capitalized amounts are amortized over the estimated exposed materials based on a unit of production life.

Property, machinery and equipment – continued

Costs incurred in respect of operating fixed assets that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. The capitalized costs are depreciated over the remaining useful lives of such fixed assets. Periodic maintenance on fixed assets is expensed as incurred. Advances to suppliers of fixed assets are presented as part of other long-term accounts receivable.

The depreciation methods, useful lives and residual values of property, machinery and equipment are reviewed at each reporting date and adjusted if appropriate

2I) BUSSINES COMBINATIONS, GOODWILL, INTANGIBLE ASSETS AND DEFERRED ASSETS (note 14)

Business combinations are recognized using the purchase method, by allocating the consideration transferred to assume control of the entity to all assets acquired and liabilities assumed, based on their estimated fair values as of the acquisition date. Intangible assets acquired are identified and recognized at fair value. Any unallocated portion of the purchase price represents goodwill, which is not amortized and is subject to periodic impairment tests (note 2J), can be adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed within the twelve-month period after purchase. Costs associated with the acquisition are expensed in profit or loss as incurred.

The Company capitalizes intangible assets acquired, as well as costs incurred in the development of intangible assets, when future economic benefits associated are identified and there is evidence of control over such benefits. Intangible assets are presented at their acquisition or development cost. Indefinite life intangible assets are not amortized since the period in which the benefits associated with such intangibles will terminate cannot be accurately established. Definite life intangible assets are amortized on straight-line basis as part of operating costs and expenses (note 4).

Costs incurred in exploration activities such as payments for rights to explore, topographical and geological studies, as well as trenching, among other items incurred to assess the technical and commercial feasibility of extracting a mineral resource, which are not significant to CEMEX, are capitalized when future economic benefits associated with such activities are identified. When extraction begins, these costs are amortized during the useful life of the quarry based on the estimated tons of material to be extracted. When future economic benefits are not achieved, any capitalized costs are subject to impairment.

As of December 31, 2016, the Company's rights and licenses, clients' relationships and other intangible assets are amortized on a straight line basis over their useful lives that range on average from approximately 5 to 40 years. At expiration, certain permits can be extended for new periods of up to 40 years.

2J) IMPAIRMENT OF LONG LIVED ASSETS (notes 13 and 14B)

Impairment of property, machinery and equipment, intangible assets of definite life and other investments

Property, machinery and equipment, intangible assets and investments are tested for impairment upon the occurrence of factors such as a significant adverse event, changes in the Company's operating environment, changes in projected use or in technology, as well as expectations of lower operating results that could affect for each cash generating unit which are integrated, in order to determine whether their carrying amounts may not be recovered, in which case an impairment loss is recorded in income statement for the period when such determination is made within "Other income (expenses), net." The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs to sell such asset, the latter represented by the net present value of estimated cash flows related to the use and eventual disposal of the asset.

Significant judgment by management is required to appropriately assess the fair values and values in use of these assets. The main assumptions utilized to develop these estimates are a discount rate that reflects the risk of the cash flows associated with the assets evaluated and the estimations of generation of future income. Those assumptions are evaluated for reasonableness by comparing such discount rates to market information available and by comparing to third-party expectations of industry growth, such as governmental agencies or industry chambers of commerce.

Goodwill

Goodwill is tested for impairment when required due to significant adverse changes or at least once a year, during the last quarter of such year. The Company determines the recoverable amount of the group of cash-generating units ("CGUs") to which goodwill balances were allocated, which consists of the higher of such group of CGUs fair value less cost to sell and its value in use, the later represented by the NPV of estimated future cash flows to be generated by such CGUs to which goodwill was allocated, which are generally determined over periods of 5 years. However, in specific circumstances, when the Company considers that actual results for a CGU do not fairly reflect historical performance and most external economic variables provide confidence that a reasonably determinable improvement in the mid-term is expected in their operating results, management uses cash flow projections over a period of up to 10 years, to the point in which future expected average performance resembles the historical average performance, to the extent the Company has detailed, explicit and reliable financial forecasts and is confident and can demonstrate its ability, based on past experience, to forecast cash flows accurately over that longer period. If the value in use of a group of CGUs to which goodwill has been allocated is lower than its corresponding carrying amount, the Company determines the fair value of such group of CGUs using methodologies generally accepted in the market to determine the value of entities, such as multiples of Operating EBITDA and by reference to other market transactions, among others. An impairment loss is recognized within "Other expenses, net", if the recoverable amount is lower than the net book value of the group of CGUs to which goodwill has been allocated. Impairment charges recognized on goodwill are not reversed in subsequent periods.

Impairment of long lived assets – continued

The geographic operating segments reported by the Company (note 3), represent the Company's groups of CGUs to which goodwill has been allocated for purposes of testing goodwill for impairment. In arriving at this conclusion, the Company considered: a) that after the acquisition, goodwill was allocated at the level of the geographic operating segment; b) that the operating components that comprise the reported segment have similar economic characteristics; c) that the reported segments are used in CEMEX Latam to organize and evaluate its activities in its internal information system; d) the homogeneous nature of the items produced and traded in each operative component, which are all used by the construction industry; e) the vertical integration in the value chain of the products comprising each component; f) the type of clients, which are substantially similar in all components; g) the operative integration among components; and h) that the compensation is based on the consolidated results of the geographic operating segment. In addition, the country level represents the lowest level within CEMEX Latam at which goodwill is monitored for internal management purposes.

Impairment tests are significantly sensitive to, among other factors, the estimation of future prices of the products, the development of operating expenses, local and international economic trends in the construction industry, the long-term growth expectations in the different markets, as well as the discount rates and the growth rates in perpetuity applied. For purposes of estimating future prices, CEMEX Latam uses, to the extent available, historical data plus the expected increase or decrease according to information issued by trusted external sources, such as national construction or cement producer chambers and/or in governmental economic expectations. Operating expenses are normally measured as a constant proportion of revenues, following past experience. However, such operating expenses are also reviewed considering external information sources in respect to inputs that behave according to international prices, such as gas and oil. CEMEX Latam uses specific pre-tax discount rates for each group of CGUs to which goodwill is allocated, which are applied to discount pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. Likewise, the amounts of discounted estimated future cash flows are significantly sensitive to the weighted average cost of capital (discount rate) applied. The higher the growth rate in perpetuity applied, the higher the amount of undiscounted future cash flows by group of CGUs obtained. Conversely, the higher the discount rate applied, the lower the amount of discounted estimated future cash flows related.

2K) PROVISIONS

The Company recognizes provisions for diverse items, including environmental remediation such as quarries reforestation when it has a legal or constructive present obligation resulting from past events, whose resolution would imply cash outflows or the delivery of other resources. These provisions reflect the estimate disbursement's future cost and are generally recognized at its net present value, except when there is not clarity when disbursed or when the economic effect for time passing is not significant. Reimbursements from insurance companies are recognized as an asset only when the recovery is practically certain, and if necessary, such asset is not offset by the recognized cost provision. The entity does not have a constructive obligation to pay levies imposed by governments that will be triggered by operating in a future period; consequently, provisions for such levies imposed by governments are recognized until the critical event or the activity that triggers the payment of the levy has occurred, as defined in the legislation.

Restructuring

CEMEX Latam recognizes provisions for restructuring costs only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to the third parties involved and/or affected by the restructuring prior to the balance sheet date. These provisions may include costs not associated with CEMEX Latam ongoing activities.

Asset retirement obligations (note 16)

Unavoidable obligations, legal or constructive, to restore operating sites upon retirement of long-lived assets at the end of their useful lives are measured at the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' book value. The increase to the assets' book value is depreciated during its remaining useful life. The increase in the liability related to the passage of time is charged to "other financial income (expenses), net" in the income statement. Adjustments to the liability for changes in estimations are recognized against fixed assets, and depreciation is modified prospectively. These liabilities relate mainly to the future costs of demolition, cleaning and reforestation, to leave under certain conditions the quarries, the maritime terminals, as well as other productive sites.

Commitments and contingencies (notes 22 y 23)

Obligations or losses related to contingencies are recognized as liabilities in the consolidated balance sheet when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably; otherwise, a qualitative disclosure is included in the notes to the consolidated financial statement. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the financial statements considering the substance of the agreements based on an incurred or accrued basis. Relevant commitments are disclosed in the notes to the financial statement. The company does not recognize contingent revenues, income or assets, unless their realization is virtually certain.

2L) PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (note 18)

Defined contributions pension plans

The costs of defined contribution pension plans are recognized in the operating results as they are incurred. Liabilities arising from such plans are settled through cash transfers to the employees' retirement accounts, without generating prospective obligations.

Defined benefit pension plans and other post-employment benefits

Considering that there is no defined benefit plan for active employees, CEMEX Latam recognizes the costs associated with employee benefits paid under the current plan during the period of payment of the benefits based on actuarial estimates of the present value of the obligations with the assistance of external actuaries. Actuarial assumptions consider the use of nominal rates. Actuarial gains or losses for the period, resulting from differences between projected actuarial assumptions and actual at the end of the period are recognized within "Other equity reserves" in stockholders' equity. The financial expense is recognized within "Other financial expenses, net." As of December 31, 2016 and 2015 there are no defined contribution plans for active employees.

The effects from modifications to the pension plans that affect the cost of past services are recognized within operating costs and expenses during the period in which such modifications become effective with respect to the employees or without delay if changes are effective immediately. Likewise, the effects from curtailments and/or settlements of obligations occurring during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized within operating costs and expenses.

Termination benefits

Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in the operating results for the period in which they are incurred.

2M) INCOME TAXES (note 19)

The effects reflected in the income statement for income taxes include the amounts incurred during the period and the amounts of deferred income taxes, determined according to the income tax law applicable to each entity. consolidated deferred income taxes represent the addition of the amounts determined in each entity by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable values of assets and liabilities, considering tax loss carryforwards as well as other recoverable taxes and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The measurement of deferred income taxes reflects the tax consequences that follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income taxes for the period represent the difference between balances of deferred income taxes at the beginning and the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. All items charged or credited directly in stockholders' equity or as part of other comprehensive income for the period are recognized net of their current and deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the period in which the change is officially enacted.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is considered that it would not be possible that the related tax benefit will be realized. In conducting such assessment, the Company analyzes the aggregate amount of self-determined tax loss carryforwards included in its income tax returns in each country where the Company believes, based on available evidence, that the tax authorities would not reject such tax loss carryforwards; and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through an analysis of estimated future taxable income. If the Company believes that it is probable that the tax authorities would reject a self-determined deferred tax asset, it would decrease such asset. Likewise, if the Company believes that it would not be able to use a tax loss carryforward before its expiration or any other deferred tax asset, the Company would not recognize such deferred tax asset. Both situations would result in additional income tax expense for the period in which such determination is made. In order to determine whether it is probable that deferred tax assets will ultimately be realized, the Company takes into consideration all available positive and negative evidence, including factors such as market conditions, industry analysis, expansion plans, projected taxable income, carryforward periods, current tax structure, potential changes or adjustments in tax structure, tax planning strategies, future reversals of existing temporary differences, etc. Likewise, every reporting period, are analyzes its actual results versus the estimates, and adjusts, as necessary, its tax asset valuations. If actual results vary from estimates, the deferred tax asset and/or valuations may be affected and necessary adjustments will be made based on relevant information any adjustments recorded will affect the Company statements of operations in such period.

The income tax effects from an uncertain tax position are recognized when is probable that the position will be sustained based on its technical merits and assuming that the tax authorities will examine each position and have full knowledge of all relevant information, and they are measured using a cumulative probability model. Each position has been considered on its own, regardless of its relation to any other broader tax settlement. The high probability threshold represents a positive assertion by management that CEMEX Latam is entitled to the economic benefits of a tax position. If a tax position is considered not probable of being sustained, no benefits of the position are recognized. Interest and penalties related to unrecognized tax benefits are recorded as part of the income tax in the consolidated statements of operations.

The tax amounts and deferred income included in the statements of income for the period are highly variable, and are subject among other factors, to the determined taxable income in each jurisdiction in which CEMEX operates Latam. The amounts of taxable income depend on factors such as volumes and selling prices, costs and expenses, fluctuations in exchange rates and interest on debt, among others, as well as tax assets estimated at the end of the period based on the expected generation of future taxable income in each jurisdiction.

2N) STOCKHOLDERS EQUITY

Common stock and additional paid-in capital (note 20A)

These items represent the value of stockholders' contributions, and include the recognition of executive compensation programs in CPOs.

Other equity reserves (note 20B)

This caption groups the cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to stockholders' equity, and includes the elements presented in the statements of comprehensive income (loss) which reflects in the stockholders' equity, net in the period that do not result from investments by owners and distributions to owners. The most significant items within "Other equity reserves" during the reported periods are as follows:

- Currency translation effects from the consolidated financial statement of foreign entities;
- Actuarial gains and losses; and
- Current and deferred income taxes during the period arising from items whose effects are directly recognized in stockholders' equity.

Retained earnings (note 20C)

Retained earnings represent the cumulative net results of prior accounting periods, net, as applicable, of the dividends declared to stockholders.

Non-controlling interest (note 20D)

This caption includes the share of non-controlling stockholders in the results and equity of consolidated entities.

2O) REVENUE RECOGNITION

The Company's consolidated net sales represent the value, before tax on sales, of revenues originated by products and services sold by consolidated entities as a result of their ordinary activities, after the elimination of transactions between consolidated entities, and are quantified at the fair value of the consideration received or receivable, decreased by any trade discounts or volume rebates granted to customers.

Revenue from the sale of goods and services is recognized when goods are delivered or services are rendered to customers, there is no condition or uncertainty implying a reversal thereof, and they have assumed the risk of loss.

Revenues and costs associated with construction contracts are recognized in the period in which the work is performed by reference to the stage of completion of the contract activity at the end of the period, considering that: a) each party's enforceable rights regarding the asset to be constructed; b) the consideration to be exchanged; c) the manner and terms of settlement; d) actual costs incurred and contract costs required to complete the asset are effectively controlled; and e) it is probable that the economic benefits associated with the contract will flow to the Company.

The percentage of completion of construction contracts represents the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or the surveys of work performed or the physical proportion of the contract work completed, whichever better reflects the percentage of completion under the specific circumstances. Progress payments and advances received from customers do not reflect the work performed and are recognized as a short or long term advanced payments, as appropriate.

2P) EXECUTIVE STOCK-BASED COMPENSATION (note 20E)

The compensation programs granted to the Company's executives based on CEMEX, S.A.B de C.V. and CEMEX Latam Holdings S.A. are treated as equity instruments, considering that services received from such employees are settled delivering shares. The costs of equity instruments represent their fair value at the date of grant and are recognized in the income statement during the period in which the exercise rights of the employees become vested as services are rendered.

2Q) COST OF SALES, ADMINISTRATIVE AND SELLING EXPENSES AND DISTRIBUTION EXPENSES

Cost of sales represents the production cost of inventories at the moment of sale includes depreciation, amortization and depletion of assets involved in production and expenses related to storage in producing plants. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities and storage of product at points of sales, as well as costs related to warehousing of products at the selling points, which are included as part of administrative and selling expenses. Cost of sales includes freight expenses of raw material in plants and delivery expenses of the Company's ready-mix concrete business, but excludes freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers' facilities, which are included as part of the distribution expenses line item.

2R) CONCENTRATION OF CREDIT

The Company sells its products primarily to distributors in the construction industry, with no specific geographic concentration within the countries in which the Company operates. As of and for the years ended December 31, 2016 and 2015, no single customer individually accounted for a significant amount of the reported amounts of sales or in the balances of trade receivables. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

2S) NEWLY ISSUED IFRS NOT YET EFFECTIVE

There are a number of IFRS issued as of the date of issuance of these financial statements but which have not yet been adopted, which are listed below. Except as otherwise indicated, CEMEX expects to adopt these IFRS when they become effective.

- IFRS 9, *financial instruments: classification and measurement* ("IFRS 9"). IFRS 9 sets forth the guidance relating to the classification and measurement of financial assets and liabilities, to the accounting for expected credit losses on an entity's financial assets and commitments to extend credits, as well as the requirements related to hedge accounting; and will replace IAS 39, Financial instruments: recognition and measurement ("IAS 39") in its entirety. IFRS 9 requires an entity to recognize a financial asset or a financial liability when, and only when, the entity becomes party to the contractual provisions of the instrument. At initial recognition, an entity shall measure a financial asset or financial liability at its 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, and includes a category of financial assets at fair value through other comprehensive income for simple debt instruments. In respect to impairment requirements, IFRS 9 eliminates the threshold set forth in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognized, instead, an entity always accounts for expected credit losses, and changes in those expected losses through profit or loss. In respect to hedging activities, the requirements of IFRS 9 align hedge accounting more closely with an entity's risk management through a principles-based. Nonetheless, the IASB provided entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply the existing hedge accounting requirements in IAS 39; until the IASB completes its project on the accounting for macro hedging.
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  IFRS 9 *is effective for annual periods beginning on or after* January 1, 2018, with early adoption permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in this standard at the same time. CEMEX Latam is currently evaluating the impact that IFRS 9 will have on the classification and measurement of its financial assets and financial liabilities, impairment of financial assets and hedging activities. Preliminarily: a) The Company does not maintain fixed income investments held to maturity; and b) it is considered that the expected loss on trade receivables will replace the current allowance for doubtful accounts. The Company is considering the full adoption of IFRS 9 on January 1, 2018, including hedge accounting. CEMEX Latam does not expect any significant effect in its results from the adoption of IFRS 9. Nonetheless, is not considering an early application of IFRS 9.

- In May 2014, the IASB issued IFRS 15, *Revenue from contracts with customers* ("IFRS 15"). The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contracts(s) with a customer, which is an agreement between two or more parties that creates enforceable rights and obligations; Step 2: Identify the performance obligations in the contract, considering that if a contract includes promises to transfer distinct goods or services to a customer, the promises are performance obligations and are accounted for separately; Step 3: Determine the transaction price, which is the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer; Step 4: Allocate the transaction price to the performance obligations in the contract, on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract; and Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation, by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). IFRS 15 also includes disclosure requirements that would provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 will supersede all existing guidance on revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted considering certain additional disclosure requirements.

  The Company started in 2015 the evaluation of the impact that IFRS 15 will have on its accounting and disclosures related to its revenue. As of the reporting date, CEMEX Latam has analyzed its contracts with customers in all countries in which it operates in order to indentify the several performance obligations and other offerings (discounts, loyalty programs, etc.) included in such contracts, among other aspects, aimed to determine potential differences in the accounting recognition of revenues in respect to current IFRS. In addition, has provided training in IFRS 15 to key personnel with the support of external experts and has developed an online training. Preliminarily, considering its assessments at the reporting date, the nature of its business, its main transactions and current accounting policies, the fact that the transaction price is allocated to goods delivered or services rendered to customers when customers have assumed the risk of loss, CEMEX does not expect a significant effect in the timing of its accounting of its revenue from the adoption of IFRS 15. During 2017, CEMEX Latam plans to complete its assessment and quantify any adjustment that would be necessary if certain portion of revenue that currently is being recognized at the transaction date or deferred during time, as applicable, should otherwise be recognized differently upon the adoption of IFRS 15. Beginning January 1, 2018, CEMEX Latam plans to adopt IFRS 15 using the full retrospective approach. CEMEX Latam is not considering the early application of IFRS 15.

Newly issued IFRS not yet effective – continued

- On January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which will supersede all current standards and interpretations related to lease accounting. IFRS 16 defines leases as any contract or part of a contract that conveys to the lessee the right to use an asset for a period of time in exchange for consideration and the lessee directs the use of the identified asset throughout that period. In summary, IFRS 16 introduces a single lessee accounting model, and requires a lessee to recognize, for all leases with a term of more than 12 months, unless the underlying asset is of low value, assets for the right-of-use the underlying asset against a corresponding financial liability, representing the NPV of estimated lease payments under the contract, with a single income statement model in which a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability. A lessee shall present either in the balance sheet, or disclose in the notes, right-of-use assets separately from other assets, as well as, lease liabilities separately from other liabilities. IFRS 16 is effective beginning January 1, 2019, with early adoption permitted considering certain requirements. As of the reporting date, CEMEX Latam has performed an assessment of its main outstanding operating and finance lease contracts, in order to inventory the most relevant characteristics of such contracts (type of assets, committed payments, maturity dates, renewal clauses, etc.). During 2017, CEMEX Latam expects to define its future policy under IFRS 16 in connection with the exemption for short-term leases and low value assets in order to set the basis and be able to start quantifying the required adjustments for the proper recognition of the assets for the "right-of-use" and the corresponding financial liability, with a plan to adopt IFRS 16 beginning January 1, 2019 full retrospectively. Preliminarily, based on its assessment as of the reporting date, CEMEX Latam considers that upon adoption of IFRS 16; most of its outstanding operating leases will be recognized on balance sheet increasing assets and liabilities, with no significant initial effect on net assets. CEMEX Latam is not considering the early application of IFRS 16.

- On January 2016, the IASB issued amendments to IAS 7, Statement of cash flows, which are effective beginning January 1, 2017. The amendments aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The amendments state that one way to fulfill the new disclosure requirement is to provide a roll forward between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. CEMEX Latam does not expect a significant effect from the adoption of these amendments.

3) SELECTED FINANCIAL INFORMATION BY GEOGRAPHIC OPERATING SEGMENTS

The operating Segments, are defined as the components of an entity that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available.

The Company's operations had been previously managed by a regional president who supervised and was responsible for all the business activities in the countries comprising the region. These activities refer to the production, distribution, marketing and sale of cement, ready-mix concrete, aggregates and other construction materials, the allocation of resources and the review of their performance and operating results. The country manager, who is one level below the regional president in the organizational structure, reports the performance and operating results of its country to the regional president, including all the operating sectors. The Company's top management internally evaluates the results and performance of each country for decision-making purposes and allocation of resources, following a vertical integration approach considering: a) that the operating components that comprise the reported segment have similar economic characteristics; b) that the reported segments are used by the Company to organize and evaluate its activities in its internal information system; c) the homogeneous nature of the items produced and traded in each operative component, which are all used by the construction industry; d) the vertical integration in the value chain of the products comprising each component; e) the type of clients, which are substantially similar in all components; f) the operative integration among components; and g) that the compensation system of a specific country is based on the consolidated results of the geographic segment and not on the particular results of the components. According to this approach, in the Company's daily operations, management allocates economic resources and evaluates operating results on a country basis rather than on an operating component basis.

Considering the financial information that is regularly reviewed by the Company's top management, each of the counties in which the Company operates represents reportable operating segments. However, for disclosure purposes in the notes to the financial statements, considering similar regional and economic characteristics and/or the fact that certain countries do not exceed the materiality thresholds included reported separately, such countries have been aggregated and presented as single line items as follows "Rest of CLH" is mainly comprised of: a) operations in Guatemala, Nicaragua, El Salvador and Brazil. While the segment "Others" refers to the Parent Company, including the corporate offices of the Company in Spain and research and development offices in Switzerland corresponding to CEMEX Latam Holdings S.A. and Swiss Branch Brügg, branch of the Parent Company (the "branch") established on August 1th, 2012, as well as adjustments and eliminations resulting from consolidation. The main indicator used by the Company management to evaluate the performance of each country is "Operating EBITDA", representing operating earnings before other expenses, net, plus depreciation and amortization, considering that such amount represents a relevant measure for the Company management as an indicator of the ability to internally fund capital expenditures, as well as a widely accepted financial indicator to measure the Company ability to service or incur debt. Operating EBITDA should not be considered as an indicator of the Company financial performance, as an alternative to cash flow, as a measure of liquidity, or as being comparable to other similarly titled measures of other companies. This indicator, which is presented in the selected financial information by geographic operating segment, is consistent with the information used by the Company's management for decision-making purposes. The accounting policies applied to determine the financial information by geographic operating segment are consistent with those described in note 2. The Company recognizes sales and other transactions between related parties based on market values.

(Thousands of U.S. dollars)

Selected financial information by geographic operating segments – continued

Selected consolidated income statements' information by geographic operating segments for the years ended December 31, 2016 and 2015 are as follow:

2016	Net Sales (including related parties)	Less: Related parties	Net Sales	Operating EBITDA	Less: Depreciation and amortization	Operating earnings before other expenses, net	Other expenses, net	Financial expenses	Other financial expenses, net
Colombia $	665,237	(83)	665,154	213,836	(26,368)	187,468	(28,378)	(14,334)	(1,417)
Panama	256,301	–	256,301	116,053	(17,963)	98,090	(380)	(8,071)	1,074
Costa Rica	170,212	(18,842)	151,370	60,646	(6,200)	54,446	(886)	(569)	207
Rest of CLH	265,355	(1,969)	263,386	84,398	(5,506)	78,892	(595)	(2,903)	832
Others	(20,885)	–	(20,885)	(51,283)	(25,147)	(76,430)	20	(37,824)	(4,188)
Total $	1,336,220	(20,894)	1,315,326	423,650	(81,184)	342,466	(30,219)	(63,701)	(3,492)

2015	Net Sales (including related parties)	Less: Related parties	Net Sales	Operating EBITDA	Less: Depreciation and amortization	Operating earnings before other expenses, net	Other expenses, net	Financial expenses	Other financial expenses, net
Colombia $	724,826	(117)	724,709	248,153	(26,084)	222,069	(4,067)	(20,572)	(2,123)
Panama	284,694	(167)	284,527	117,241	(18,478)	98,763	(10,983)	(6,712)	142
Costa Rica	181,276	(14,345)	166,931	68,983	(6,331)	62,652	(140)	(515)	37
Rest of CLH	271,842	(3,299)	268,542	72,777	(5,124)	67,653	(61,035)	(4,320)	987
Others	(17,651)	–	(17,651)	(57,382)	(28,937)	(86,319)	(7,135)	(41,629)	(59)
Total $	1,444,987	(17,929)	1,427,058	449,772	(84,954)	364,818	(83,360)	(73,748)	(1,016)

1 Includes impairment of fixed assets determined in the period within other expenses, net (notes 5 and 13).

2 Includes impairment of intangible assets determined in Brazil during the period within other expenses, net (notes 5 and 14).

Net sales by product and geographic operating segments for the years ended December 31, 2016 and 2015 are as follows:

2016	Cement	Concrete	Aggregates	Other products	Others	Net sales
Colombia $	375,094	232,903	13,166	43,991	–	665,154
Panama	163,812	81,488	3,531	7,470	–	256,301
Costa Rica	97,045	15,596	22,429	16,300	–	151,370
Rest of CLH	228,282	17,866	2,174	15,064	–	263,386
Others	–	–	–	–	(20,885)	(20,885)
Total $	864,233	347,853	41,300	82,825	(20,885)	1,315,326

2015	Cement	Concrete	Aggregates	Other products	Others	Net sales
Colombia $	398,623	274,024	15,772	36,290	–	724,709
Panama	180,017	85,552	4,387	14,571	–	284,527
Costa Rica	111,354	18,742	18,267	18,568	–	166,931
Rest of CLH	207,831	25,145	4,952	30,614	–	268,542
Others	–	–	–	–	(17,651)	(17,651)
Total $	897,825	403,463	43,378	100,043	(17,651)	1,427,058

As of December 31, 2016 and 2015, selected consolidated balance sheets' information by geographic segments is as follows:

2016	Total Assets	Total Liabilities	Net assets by segment	Capital expenditures
Colombia $	1,950,645	727,369	1,223,276	175,909
Panama	390,777	231,133	159,644	6,699
Costa Rica	116,186	37,458	78,728	3,661
Rest of CLH	186,457	175,620	10,837	9,873
Others	650,581	649,155	1,426	–
Total $	3,294,646	1,820,735	1,473,911	196,142

(Thousands of U.S. dollars)

Selected financial information by geographic operating segments – continued

2015		Total Assets	Total Liabilities	Net assets by segment	Capital expenditures
Colombia	$	1,826,232	645,873	1,180,359	156,429
Panama		569,798	240,907	328,891	18,659
Costa Rica		92,199	36,158	56,041	9,465
Rest of CLH		237,768	173,360	64,408	11,364
Others		470,933	783,817	(312,884)	–
Total	$	3,196,930	1,880,115	1,316,815	195,917

4) DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 is detailed as follows:

		2016	2015
Depreciation and amortization expense of assets used in the production process	$	55,535	62,564
Depreciation and amortization expense of assets used in administrative and selling activities		25,649	22,390
	$	81,184	84,954

5) OTHER EXPENSES, NET

Other expenses detail net, in 2016 and 2015 is as follows:

		2016	2015
Damages recoveries	$	144	379
Impairment losses [1]		(21,872)	(62,366)
Severance payments for reorganization and other personnel costs		(3,549)	(6,243)
Assumed taxes, fines, and other penalties		(2,321)	(2,023)
Results from valuation the sale of assets, sale of scrap and other products and non-operating expenses, net		(2,621)	(13,107)
	$	(30,219)	(83,360)

1 In 2016, the line item impairment losses includes the write off of certain assets related with the Maceo project, Antioquia province in Colombia for approximately $14,257 as described in notes 13 and 23A, considering that such assets, mainly advance payments for the purchase of land through a representative, became contingent due to deficiencies in the purchase legal procedures, as well as impairment losses of $7,615 in connection with the projected closure in the short term of a cement mill in Colombia. As described in notes 14A and 14B, during 2015, as a result of impairment tests and considering various unfavorable factors in Brazil, the Company recognized impairment losses of intangible assets in that country related to the operation license and goodwill for an aggregate amount of approximately $62,366.

6) OTHER FINANCIAL EXPENSES, NET

Other financial expenses, net in 2016 and 2015 are as follows:

		2016	2015
Interest cost on employee benefits	$	(2,558)	(2,763)
Financial income		(934)	1,747
	$	(3,492)	(1,016)

7) CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents as of December 31, 2016 and 2015 are as follows:

		2016	2015
Cash and bank accounts	$	39,099	47,386
Fixed-income securities and other cash equivalents		5,808	6,249
	$	44,907	53,635

(Thousands of U.S. dollars)

8) TRADE ACCOUNTS RECEIVABLE

Consolidated trade accounts receivable as of December 31, 2016 and 2015 are detailed as follows:

		2016	2015
Trade accounts receivable	$	106,077	97,265
Allowances for doubtful accounts		(5,733)	(5,697)
	$	100,344	91,568

Allowances for doubtful accounts are established according to the credit history and risk profile of each customer. Changes in the valuation of this caption allowance for doubtful accounts for the years ended December 31, 2016 and 2015 consists of:

		2016	2015
Allowances for doubtful accounts at beginning of the period	$	5,697	1,897
Charged to selling expenses		2,087	5,701
Deductions		(2,051)	(1,901)
Allowances for doubtful accounts at end of the period	$	5,733	5,697

9) TRANSACTIONS WITH RELATED PARTIES

Balances receivable from and payable to related parties as of December 31, 2016 and 2015 are detailed as follows:

Short-term accounts receivable		2016	2015
CEMEX España, S.A	$	2,534	–
CEMEX Research Group, AG		1,214	1,674
CEMEX, S.A.B. de C.V.		327	173
CEMEX Central, S.A. de C.V		257	383
New Sunward Holding B.V.		84	76
CEMEX Dominicana, S.A.		36	37
Business Material Funding SL		15	15
CEMEX Holdings Inc.		10	–
CEMEX Denmark ApS		–	627
CEMEX de Puerto Rico, Inc.		–	237
Others		7	–
Total assets with related parties	$	4,484	3,222

Short-term accounts payable		2016	2015
New Sunward Holding B.V.[1]	$	143,159	144,027
CEMEX Holdings Inc.[2]		17,393	2,488
CEMEX España, S.A.[3]		7,694	113,245
CEMEX Research Group, AG[4]		857	1,132
CEMEX Internacional, S.A. de C.V.		705	891
CEMEX Central, S.A. de C.V.		599	540
Fujur, S.A. de C.V.		205	174
CEMEX México, S.A. de C.V.		179	217
Pro Ambiente, S.A. de C.V.		137	71
CEMEX de Puerto Rico, Inc.		42	–
Beijing Import & Export Co., Ltd		34	–
Latinamerican Trading S.A.		23	–
CEMEX Jamaica Limited		13	13
CEMEX Trading, LLC		–	5,687
CEMEX Perú, S.A.		–	22
Others		14	5
	$	171,054	268,512

Long-term accounts payable		2016	2015
New Sunward Holding B.V.[1]	$	708,284	822,388
CEMEX España, S.A.[3]		112,010	–
	$	820,294	822,388
Total liabilities with related parties	$	991,348	1,090,900

(Thousands of U.S. dollars)

Transactions with related parties – continued

1. The balances as of December 31, 2016 and 2015 include: a) loan agreement and accrued interest negotiated by Corporación Cementera Latinoamericana S.L.U. of $487,584 in 2016 (includes the balance of the absorption of CEMEX Bogotá) and $349,978 in 2015; b) loan agreement and accrued interest negotiated by the Parent Company of $57,664 in 2016 and $85,020 in 2015, as well as a revolving credit of $175,969 in 2016 and $85,315 in 2015; c) loan agreement and accrued interest negotiated by Cemento Bayano, S.A. of $130,226 in 2016 and $128,458 in 2015; and d), loan agreement and accrued interest negotiated by CEMEX Bogotá Investments B.V. of $317,644 in 2015.
2. The outstanding balances were generated mainly from imports of cement grey.
3. The balance of short-term accounts payable at December 31, 2016 includes $ 6,317 generated by the Parent Company's current tax expense for the year 2016, which is compensated with tax losses generated by group companies in which the parent company is taxed in Spain and whose head is CEMEX Spain, and accounts payable arising from a loan negotiated by CEMEX Colombia with CEMEX Spain in October 2010, subsequently renewed until December 28, 2018. 6-month LIBOR plus 255 basis points in the short-term in December 2015.
4. Royalties on technical assistance agreements, use of licenses and brands, software and administrative processes.

The maturities of non-current accounts payable as of December 31, 2016 are as follows:

Debtor		2018	Total
Corporación Cementera Latinoamericana, S.L.U. (7% annual)	$	376,150	376,150
CEMEX Latam Holdings, S.A. (7% annual)		203,715	203,715
Cemento Bayano, S.A. (3M LIBOR + 415 bps)[1]		128,419	128,419
CEMEX Colombia S.A. (6M LIBOR + 255pbs)[1]		112,010	112,010
	$	820,294	820,294

1 The *London Inter-Bank Offered Rate*, or LIBOR, is the variable rate used in international markets for debt denominated in dollars. On December 31, 2016, 3 and 6-month LIBOR was 0.6401% y 0.9289%, respectively. The contraction "bps" means basis points. One hundred bps equals 1%.

The Company's main transactions entered into with related parties for the years ended December 31, 2016 and 2015 are shown below:

Purchases of raw materials		2016	2015
CEMEX International Trading LLC	$	46,300	3,892
CEMEX Internacional, S.A. de C.V.		6,163	1,820
CEMEX Trading, LLC		3,197	57,584
CEMEX España, S.A.		307	–
Others		3	–
	$	55,970	63,296

Administrative and sale expenses		2016	2015
CEMEX Research Group, AG	$	33	–
Neoris de México, S.A. de C.V		14	–
CEMEX Central, S.A. de C.V.		–	36
Others		–	2
		47	38

Royalties and technical assistance (note 22B)		2016	2015
CEMEX Research Group, AG	$	37,234	43,071
CEMEX Central, S.A. de C.V.		21,116	20,302
CEMEX, S.A.B. de C.V.		7,415	7,966
	$	65,765	71,339

Financial expenses		2016	2015
New Sunward Holding B.V.	$	59,621	69,316
CEMEX España, S.A.		4,125	3,603
CEMEX Hungary K.F.T.		–	88
Construction Funding Corporation[1]		–	95
	$	63,746	73,102

1 This company was merged with CEMEX España with an effective date on September 8, 2016.

(Thousands of U.S. dollars)

Transactions with related parties – continued

Pursuant to the services and the rights of use, operation and enjoyment of CEMEX brands, names and intellectual property assets, under the agreement of non-exclusive use, enjoyment and exploitation of license asset, management services agreement and business support and licensing agreement, CEMEX Latam Holdings has agreed to pay CEMEX (which includes CEMEX, S.A.B. de C.V., CEMEX Research Group, A.G. as well as CEMEX Central, S.A. de C.V.), consistent with the market practices and principles of unrelated parties, a fee equivalent to 5% of consolidated revenues. The aforementioned fee cannot be increased without the consent of the independent directors of CEMEX Latam Holdings expressed during a meeting of the board of directors.

During the years ended December 31, 2016 and 2015, the members of the Parent Company's Board of Directors, in fulfillment of their functions, accrued compensation for a total of approximately $260 and $297, respectively, including remuneration and annual allowances. During 2016, as a result of the extraordinary meetings of the members of the Board of Directors, the portion related to the annual allowances exceeded in approximately $29 the limit established by the General Shareholders' Meeting as payment for this concept during the period. These expenses, which were recognized within the administration expenses of the period, are subject to the approval of such General Shareholders' Meeting at the next meeting. There are no advances or loans granted by the Company to such directors and the Company has not provided guarantee on any directors' obligations. Moreover, the Company has not assumed obligations for pensions or insurance for such directors.

In addition, for the years ended December 31, 2016 and 2015, the aggregate compensation amounts accrued by members of the Company's top management were approximately $5,169 and $5,098, respectively. The following totals $4,673 for 2016 and $4,588 for 2015, correspond with remuneration base plus performance bonuses including pensions and other postretirement benefits. In addition, approximately $495 in 2016 and $510 in 2015 aggregate remuneration corresponded to allocations of shares to the executive compensation programs CEMEX and the Parent Company.

In the cement operations in Panama, which represented approximately 12% of consolidated sales in 2015, the Company carries out transactions with Industrias Básicas, S.A. competitor and local producer of cement, in market conditions and for not significant amounts. A subsidiary of CEMEX, S.A.B. de C.V., indirectly parent Company, has a participation of a 25% in the capital of Industrias Básicas, S.A.

10) OTHER ACCOUNTS RECEIVABLE

10A) OTHER CURRENT ACCOUNTS RECEIVABLE

Consolidated other accounts receivable as of December 31, 2016 and 2015 consisted of:

		2016	2015
Non-trade accounts receivable	$	15,682	7,271
Restricted cash [1]		62	4,401
Loans to employees and others		1,110	1,022
	$	16,854	12,694

1 Includes in 2016 the residual interest of CEMEX Colombia in a trust aimed at the promotion of housing projects, whose only asset is land in the municipality of Zipaquirá, and its only liability is a bank credit of approximately $7,136, guaranteed by CEMEX Colombia, obtained for the purchase of the land. The estimated fair value of the land, as determined by an external expert, significantly exceeds the amount of the debt. CEMEX Colombia is currently analyzing the offer of a housing developer that would acquire the assets of the trust and assume its obligations.

2 Restricted cash refers to guaranty deposits made by CEMEX Colombia to Liberty Seguros S.A.

10B) OTHER INVESTMENTS AND NON-CURRENT ACCOUNTS RECEIVABLE

Consolidated balances of other assets and non-current accounts receivable as of December 31, 2016 and 2015 are detailed as follows:

		2016	2015
Loans and notes receivable [1]	$	11,076	18,548
Guaranty deposits and VAT recoverable [2]		1,736	1,955
Other non-current assets [3]		374	365
	$	13,186	20,868

1 The combined balances of these lines items mainly include: a) fund of CEMEX Panama to secure seniority premium payments as of December 31, 2016 and 2015 of $2,319 and $2,270, respectively; b) advance payments for the purchase of fixed assets of $4,551 as of December 31, 2016 and $8,464 in 2015, c) advance payments for the purchase of fixed assets of $1,502 as of December 31, 2016, d) accounts receivable from the sale of land of $339 and $3,433 as of December 31, 2016 and 2015 respectively, e) advances for housing projects in Costa Rica of $646 as of December 31, 2016 and $1,408 in 2015, f) Certified Emission Reductions ("CERs") granted by the United Nations to qualified projects in Costa Rica for the reduction of CO2 emissions of $1,792 as of December 31, 2015.

2 Refers mainly to VAT account receivable in El Salvador of $951 as of December 31, 2016 and $1,315 as of December 31, 2015 as well as judicial deposits in Brazil of $785 as of December 31, 2016 and $640 as of December 31, 2015.

3 Refer main other investments of Colombia, Panama, Costa Rica Guatemala and Nicaragua for $374 as of December 31 , 2016 and to assets received as payments in kind of $365 as of December 31, 2015 for which there is no current plan to sell.

(Thousands of U.S. dollars)

11) INVENTORIES

Consolidated balances of inventories as of December 31, 2016 and 2015 are summarized as follows:

		2016	2015
Materials	$	20,108	31,994
Finished goods		11,061	13,289
Work-in-process		14,676	19,921
Raw materials		15,380	18,558
Inventory in transit		10,124	3,290
Other inventories		804	343
Allowance for obsolescence		(558)	(1,261)
	$	71,595	86,134

12) OTHER CURRENT ASSETS

As of December 31, 2016 and 2015 consolidated other current assets consisted of:

		2016	2015
Advance payments [1]	$	9,883	11,938
Assets held for sale [2]		1,364	2,483
	$	11,247	14,421

1 As of December 31, 2016 and 2015, the line item of advance payments includes $8,685 and $11,904, respectively, associated with advances to suppliers of inventory and insurance premiums.

2 Assets held for sale are stated at their estimated realizable value and include mainly properties received in payment of trade receivables by CEMEX Costa Rica, Panamá and Nicaragua.

13) PROPERTY, MACHINERY AND EQUIPMENT, NET

As of December 31, 2016 and 2015 the consolidated balances of property, machinery and equipment, net consisted of:

		2016				
		Land and mineral reserves	Buildings	Machinery and equipment	Construction in progress [1,2]	Total
Cost at beginning of the period	$	211,439	194,258	713,789	147,715	1,267,201
Capital expenditures [1, 2]		3,590	1,837	10,224	180,491	196,142
Total additions		3,590	1,837	10,224	180,491	196,142
Disposals		(655)	(1,002)	(7,077)	–	(8,734)
Reclassifications		7,177	2,184	29,730	(40,591)	(1,500)
Impairment [3]		(2,344)	(284)	(3,419)	(15,825)	(21,872)
Depreciation and depletion for the period		(6,775)	(7,732)	(44,068)	–	(58,575)
Foreign currency translation effects		5,686	7,935	12,559	2,763	28,943
Cost at end of the period		224,893	204,928	755,806	274,553	1,460,180
Accumulated depreciation and depletion		(28,345)	(38,347)	(157,338)	–	(224,030)
Net book value at end of the period	$	196,548	166,581	598,468	274,553	1,236,150

		2015				
		Land and mineral reserves	Buildings	Machinery and equipment	Construction in progress [1,2]	Total
Cost at beginning of the period		241,215	165,881	694,896	149,258	1,251,250
Capital expenditures		6,037	7,660	35,076	147,144	195,917
Total additions		6,037	7,660	35,076	147,144	195,917
Disposals		(666)	(801)	(7,822)	–	(9,289)
Reclassifications		532	43,654	83,323	(127,509)	–
Depreciation and depletion for the period		(7,554)	(8,840)	(46,170)	–	(62,564)
Foreign currency translation effects		(35,678)	(22,135)	(91,686)	(21,178)	(170,677)
Cost at end of the period	$	211,439	194,258	713,789	147,715	1,267,201
Accumulated depreciation and depletion		(20,212)	(31,076)	(122,554)	–	(173,842)
Net book value at end of the period	$	191,228	163,183	591,233	147,715	1,093,359

(Thousands of U.S. dollars)

Property, machinery and equipment, net – continued

1 In July 2014, the Company began the construction of a new cement plant in the municipality of Maceo in the Antioquia department in Colombia with an annual capacity of approximately 1.1 million tons. The first phase included the construction of a cement mill, which has been in testing phase up to the reporting date with the supply of clinker from the Caracolito plant in Ibague, and the cement obtained has been used in its entirety in the construction of the plant. The next phase, which includes the construction of the kiln and the access road to the plant, is expected to be completed in stages until the first semester of 2017, in order to begin commercial operations in the second half of 2017, considering for this purpose the successful conclusion of several ongoing processes related to certain operating permits. In 2016, includes a reduction in investment for approximately $23,330, of which, approximately $14,257 were recognized as impairment losses against "other expenses, net" and approximately $9,073 were recognized against "other accounts payable", considering that such assets, mainly advance payments for the purchase of land through a representative, have been considered contingent assets due to the possibility of not recovering them pursuant to deficiencies in the legal processes (notes 5 and 23A). In addition, approximately $1,500, related to the shares of Zomam (the free trade zone) were reclassified from investments in process to other long-term assets. CEMEX Latam determined an initial total budget for the plant of $340 million. As of December 31, 2016, the carrying amount of the project, net of adjustments, is equivalent to approximately $275 million in Colombian pesos.

2 During 2014, the Company began the construction of a cement mill in Nicaragua with a milling capacity of 440,000 tons per year after completion of the two development phases with an estimated total investment of $50 million, of which, as of December 31, 2016, the Company has invested approximately $22 million. The first phase was completed and began operations in February 2015. The second phase has not started.

3 In 2016, it includes impairment losses related to the projected closure of a cement mill in Colombia for approximately $ 7,615.

14) GOODWILL AND INTANGIBLE ASSETS

14A) BALANCES AND CHANGES DURING THE PERIOD

As of December 31, 2016 and 2015, consolidated goodwill, intangible assets and deferred assets is summarized as follows:

	2016			2015		
	Cost	Accumulated amortization	Net book value	Cost[1]	Accumulated amortization	Net book value
Intangible assets of indefinite useful life						
Goodwill $	1,563,836	–	1,563,836	1,575,396	–	1,575,396
Intangible assets of definite useful life						
Customer relations	194,361	(86,598)	107,763	192,753	(67,392)	125,361
Extraction permits and licenses	120,963	(19,132)	101,831	100,940	(15,616)	85,324
Industrial property and trademarks	1,846	(1,754)	92	1,410	(1,273)	137
Mining projects	354	(354)	–	705	(28)	677
Other intangibles and deferred assets	26	–	26	–	–	–
$	1,881,386	(107,838)	1,773,548	1,871,204	(84,309)	1,786,895

1 Included impairment losses in goodwill $44,983 and extraction permits and licenses $17,383 recognized during 2015.

Changes in intangible assets during the year ended December 31, 2016 and 2015 are as follows:

	2016				
	Goodwill	Customer relations	Rights and licenses	Others	Total
Net book value at beginning of the period $	1,575,396	125,361	85,324	814	1,786,895
Amortization during the period	–	(19,206)	(3,515)	(807)	(23,528)
Foreign currency translation effects	(11,560)	1,608	20,022	111	10,181
Net book value at end of the period $	1,563,836	107,763	101,831	118	1,773,548

	2015				
	Goodwill	Customer relations	Rights and licenses	Others	Total
Net book value at beginning of the period $	1,704,635	145,321	153,603	1,915	2,005,474
Amortization during the period	–	(19,168)	(3,190)	(31)	(22,389)
Impairment losses	(44,983)	–	(17,383)	–	(62,366)
Foreign currency translation effects	(84,256)	(792)	(47,706)	(1,070)	(133,824)
Net book value at end of the period $	1,575,396	125,361	85,324	814	1,786,895

When impairment indicators exist, for each intangible asset, CEMEX Latam determines its projected revenue streams over the estimated useful life of the asset. In order to obtain discounted cash flows attributable to each intangible asset, such revenues are adjusted for operating expenses, changes in working capital and other expenditures, as applicable, and discounted to net present value using the risk adjusted discount rate of return. Significant management judgment is necessary to determine the appropriate valuation method and estimates under the key assumptions, among which are: a) the useful life of the asset; b) the risk adjusted discount rate of return; c) royalty rates; and d) growth rates. Assumptions used for these cash flows are consistent with internal forecasts and industry practices.

(Thousands of U.S. dollars)

Goodwill and intangible assets – continued

During 2015 for factors describes in the note 14B, the company recognized impairment losses about operating segment in Brazil for the total \$62,366, corresponding \$44,983 to goodwill and \$17,383 the operation licenses. The total amount of losses corresponds to an excess in the book value of the operating segment over the value in use, represented by the present value of the estimated cash flows.

The fair values of intangible assets are very sensitive to changes in the significant assumptions used in their calculation. Certain key assumptions are more subjective than others. In respect of trademarks, CEMEX Latam considers that the most subjective key assumption in the determination of revenue streams is the royalty rate. In respect of extraction rights and customer relationships, the most subjective assumptions are revenue growth rates and estimated useful lives. CEMEX Latam validates its assumptions through benchmarking with industry practices and the corroboration of third party valuation advisors.

14B) ANALYSIS OF GOODWILL IMPAIRMENT

As of December 31, 2016 and 2015, goodwill balances allocated by operating segment are as follows:

		2016	2015
Costa Rica	$	437,031	450,048
Panama		344,703	344,703
Colombia		311,901	303,971
Guatemala		241,503	237,297
Nicaragua		213,610	224,289
El Salvador		15,088	15,088
	$	1,563,836	1,575,396

The Company assesses impairment of goodwill balances at least once a year during the last quarter of the year, or sooner if there is evidence, at the level of groups of CGUs to which are assigned the balances of goodwill and are commonly made of the operation, segments corresponding to the operations of the Company in each country.

Impairment tests are significantly sensitive to, among other factors, the estimation of future prices of the Company products, the development of operating expenses, local and international economic trends in the construction industry, the long-term growth expectations in the different markets, as well as the discount rates and the long-term growth rates applied.

CEMEX Latam cash flow projections to determine the value in use of its CGUs to which goodwill has been allocated consider the use of long-term economic assumptions. The Company believes that its discounted cash flow projections and the discount rates used reasonably reflect current economic conditions at the time of the calculations, considering, among other factors that: a) the cost of capital reflects current risks and volatility in the markets; and b) the cost of debt represents the average of industry specific interest rates observed in recent transactions. Other key assumptions used to determine CEMEX Latam discounted cash flows are volume and price increases or decreases by main product during the projected periods. Volume increases or decreases generally reflect forecasts issued by trustworthy external sources, occasionally adjusted based on CEMEX Latam actual backlog, experience and judgment considering its concentration in certain sectors, while price changes normally reflect the expected inflation in the respective country. Operating costs and expenses during all periods are maintained as a fixed percent of revenues considering historic performance.

Based on the impairment analysis carried out during 2016, CEMEX Latam did not determine impairment losses on goodwill in any of the CGU groups to which the goodwill balances have been assigned in the different countries where the Company operates. During the last quarter of 2015, CEMEX Latam recognized impairment losses of goodwill in the CGU group which had been allocated to the operating segment of Brazil for \$44,983. During 2015, in a very accelerated way and in a somewhat surprising in relation to the existing expectation at the end of 2014, several indications of deterioration in Brazil were materialized, among others: a) the continued devaluation of the real, that only in 2015, depreciated approximately 47%, b) the fall in international prices of raw materials and oil, c) high inflation and unemployment, d) fiscal deficit of the government, and e) political crisis, all these factors affect government expenses in infrastructure and construction, and therefore the sale of cement, conjugated and / or worsened during 2015, according to specialists, an economic recovery is not likely without the approval of structural reforms. According to International Monetary Fund data, in 2015, the growth rate of the economy was negative 3.8%, and it is estimated that by 2016 will be negative by 3.5% and 0% in 2017. This coincided with the mentioned annual impairment analysis of goodwill, through which, the Company determined the aforementioned impairment losses representing the entire goodwill allocated to the operating segment. They showed no impairment losses on other operating segments during 2016.

(Thousands of U.S. dollars)

Goodwill and intangible assets – continued

As of December 31, 2016 and 2015, pre-tax discount rates and long-term growth rates used to determine the discounted cash flows in the group of CGUs with the main goodwill balances are as follows:

Groups of CGUs	Discount rates 2016	Discount rates 2015	Growth rates 2016	Growth rates 2015
Costa Rica	10.3%	10.4%	4.0%	4.3%
Colombia	10.0%	9.8%	4.0%	4.0%
Panama	9.8%	9.8%	3.0%	3.0%
Nicaragua	12.4%	13.2%	4.0%	4.2%
Guatemala	10.3%	10.2%	4.0%	3.9%
Brazil [1]	N/A	10.2%	N/A	1.6%
El Salvador	11.9%	11.3%	2.0%	2.3%

1 As described above, the goodwill from Brazil was totally canceled during 2015.

As of December 31, 2016, the discount rates used by CEMEX Latam in its cash flows projections generally remained relatively stable in the countries with the most significant goodwill compared with 2015. The funding cost increased from 6.9% in 2015 to 6.2% in 2016 while the risk-free rate increased from 3.2% in 2015 to 2.7% in 2016. In respect to long-term growth rates, following general practice under IFRS, CEMEX uses country specific rates, which are mainly obtained from the *Consensus Economics*, a compilation of analysts' forecast worldwide, or from the International Monetary Fund when the first are not available for a specific country.

In connection with the assumptions included in the table above, CEMEX Latam made sensitivity analyses to changes in assumptions, affecting the value in use of all groups of CGUs with an independent reasonable possible increase of 1% in the pre-tax discount rate, and an independent possible decrease of 1% in the long-term growth rate. In addition, CEMEX Latam performed cross-check analyses for reasonableness of its results using multiples of Operating EBITDA. In order to arrive at these multiples, which represent a reasonableness check of the discounted cash flow models, CEMEX Latam determined a weighted average multiple of Operating EBITDA to enterprise value observed in the industry. The average multiple was then applied to a stabilized amount of Operating EBITDA and the result was compared to the corresponding carrying amount for each group of CGUs to which goodwill has been allocated. The Company considered an industry weighted average Operating EBITDA multiple of 9 times in 2016 and 10.2 times in 2015. CEMEX Latam own Operating EBITDA multiple was 6.8 times in 2016, 5.8 times in 2015. The lowest multiple observed in CEMEX Latam benchmark was 5.9 times in 2016 and 5.8 times in 2015, and the highest being 18.3 times in 2016, 18.0 times in 2015.

In 2016, sensitivity analyzes did not indicate a relative risk of impairment in any of CEMEX Latam's operations. In 2015, except for the group of CGUs that had been assigned goodwill balances in Brazil, and which was totally deteriorated, no other operation showed signs of deterioration in the sensitivity analyzes.

15) SHORT-TERM AND LONG-TERM DEBT

15A) SHORT-TERM AND LONG-TERM DEBT

As of December 31, 2016 and 2015, consolidated debt by type of financial instruments is summarized as follows:

		2016	2015
Leasing Bolivar, S.A. DTF anticipated quarterly plus 550 bps [1, 2]	$	1,501	2,422
Leasing de Occidente, S.A., DTF anticipated quarterly plus 400 bps [1, 2]		1,010	1,636
Leasing Bancolombia, S.A., DTF anticipated quarterly plus 390 bps [1, 2]		1,361	2,204
Helm Leasing, S.A., DTF anticipated quarterly plus 385 bps [1, 2]		848	1,367
Leasing Bogotá, S.A., DTF anticipated quarterly plus 465 bps [1, 2]		671	1,082
Ordinary bonds in the Colombian market [3]		–	3,175
Promissory note foreign currency variable rate [4]		7,886	4,227
Promissory notes to Banco de Bogotá rate 11.59% [5]		4,166	–
Trust guarantee for the development of housing project [6]		7,136	–
Total	$	24,579	16,113
Long-term debt		529	8,046
Short-term debt	$	24,050	8,067

The maturities of CEMEX Latam's consolidated long-term debt as of December 31, 2016, were as follows:

		Maturities
2018	$	529

Short-term and long-term debt– continued

1 The fixed-term deposit rate (*Tasa de Depósito a Término Fijo* or DTF) is the average interest rate paid by financial institutions in Colombia on fixed-term certificates. As of December 31, 2016 the anticipated quarterly DTF rate was 6.93%.

2 Refers to capital leases with commercial finance companies denominated in Colombian pesos, which were negotiated in 2012 with a maturity of sixty months. For the first nine months of 2016 and 2015, CEMEX Colombia incurred interest on these capital leases for an amount of $791 and $973, respectively. The assets acquired through these capital leases have been placed as guarantee for such financial obligations.

3 On July 8, 2015, CEMEX Colombia issued ordinary bonds maturing in 10 years with a rate of 8.30% in the amount of ten billion of Colombian pesos aimed to fulfill the duties of Company and to maintain its status of issuer of securities in the Colombian market. Based on the established of clause 4.10 of the prospectus of issuance of such ordinary bonds, since during the annual period between July 9, 2015 and July 8, 2016, the trading volume of the securities in the secondary market was less than Col $ 5,000 million, on July 12, 2016, CEMEX Colombia made an offer to purchase the securities aimed to all the holders at a price equivalent to 100% of the principal amount outstanding plus interest caused and not paid. The previous offer was accepted by all holders of the securities on July 13, 2016. The reacquired values remain valid in the original term as established in the applicable regulation.

4 Refers to notes with a maturity of one year signed by CEMEX Colombia with the bank AV VILLAS for $7,886 as of December 31, 2016, and rate DTF plus 4.5% and $4,227 in 2015 and rate DTF plus 3.0%.

5 Refers to notes with a maturity of one year signed by CEMEX Colombia with the Bogotá bank for $7,886 as of December 31, 2016.

6 Represents the maximum quantification of the guarantee granted by CEMEX Colombia on the amount exercised through a promissory note received by the Trust for the development of housing projects as described in note 10A. CEMEX Colombia also received as collateral the asset owned by the trust whose value significantly covers the amount of the debt. Said promissory note will be renewed at maturity by the trust every 180 days until finding the developer who buys the project, or until it is decided to extinguish the trust, in which case, the debt would be assumed and the asset would be available. The loan accrues interest at a DTF rate plus 5%.

15B) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities

CEMEX Latam carrying amounts of cash, trade accounts receivable, other accounts receivable, trade accounts payable, other accounts payable and accrued expenses, as well as short-term debt, approximate their corresponding estimated fair values due to the short-term maturity of these financial assets and liabilities. Temporary investments (cash equivalents) and certain long-term investments are recognized at fair value, considering to the extent available, quoted market prices for the same or similar instruments. The estimated fair value of CEMEX Latam long-term debt is level 2, and is either based on estimated market prices for such or similar instruments, considering interest rates currently available for CEMEX Latam to negotiate debt with the same maturities, or determined by discounting future cash flows using market-based interest rates currently available to CEMEX Latam. The carrying amounts of assets and liabilities and their fair value estimated on December 31, 2016 and 2015 are as follows:

Thousands of U.S. dollars		2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
Financial assets					
Other assets and non-current accounts receivable (note 10B)........	$	13,186	13,186	20,868	20,868
Financial liabilities					
Long-term payables to related parties (note 9)	$	820,294	789,973	822,388	740,030
Long-term debt (note 15A)..		529	529	8,046	8,046
Other non-current liabilities (note 16)..		15,725	15,725	8,530	8,530
	$	836,548	806,227	838,964	756,606

16) OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, 2016 and 2015 consolidated other current accounts payable and accrued expenses were as follows:

		2016	2015
Accrued expenses..	$	17,102	17,569
Advances from customers		16,142	18,166
Provisions for legal claims and other commitments		14,790	16,410
Others provisions and liabilities		13,870	15,520
Provision for employee benefits..		6,882	8,038
Others..		1,033	1,055
	$	69,819	76,758

Current provisions primarily consist of employee benefits accrued at the balance sheet date, insurance and accruals related to legal and environmental assessments, expected to be settled in the short-term. These amounts are revolving in nature and are expected to be settled and replaced by similar amounts within the next 12 months.

(Thousands of U.S. dollars)

Other accounts payable and accrued expenses – continued

For the years ended in 2016 and 2015, the combined balance of provisions for litigation and other commitments, provisions for staff remuneration and other provisions and liabilities were as follows:

		2016	2015
Balance at beginning of period	$	39,968	36,970
Increase of the period with new or increased obligations estimated		69,340	178,208
Decrease due to obligation expired or decrease in estimates		(76,148)	(167,185)
Adjustment for translation effects		2,382	(8,025)
	$	35,542	39,968

As of December 31, 2016 and 2015, consolidated other non-current liabilities were as follows:

		2016	2015
Provision for asset retirement obligations [1]	$	4,411	4,410
Others taxes		6,831	–
Others provisions and liabilities		3,439	3,639
Deferred income		1,045	481
	$	15,726	8,530

1 Asset retirement obligations include future estimated costs for demolition, dismantling and cleaning of production sites at the end of their operation, which are initially recognized against the related assets and are depreciated over their estimated useful life.

17) RISK MANAGEMENT

Risk management framework

The Company's management has overall responsibility for the development, implementation and monitoring of the conceptual framework and policies for an effective risk management. The Company's risk management policies are intended to: a) identify and analyze the risks faced by the Company; b) implement appropriate risk limits and controls; and c) monitor the risks and the compliance with the limits. Policies and risk management systems are regularly reviewed to reflect changes in market conditions and in the Company's activities. By means of its policies and procedures for risk management, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations. On December 31, 2016 and 2015, the company has not entered into derivative financial instruments.

Credit risk

Credit risk is the risk of financial loss faced by the Company if a customer or counterpart of a financial instrument does not meet its contractual obligations and originates mainly from trade accounts receivable. As of December 31, 2016 and 2015, the maximum exposure to credit risk is represented by the balance of financial assets. Management has developed policies for the authorization of credit to customers. The exposure to credit risk is monitored constantly according to the behavior of payment of the debtors. Credit is assigned on a customer-by-customer basis and is subject to assessments which consider the customers' payment capacity, as well as past behavior regarding due dates, balances past due and delinquent accounts. In cases deemed necessary, the Company management requires guarantees from its customers and financial counterparties with regard to financial assets.

The Company's management has established a policy of low risk which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, the review includes external ratings, when references are available, and in some cases bank references. Threshold of purchase limits are established for each client, which represent the maximum purchase amounts that require different levels of approval. Customers that do not meet the levels of solvency requirements imposed by CEMEX can only carry out transactions by paying cash in advance. As of December 31, 2016 and 2015, considering the Company's best estimate of potential losses based on an analysis of age and considering recovery efforts, the allowance for doubtful accounts was $5,733 and $5,697, respectively.

The aging of trade accounts receivable as of December 31, 2016 and 2015 are as follows:

		2016	2015
Neither past due, nor impaired portfolio	$	75,292	68,397
Past due less than 90 days portfolio		14,630	9,150
Past due more than 90 days portfolio		16,155	19,717
	$	106,077	97,264

(Thousands of U.S. dollars)

Risk management – continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, which only affects results if the fixed-rate long-term debt is measured at fair value. Long-term debt is carried at amortized cost and therefore is not subject to interest rate risk. Exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. As of December 31, 2016 and 2015, CEMEX Latam was subject to the volatility of floating interest rates, which, if such rates were to increase, may adversely affect its financing cost and the results for the period. CEMEX Latam manages its interest rate risk by balancing its exposure to fixed and variable rates while attempting to reduce its interest costs.

Foreign currency risk

The Company has foreign currency exposures due to the relevant balances in each country in other currencies than their functional currency. The Company has not implemented any derivative financing instrument hedging strategy to address this foreign currency risk.

As of December 31, 2016 and 2015, excluding from the sensitivity analysis the impact of translating the net assets of foreign operations into the Company's reporting currency, considering a hypothetic 10% strengthening of the U.S. dollar against the Colombian peso, with all other variables held constant, The Company's net income for the years ended on December 31, 2016 and 2015 would have decreased by approximately $24,806 and $18,852, respectively, as a result of higher foreign exchange losses on the Company's dollar-denominated net monetary liabilities held in consolidated entities with other functional currencies. Conversely, a hypothetic 10% weakening of the U.S. dollar against the Colombian peso would have the opposite effect.

Equity risk

On December 31, 2016 and 2015, the Company has no financial instruments or transactions related with the Parent Company shares, or of any subsidiary of CEMEX Latam or third parties, except by executive compensation programs (note 20D), whereby, there is no impairment in the expected cash flows of the Company for changes in the price of such shares.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its obligations. Although the Company has fulfilled its operational liquidity, debt service and capital expenditures needs through its own operations as mentioned in note 2, On December 31, 2016, current liabilities, includes accounts payables with CEMEX companies for $171,054 exceeds in $196,492 the current assets (note 9). The Company management considers that it will generate sufficient cash flows to enable it meet any liquidity risk in the short term. If necessary, the Company considers that would be successful in renegotiating the maturity of certain accounts payable to CEMEX, the Company's consolidated net flows provided by operating activities after financial expenses and income tax were of $287,701 in 2016 and $306,779 in 2015. The maturities of the Company's contractual obligations are included in note 22A.

18) POSTRETIREMENT EMPLOYEE BENEFITS

Defined contributions plans

The costs of defined contribution plans for the years ended December 31, 2016 and 2015 were approximately $11 and $10, respectively. The Company contributes periodically the amounts offered by the plan to the employee's individual accounts, not retaining any remaining liability as of the balance sheet date.

Defined benefit pension plans

The Company sponsors a defined contribution pension plan in Colombia, which is closed to new participants and whose beneficiaries are only retirees. For the years ended December 31, 2016 and 2015, the net period cost is recognized as follows:

		2016	2015
Recorded in other financial expenses, net			
Financial cost	$	2,558	2,724
Recorded in other comprehensive income, net			
Actuarial (gains) losses		1,662	(1,974)
Net period cost	$	4,220	750

(Thousands of U.S. dollars)

Postretirement employee benefits – continued

The reconciliation of the actuarial value of obligations as of December 31, 2016 and 2015 are presented as follows:

		2016	2015
Change in benefits obligations			
Benefits obligation at beginning of period	$	32,384	50,769
Financial cost		2,558	2,724
Foreign currency translation		(3,250)	(3,761)
Actuarial Gain (loss)		1,662	(1,974)
Benefits paid		5,047	(15,374)
Projected benefit obligations at end of period	$	38,401	32,384

As of December 31, 2016, estimated payments for postretirement benefits over the next ten years are as follows:

		Estimated payments
2017	$	3,656
2018		3,630
2019		3,622
2020		3,599
2021		3,567
2022–2026		17,049
	$	35,123

On December 2016 and 2015, the most significant assumptions used in the determination of the net periodic cost were as follows:

	2016	2015
Discount rates	7.0%	7.25%
Pension growth rates	3.0%	3.0%

Sensitivity analysis of pensions and other postretirement benefits

For the year ended December 31, 2016, CEMEX Latam performed sensitivity analyses on the most significant assumptions that affect the PBO, considering reasonable independent changes of plus or minus 50 basis points in each of these assumptions. The increase (decrease) that would have resulted in the PBO as of December 31, 2016 is shown below:

Variables:	+50bps	-50bps
Discount rates	(1,460)	1,569
Pension growth rate	1,711	(1,603)

19) INCOME TAXES

19A) INCOME TAXES FOR THE PERIOD

For the years ended December 31, 2016 and 2015, income tax expense recognized in the consolidated income statements was as follows:

		2016	2015
Current income taxes	$	119,465	105,339
Deferred income taxes		(11,672)	(12,870)
	$	107,793	92,469
Out of which:			
Colombia [1, 2]	$	52,817	60,752
Costa Rica		11,857	12,182
Panama		8,934	5,567
Rest of CLH and others [3]		34,185	13,968
	$	107,793	92,469

1 Beginning January 1, 2015, a tax on wealth became effective in Colombia which is calculated considering the net equity for tax purposes outstanding as of January 1, 2015. The aforementioned tax will be effective in 2015, 2016 and 2017. The effect the years 2016 and 2015 was approximately $4,710 and $6,055 respectively, which is included in the income tax.

2 In addition, as part of tax modifications effective January 1, 2015, a surcharge on the income tax rate (*Impuesto sobre la Renta para la Equidad* or "CREE") was implemented, which will be effective from 2015 to 2018 and will generate an increase in the income tax rate in Colombia to the following tax rates: 39% in 2015, 40% in 2016, 42% in 2017 and 43% in 2018. As of January 1, 2016, as part of a package of tax modifications, this CREE tax and its surtax were eliminated and only the income tax and its surtax, with consolidated tax rates estimated by these two concepts of 40 % In 2017 and 37% in 2018.

3 Includes the Company's operations in Nicaragua, Guatemala, El Salvador and Brazil as well as the effects on income taxes of the Parent Company, other sub-holding companies and other consolidation adjustments.

(Thousands of U.S. dollars)

Income taxes – continued

As of December 31, 2016, the Company has tax loss carry forward of $ 83,799, which has not been subject to accounting record. At the same date, the tax loss carry forward can offset against taxable income in any fiscal year. At the same date, tax losses to be amortized and deductions in installments can be offset against taxable income with no time limit.

19B) DEFERRED INCOME TAXES

As of December 31, 2016 and 2015, the main temporary differences that generated the consolidated deferred income tax assets and liabilities are presented below:

		2016	2015
Deferred tax assets:			
Tax carry forwards and other tax credits	$	545	449
Accounts payable and accrued expenses		9,527	7,675
Others		319	315
Total deferred tax assets		10,391	8,439
Deferred tax liabilities:			
Property, machinery and equipment		242,254	241,054
Goodwill		245,225	243,101
Others		443	367
Total deferred tax liabilities		487,922	484,522
Net deferred tax liabilities	$	477,531	476,083

The breakdown of changes in consolidated deferred income taxes during 2016 and 2015 were as follows:

		2016	2015
Deferred income tax benefit recognized in the income statement	$	(11,672)	(12,870)
Expense (income) for deferred taxes in the period in stockholders' equity		13,120	(65,929)
Change in deferred income tax for the period	$	1,448	(78,799)

The Parent Company has not provided for any deferred tax liability for the undistributed earnings generated by its subsidiaries recognized under the equity method, considering that such undistributed earnings are expected to be reinvested, and to not generate income tax in the foreseeable future. Likewise, the Parent Company does not recognize a deferred income tax liability related to its investments in subsidiaries considering that the Company controls the reversal of the temporary differences arising from these investments.

19C) EFFECTIVE TAX RATE

Differences between the financial basis and the corresponding tax basis of assets and liabilities and the different income tax rates and laws applicable to the Company, among other factors, give rise to permanent differences between the average statutory tax rate of the entities included in this consolidated financial statement, and the effective tax rate presented in the consolidated income statement. For the years ended as of December 31, 2016 and 2015 were as follows:

	2016	2015
	%	%
Tax rate force in España [1]	25.0	28.0
Other non-taxable income	(0.5)	–
Expenses and other non-deductible items	5.5	8.1
Other tax non-accounting benefits	(0.7)	(0.8)
Effect of the rate exchange change [2]	6.3	6.0
Income tax	2.0	3.2
Others	5.9	4.5
Effective consolidated tax rate	43.5	49.0

1 As from January 1, 2015, amendments to the law of income tax in Spain reduced the tax rate from 28% to 25%.

2 Includes the effects of the different income tax rates in the countries that are part of this consolidated set of financial statement.

19D) UNCERTAIN TAX POSITIONS AND SIGNIFICANT TAX PROCEEDINGS

CEMEX Latam is involved in several ongoing tax proceedings which have not required the recognition of accruals since the Company does not consider probable adverse considering the evidence at its disposal. Nonetheless, the Company cannot assure to obtain a favorable resolution. As of December 31, 2016, a summary of relevant facts of the most significant proceedings in progress, or which were resolved during the reported periods, were as follows:

Uncertain tax positions and significant tax proceedings – continued

Colombia

- On April 1, 2011, the Colombian Tax Authority (the "Tax Authority") notified CEMEX Colombia of a special proceeding rejecting certain deductions taken by CEMEX Colombia in its 2009 tax return. The Tax Authority assessed an increase in the income tax payable by CEMEX Colombia for an amount in Colombian pesos equivalent to approximately $30 million and imposed a penalty in Colombian pesos for an amount equivalent to approximately $48 million, both as of December 31, 2016. The Tax Authority argues that certain expenses are not deductible for fiscal purposes because they are not linked to direct revenues recorded in the same fiscal year, without considering that future revenue will be taxed under the income tax law in Colombia. CEMEX Colombia responded to the special proceeding on June 25, 2011. On December 15, 2011, the Tax Authority issued its final resolution, which confirmed the information in the special proceeding. CEMEX Colombia appealed such resolution on February 15, 2012. On January 17, 2013, the Tax Authority confirmed CEMEX Colombia its final resolution. On May 10, 2013, CEMEX Colombia appealed the final resolution before the Administrative Tribunal of Cundinamarca, which was admitted on June 21, 2013. On July 14, 2014, CEMEX Colombia was notified about an adverse resolution to its appeal, which confirms the official liquidation notified by the Tax Authority. On July 22, 2014, CEMEX Colombia filed an appeal against this resolution before the Colombian State Council (*Consejo de Estado*). On September 17, 2015, CEMEX Colombia presents arguments in second instance on this procedure. Currently, the process is in the authority office for judgment since October 7, 2015. At this stage of the proceeding, as of December 31, 2016, CEMEX Latam is not able to assess with certainty the likelihood of an adverse result in the proceeding, but if adversely resolved, this proceeding could have a material adverse impact on CEMEX Latam's results of operations, liquidity or financial position.

- On September 13, 2012, the Tax Authority notified CEMEX Colombia an ordinary request for the review of its income tax return for the fiscal year 2011, in connection with the amortization of goodwill of Lomas del Tempisque S.R.L., which was considered tax deductible in such tax return. On October 5, 2012, CEMEX Colombia rejected the Tax Authority's arguments and requested that the case be dismissed. On August 9, 2013, CEMEX Colombia received a verification notice from the Tax Authority; obtaining the faculty to review the aforementioned income tax return, which is currently being audited. Additionally, on June 28, 2013, CEMEX Colombia requested an amendment project increasing the amount of tax receivable, which was accepted on September 6, 2013. At this stage of the proceeding, as of December 31, 2016, CEMEX Latam is not able to assess with certainty the likelihood of an adverse result in the proceeding, but if adversely resolved, this proceeding could have a material adverse impact on CEMEX Latam's results of operations, liquidity or financial position.

- The municipality of San Luis (the "Municipality") has issued requirements to CEMEX Colombia related with the payment of the industry and commerce tax (*impuesto de industria y comercio*) in such municipality for the fiscal years from 1999 to 2013. The Municipality argues that the tax is generated as a result of CEMEX Colombia's industrial activities in such jurisdiction. CEMEX Colombia considers that its activity in this municipality is strictly mining and therefore pays royalties for mineral extraction in this jurisdiction, based on the applicable law, which bans municipalities from collecting the industry and commerce tax, when the amount payable of royalties is equal or exceeds to the amount of such tax. CEMEX Colombia has duly submitted legal resources appealing these requirements. The combined amount of the proceedings in Colombian pesos is equivalent to approximately $23 million as of December 31, 2016, of which, approximately $9 million represent purported tax and $4 million corresponds to penalties for inaccuracy. On July 18, 2013, the Colombian State Council (the "State Council") issued a final resolution in favor of CEMEX Colombia in the process for the fiscal year 1999. Therefore this process finished. The processes for the years 2000 to 2005 have been pending judgment in the State Council since March 25, 2015. The processes for the years 2006 to 2007 have been pending judgment in the Council of State since May 25, 2015. In respect to the process for the year 2008 CEMEX Colombia received a first instance judgment in favor from the Administrative Court on December 10, 2015. The Municipality filed an appeal with the State Council, which was granted on April 25, 2016. The processes for the years 2009 and 2010 have been pending judgment in the State Council since June 3, 2015.

  In December 2014, the Municipality issued a settlement request with respect to fiscal year 2011 for amounts in Colombian pesos equivalent to approximately $1 million of purported tax and approximately $1 million of penalties, both as of December 31, 2016. In January 2015, CEMEX Colombia filed an appeal to the settlement request. The Municipality should have responded to the appeal no later than January 6, 2016, but considering there was no response, on January 26, 2016, the Company notified the Municipality of the positive administrative silence and requested a copy of the file, in order to evidence that there was no notification regarding the resolution of the appeal from the Municipality to CEMEX Colombia or its representative. As a result, CEMEX Colombia proceeded to register the positive administrative silence in the public deed, which was filed to the Municipality on July 1, 2016.

  On March 25, 2015 the Municipality issued a special request related to fiscal year 2012 considering the same arguments mentioned above. The alleged tax and penalties in Colombian pesos are equivalent to approximately $2 million each, both considering the exchange rate as of December 31, 2016. CEMEX Colombia responded the special request on May 22, 2015. The Municipality had a deadline on January 4, 2016 to issue the official settlement request. Considering as in the aforementioned proceeding that CEMEX Colombia did not receive any settlement notification related to the outstanding process, during January 2016, CEMEX Colombia obtained and submitted a copy of the file in order to evidence that there was no notification regarding the official liquidation from the Municipality to CEMEX Colombia or its representative. On September 16, 2016, the Municipality held a hearing to reconstruct the files for both 2011 and 2012 manifesting that the files were incomplete and there was a need to carry out this diligence. On December 14, 2016, the Municipality declared that the files related to the taxable years 2011 and 2012 mentioned above have been reconstructed. Therefore, currently CEMEX Colombia expects the Municipality to pronounce on the request regarding the positive administrative silence. At this stage, CEMEX Colombia considers that cash outflows in relation to this litigation are not probable.

Uncertain tax positions and significant tax proceedings – continued

Moreover, on March 25, 2016, a special request was received for fiscal year 2013, which proposes an increase in the industry and commerce tax for amounts in Colombian pesos equivalent to approximately $2 million for alleged tax and a penalty of inaccuracy for an amount equivalent to approximately $4 million, both considering the exchange rate as of December 31, 2016. CEMEX Colombia responded to the special request on April 26, 2016. On October 6, 2016, the Municipality issued the revised official settlement request over the modified industry and commerce tax amounts. On November 25, 2016, CEMEX Colombia filed the corresponding appeal to this resolution. The Municipality should resolve the appeal within one year from its filing.

On June 13, 2016, CEMEX Colombia received a statement of objections from the Municipality purportedly for not sending information, which proposes a penalty for an amount in Colombian pesos equivalent to approximately $0.25 million. CEMEX Colombia filed the response and provided evidence that the information was timely delivered on July 1, 2016. No response has been received to date.

On November 30, 2016, the Municipality issued a payment requirement to CEMEX Colombia alluding lack of payment in connection with the industry and commerce withholding tax returns for bimesters 01 to 06 of 2011 and 01 and 02 of 2012. In addition to this request, on the same date, the Municipality issued a seizure resolution, which was delivered to several financial institutions. On December 27, 2016, CEMEX Colombia filed in the Municipality, a document listing the exemptions for the obligation of payment, by means of which CEMEX Colombia requested the Municipality the withdrawal of the payment procedure, a communication to the financial institutions in order of lifting the seizure considering that the CEMEX Colombia provided sufficient evidence of payment through offset in the aforementioned tax returns, as well as a communication by the Municipality accepting CEMEX Colombia's request for offset.

In addition, in relation to the same event, in spite of the applicability of the exceptions for the obligation of payment, CEMEX Colombia made available to the Municipality, an insurance policy to guarantee payment of the amounts included in the payment requirement in order for the financial institutions informed about the seizure resolution to lift the related precautionary actions.

Costa Rica

- In January 2011, the Costa Rican Tax Department (*Dirección General de Tributación*) (the "Tax Department") informed the beginning of audits for the 2008 fiscal year in CEMEX (Costa Rica), S.A. ("CEMEX Costa Rica"), which include income tax, payroll withholding tax and sales tax. In August 2013, the Tax Department issued a provisional regularization proposal for an amount in Costa Rican colones equivalent to approximately $8.4 million including tax and penalties, considering the exchange rate as of December 31, 2016. In August 2013, CEMEX Costa Rica filed an appeal against the provisional regularization proposal, arguing that the action has been time barred and rejecting the proposed adjustments considering that CEMEX Costa Rica applied correctly the applicable tax regulations at the time. In September 2013, CEMEX Costa Rica was notified of a settlement procedure by means of which the Tax Department dismissed the arguments presented by CEMEX Costa Rica and ratified the resolution of the provisional regularization proposal. In November 2013, CEMEX Costa Rica filed a legal resource to revoke the settlement procedure, which should had been resolved by the Tax Department within a 3 month period, which the Tax Department could extend without consequence, except for the suspension of the calculation of interest. In September 2014, the Tax Department notified CEMEX Costa Rica of the annulment of the settlement procedure and the resolutions previously issued considering a constitutional challenge accepted by the Constitutional Court of Costa Rica (the "Constitutional Court") against the article of the tax regulation which served as the basis for issuing the settlement procedure. Nonetheless, simultaneously, the Tax Department notified CEMEX Costa Rica a new settlement procedure and sanctioning resolutions in accordance with the legal requirements of the new code of tax rules and procedures. In response, the Constitutional Court clarified that the Tax Department should not issue new settlement procedures until the Constitutional Court would issue a resolution regarding the constitutionality of the aforementioned article of the tax regulation. In October 2014, the Tax Department notified CEMEX Costa Rica the cancellation of the new (and last) settlement procedures and the corresponding sanctioning resolutions until the Constitutional Court would issue a resolution regarding the unconstitutionality action. As a result, the tax proceedings that were initiated against CEMEX Costa Rica were annulled and the settlement procedures were suspended. On August 31, 2016, the Constitutional Court declared the unconstitutionality of the challenged tax rules, eliminating the obligation to make the tax payment or to guarantee the purported amount of taxes determined. The Constitutional Court determined that the audits should be finalized under the applicable regulations before the new law, known as transfer of charges. As of the reporting date, the full text of such resolution has yet to be issued and the Tax Department has not informed about how it will implement what is indicated in the resolution. On October 11, 2016, the Tax Department notified CEMEX Costa Rica in respect to the renewal of the tax audits and the transfer of charges for an amount in Costa Rican colones equivalent to approximately $6.4 million, considering the exchange rate as of December 31, 2016, which includes taxes and interest pending notification of the amount for penalties. On November 21, 2016, CEMEX Costa Rica filed an appeal to challenge the transfer of charges, alleging outright opposition among others due to serious legal deficiencies that affect taxpayer rights and guarantees. On December 23, 2016, the Tax Department notified CEMEX Costa Rica in respect of a resolution, rejecting the appeal against the aforementioned transfer of charges filed with reference to income tax, and accepting the challenge and revoking the transfer of charges in respect the general tax on sales for an amount equivalent to $1.2 million corresponding to taxes and interest. On the same date, the Tax Department notified CEMEX Costa Rica of a penalty in colones equivalent to approximately $0.8 million, considering the exchange rate as of December 31, 2016. CEMEX Costa Rica issued its formal response and, at this stage, CEMEX Latam does not consider probable that it has to make payments in relation to this requirement.

(Thousands of U.S. dollars)

20) STOCKHOLDERS' EQUITY

20A) COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

As of December 31, 2016 and 2015, the line item common stock and additional paid-in capital was detailed as follows:

		2016			2015		
		Authorized	Treasury shares	Total	Authorized	Treasury shares	Total
Common stock	$	718,124	–	718,124	718,124	–	718,124
Additional paid-in capital		894,701	(146,007)	748,694	894,701	(147,839)	746,862
	$	1,612,825	(146,007)	1,466,818	1,612,825	(147,839)	1,464,986

During the years ended December 31, 2016 and 2015 the Parent Company performed physical deliveries of shares to the executives subject to the benefits of the stock-based long-term incentive plan (note 20E), which increased additional paid-in capital in the amount of $1,832 and $1,637, respectively, as result of the decrease in treasury shares, which were delivered to these executives.

As of December 31, 2016 and 2015, the Parent Company's subscribed and paid shares by owner were as follows:

Stocks	2016	2015
Owned by CEMEX España:		
Initial contribution by CEMEX España on April 17, 2012	60,000	60,000
CEMEX España capital increase on July 31, 2012	407,830,342	407,830,342
	407,890,342	407,890,342
Owned by third-party investors	148,757,395	148,485,934
Total subscribed and paid shares	556,647,737	556,376,276

As of December 31, 2016 and 2015, the Parent Company's common stock was represented by 578,278,342 ordinary shares with a nominal value of 1 euro per share. The number of subscribed and paid shares of CEMEX Latam Holdings presented in the table above excludes 21,630,605 in 2016 and 21,902,066 shares in 2015 held in the Company's treasury (treasury shares).

On December 31, 2016 and 2015, CEMEX España owns approximately 73.28% and 73.31%, respectively, of the common shares of the Parent Company, excluding shares held in treasury.

20B) OTHER EQUITY RESERVES

As of December 31, 2016 and 2015, the balances of other equity reserves are summarized as follows:

		2016	2015
Reorganization of entities under common control and other effects [1]	$	(300,422)	(300,422)
Translation effects of foreign subsidiaries [2]		(569,409)	(583,788)
Share-based payments [3]		9,455	7,823
	$	(860,376)	(876,387)

1 Effects resulting mainly from the difference between the amount of compensation determined in the reorganization of entities effective as of July 1, 2012, by means of which the Parent Company acquired its consolidated subsidiaries, and the value of the net assets acquired of such subsidiaries, net of other purchase adjustments.

2 Represents the balance of the cumulative effects for the translation of foreign subsidiaries and which are included for each period in the statements of comprehensive income.

3 As of December 31, 2016 and 2015, the line item other equity reserves includes effects associated with the executive compensation programs based on CEMEX's and the Parent Company's shares (note 20D), and which costs are recognized in the results of each subsidiary during the vesting period against other equity reserves. Upon physical delivery of the Parent Company's shares, the amounts accrued in other equity reserves are reclassified to additional paid-in capital.

20C) RETAINED EARNINGS

In accordance with the provisions of the Corporations Law in Spain, the Parent must allocate 10% of its profit for the year, determined individually, to a legal reserve until it reaches at least an amount equivalent to 20% of the share capital. At December 31, 2016, and 2015 the legal reserve of the Parent Company amounted to $13,045 and 8,626 respectively.

20D) EXECUTIVE STOCK-BASED COMPENSATION

Based on IFRS 2, *Stock-based compensation*, the instruments granted to executives of CEMEX Latam are defined as equity instruments, considering that the services received from employees are settled by delivering shares. The cost of these equity instruments represents their estimated fair value at the grant date of each plan and is recognized in the income statement during the periods in which the executives render services and vest the exercise rights.

On January 16, 2013, the Parent Company's Board of Directors, considering the favorable report of its Nominations and Remuneration Commission, approved, effective January 1, 2013, a long-term incentives plan for certain executives of CEMEX Latam, consisting of an annual compensation plan based on the delivery of shares of the Parent Company. The cost associated with this long-term incentives plan is recognized in the operating results of the companies of CEMEX Latam in which the executives subject to the benefits of the plan render their services. The underlying shares in the aforementioned long-term incentives plan, which are held in the Company's treasury, are delivered fully vested during a 4-year period under each annual program.

In addition, during the years preceding the implementation of the incentives plan previously mentioned, some executives of the Company participated in CEMEX's stock-based long-term incentives program, by means of which, new CEMEX's Ordinary Participation Certificates ("CPOs") are issued, which are vested and delivered during a services period of four years under each annual programs. Effective January 1, 2013, all eligible executives from CEMEX Latam operations stopped receiving CEMEX, S.A.B. de C.V CPOs.

For the years ended December 31, 2016 and 2015, compensation expense related to the long-term incentive plans based on shares of CEMEX and the Parent Company described above, which was recognized in the results of operations, amounted to $1,632 and $2,107, respectively.

Under the annual long term incentive plan with CEMEX Latam Holdings shares, the Parent Company delivered rights on its own shares to the executives subject to the plan's benefits for 377,412 shares in 2016 and 356,976 shares in 2015 relative to 100% of the potential benefits to be accrued within each annual program. During 2016 and 2015 the Company made the physical delivery of 271,461 and 242,618 shares, respectively corresponding to the accrued portion of last year's program, including shares provided to executives who left the Company. Based on the aforementioned as of December 31, 2016, there are approximately 540,359 shares of the Parent Company corresponding to the portion shares to be accrued under these annual programs that are expected to deliver physically in the following years as the executives render services. The weighted average prices of the shares of CLH granted in the period were for amounts equivalent in Colombian pesos of approximately 4.47 dollars per share in 2016 and 4.54 dollars per share in 2015.

On December 31, 2016 and 2015, the Company has no commitments to make cash payments to executives based on changes in the share prices of CEMEX, S.A.B de C.V. or the Parent Company.

20E) NON-CONTROLLING INTERESTS

Non-controlling interest represents the share of non-controlling stockholders in the results and equity of consolidated entities. As of December 31, 2016 and 2015, non-controlling interest in equity amounted to approximately $4,813 and $5,329, respectively.

21) BASIC EARNINGS PER SHARE

Based on IAS 33, *Earnings per share* ("IAS 33"), basic earnings (loss) per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period. Shares that would be issued depending only on the passage of time should be included in the determination of the basic weighted average number of shares outstanding. Diluted earnings (loss) per share should reflect in both, the numerator and denominator, the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions, to the extent that such assumption would lead to a reduction in basic earnings per share or an increase in basic loss per share, otherwise, the effects of potential shares are not considered because they generate anti-dilution.

The amounts considered for calculations of earnings per share ("EPS") for the years ended December 31, 2016 and 2015 are as follows:

Denominator (thousands of shares)		2016	2015
Weighted average number of shares outstanding – Basic EPS		556,377	556,168
Effect of dilutive instruments – stock-based compensation		540	434
Weighted average number of shares outstanding – Diluted EPS		556,917	556,602
Numerator			
Consolidated net income	$	140,269	95,052
Less: non-controlling interest net income		(500)	(561)
Controlling interest net income	$	139,769	95,491
Controlling Interest Basic Earnings per Share ($ per share)	$	0.25	0.17
Controlling Interest Diluted Earnings per Share ($ per share)	$	0.25	0.17

22) COMMITMENTS

22A) CONTRACTUAL OBLIGATIONS

As of December 31, 2016 and 2015, the Company had the following contractual obligations:

(Thousands of dollars)		2016					2015
Debts		Less than 1 year	1–3 years	3–5 years	More than 5 years	Total	Total
Long-term debt with related parties [1]	$	171,054	820,294	–	–	991,348	1,090,900
Interest payments on debt [2]		56,214	25,324	–	–	81,538	146,020
Operating leases [3]		1,857	3,491	3,491	8,671	17,510	17,697
Capital lease obligations [4]		4,862	529	–	–	5,391	16,113
Pension plans and other benefits [5]		3,656	7,252	7,166	17,049	35,123	32,887
Raw material, fuel and energy purchase [6]		38,729	107,595	96,914	23,395	266,633	253,080
Investments in property, plant and equipment [7]		21,818	–	–	–	21,818	60,751
Total contractual obligations	$	298,190	964,485	107,571	49,115	1,419,361	1,617,448

1 This line item refers to the Company's liabilities with related parties described in note 9.

2 Includes future interest payments under debt owed to third-party creditors, capital leases and debt owed to related parties using the current interest rates on the contracts as of December 31, 2016.

3 The amounts of payments under operating leases have been determined on the basis of nominal cash flows. This line item mainly refers to the lease contract initiated in January 2001 with the Government of the Republic of Nicaragua for a term of 25 years, which includes the operative and administrative assets, trademark rights, quarry extraction rights and other assets of Compañia Nacional Productora de Cemento, S.A. for $1,700 to less than one year, $3,400 from one to three years, $3,400 from three to five years and $8,671 to more than five years. In addition, includes operating leases negotiated by the Parent Company with CEMEX España and CEMEX Research Group A.G. with terms of 5 years for its corporate offices in Spain and the research and development offices in Switzerland for $157 to less than one year, $91 from one to three years, $91 from three to five years and $171 to more than five years.

4 Refers to capital leases of machinery and equipment negotiated by CEMEX Colombia in 2012 with an original maturity of 60 months.

5 Represents the estimated annual payments under defined benefit plans over the next 10 years.

6 Includes commitments of the Company for the purchase of raw material, fuel and energy mainly from Colombia, Panama and Nicaragua.

7 Includes purchase of productive assets mainly for Maceo plant in Colombia.

As of December 31, 2016, the Company has other significant contractual obligations. The descriptions of some of the most significant contracts are as follows:

- On December 22, 2014, CEMEX Colombia signed an agreement with FLSmidth, Inc., a global provider of equipment for the mining and cement industries, for the engineering of equipment, acquisition and supply of equipment for the new cement plant under construction in the municipality of Maceo (note 13), maturing in September 2016, for an amount of approximately $42 million. The object of the contract has been fulfilled and is in the liquidation phase of the services provided.

- On June 25, 2014, CEMEX Colombia and Wärtsilä Colombia S.A. signed a services agreement for the operation and maintenance of the natural gas electrical energy generating plant that provides energy under the modality of self-generation for the Caracolito plant, for a term of five years from the signing of the contract, for an amount of approximately $9 million.

- On March 28, 2014, CEMEX Colombia signed an agreement with ExxonMobil Colombia S.A. for the supply of a variety of fuels, for a term of three years from the signing of the contract, for an amount of approximately $25 million.

- On November 20, 2013, CEMEX Nicaragua, S.A. signed a contract with the National Cement Production Company which will in force from February 5, 2015 until 2026, which commits CEMEX Nicaragua, S.A. to pay a fee of $0.90 per metric ton produced outside the San Rafael del Sur plant production up to 220 thousand tons per year by way of financial compensation for raw material consumption. The Annual estimate payments of $198 and for the next five years to $990.

- On November 1, 2013, CEMEX Colombia accepted an offer from Arenas y Gravas La Fontana Limitada, of the same date, by means of which Arenas y Gravas La Fontana Limitada will supply sand and/or gravel to CEMEX Colombia for a term of five years. Although the final calculation of the contract value will be determined considering the unitary prices and the goods actually supplied, the approximate amount is for $3 million annually. Recently, this supplier has been in failing of agreed deliveries of materials, so CEMEX Colombia has analyzed different alternatives with the supplier that allow it to recover the advances granted for an approximate amount of $0.3 million, without this having materialized as of December 31, 2016.

On July 12, 2013, CEMEX Colombia entered into an agreement with B&F Constructores, S.A.S. by means of which B&F Constructores, S.A.S. will supply sand and/or gravel to CEMEX Colombia. The agreement has a term of five years. Although the final calculation of the contract's value will be determined considering the unitary prices and the raw materials effectively supplied to the Company, the annual estimated amount is of approximately $2 million annually.

Contractual obligations – continued

- On May 23, 2013, CEMEX Colombia accepted the offer of Mincivil, S.A., dated on May 22, 2013, by means of which Mincivil, S.A. will provide services for the development and mining exploitation of the *Suspiro* quarry owned by CEMEX Colombia, located in the municipality of los Patios (North of Santander - Colombia), under the supervision and immediate technical direction and approval of CEMEX Colombia. The contract has a term of five years without automatic extension. Although the final calculation of the contract value will be determined considering the unitary prices and the services effectively received, the annual estimated amount is of approximately $2 million annually.

- On January 17, 2007, Cemento Bayano, S.A. and Generación Eléctrica, S.A. Company (now EN EL FORTUNA, S. A.) signed an agreement for electric energy supply for the cement utility of CEMEX Latam in Panama. The energy supply initiated on January 1, 2010 and is set to terminate on December 31, 2019. Cemento Bayano, S. A. will pay an average amount of approximately $15 million per year.

22B) OTHER COMMITMENTS

In addition to the contracts described above, as of December 31, 2016, the Company had the followings significant commitments:

- In 2012, CEMEX Latam Holdings S.A. through its branch in Switzerland entered in to the following agreements:

  i) Agreement with CEMEX, S.A.B de C.V. for the use of CEMEX's trademarks. This contract has a term of five years and is automatically renewable for equal periods, unless it is terminated by either party to the contract providing notice one month before the applicable termination date. The Company must pay annually the use of trademarks calculated based on annual net sales of goods and services and transfer prices. For the periods ended December 31, 2016 and 2015, the total expense for trademarks use recognized in the operating expenses amounted to $7,415 and $7,966, respectively.

  ii) Agreement with CEMEX Research Group, A.G. for the use, operation and enjoyment of assets. This contract has a term of five years and is automatically renewable for equal periods, unless it is terminated by either party providing notice one month before the applicable termination date. The Company must pay royalties calculated annually based on annual net sales of goods and services. For the periods ended December 31, 2016 and 2015, the total royalty expense recognized in the operating expenses amounted to $37,234 and $43,071, respectively.

  iii) Agreement for the rendering of administrative services with CEMEX Central, S.A. de C.V., for the technical, financial, marketing, legal, human resources and information technology areas. This contract has a term of five years, automatically renewable for equal periods, unless it is terminated by either party providing notice one month before the applicable termination date. The Company must pay annually the use of these administrative services based on annual net sales of goods and services. For the period ended December 31, 2016 and 2015, the total services expense recognized in the operating expenses amounted to $21,116 and $20,302, respectively.

- In order to avoid potential conflicts of interest between the Parent Company and CEMEX, CEMEX España and the subsidiaries of both, on October 5, 2012, the Parent Company entered into a Framework Agreement which became effective upon closing of the initial offering, and which may be modified or terminated by written agreement between the Parent Company, CEMEX and CEMEX España, for which the Parent Company will require approval of its independent directors. In addition, the Framework Agreement shall cease to apply if the Company ceases to be subsidiary of CEMEX or if CEMEX is no longer required to account for its investment in the Parent Company either on a consolidated basis or under the equity method (or any other method that applies similar principles).

- Pursuant to the Framework Agreement entered with CEMEX and CEMEX España, and in order to assist CEMEX to accomplish its debt agreements, the Parent Company will require the prior consent of CEMEX and CEMEX España for:

  a) Any consolidation, merger or partnership with a third party.

  b) Any sale, lease, exchange or other disposition, acquisition to any person other than CEMEX.

  c) The issuance or sale of any shares or derivative equity securities or the adoption of any stock-based incentive plan, except for: (i) the issuance of shares by the Company to CEMEX, and (ii) the issuance of shares under the long-term incentives plan that does not exceed $1.75 million.

  d) The declaration, decree or payment of dividends or other distribution by the Parent Company in connection with its shares other than (i) through the issuance of common stocks of the Parent Company or the issuance of the right to subscribe ordinary shares of the Parent Company to the shareholders of the Company proportionally, to the extent that is not paid or transferred to another person who is not part of CEMEX (other than the Parent Company), cash or other assets of CEMEX (or any interest in such cash or assets) in connection with such distribution or interest, and/or (ii) in proportion to the equity interest of each minority shareholder of the Parent Company, to the extent that each shareholder receives at the same time its proportional share in any dividend, distribution or interest payment.

  e) The creation, negotiation, grant or guarantee by the Parent Company of any type of debt, and/or the creation of liens on any of its assets, for a total amount over $25 million at any time for both concepts.

Other commitments – continued

f) Provide loans or become creditor in connection with any type of debt, except: (i) with respect to commercial loans granted to customers on normal commercial terms and in the ordinary course of business, and (ii) as deferred compensation in respect of any sale, lease, exchange or other disposition that the Parent Company or any of its subsidiaries are authorized to execute without the consent of CEMEX and CEMEX España.

g) Take any action that could result on default for CEMEX under any contract or agreement, under its financing agreements and any refinancing, relocation or modifications thereto, to the extent that all CEMEX's notification obligations included in the Framework Agreement are fulfilled for contracts or agreements other than: (i) the Credit Agreement and any refinancing, replacement or modification thereto, and (ii) the issuance of minutes of CEMEX and any replacement or modification thereof.

- As mentioned in note 22A, there are other commitments derived from the Parent Company's lease of its corporate offices in Madrid with CEMEX España as lessor signed on September 29, 2015, as well as a lease contract for its research and development offices in Switzerland. In addition, the Company is subject to compliance with CEMEX's debt agreements, negotiated, among others, with CEMEX, S.A.B. de C.V. itself, each of which became effective upon the completion of the global offering.

- On June 23, 2015, in relation whit the project Maceo (notes 13 y 23), the National Roads Institute (*Instituto Nacional de Vías* or "INVÍAS") authorized CEMEX Colombia on its own account, risk and financing, to perform the necessary works for the development of a public transportation infrastructure project denominated *"Mejoramiento y Mantenimiento de la Vía de Acceso a la Zona de Uso Público y Zonas Anexas de la Zona Franca Permanente Especial Cementera del Magdalena Medio"*, including the construction of two roads to the municipality of Maceo and the township of La Susana. The term for the completion of the works will be until December 31, 2016 and for the maintenance thereof the term shall extend during the economic exploitation of the Special Tax Zone denominated *Zona Franca Permanente Especial Cementera del Magdalena Medio*. The contract with INVÍAS ended on December 31, 2016, however, the process for the purchase of the plots and construction of the access road has been continued with the Municipality of Maceo, a public entity also authorized for these purposes, without having a date Definitive completion.

- On June 24, 2015, CEMEX Soluciones S.A.S., ISAGER S.A. and a third party subscribed a settlement agreement with Fiduciaria Bogotá S.A. in order to settle and resolve the claims between the parties concerning the design, execution and settlement of the urban infrastructure project *El Recuerdo* in the municipality of Monteria and especially in connection with a Fiduciary contract signed between the parties on July 9, 2013 for the development of this housing project.

- During the third quarter of 2015, CEMEX Colombia initiated seven housing projects for the construction of 2,636 homes in the state of the Cesar (*Departamento del Cesar*) in Colombia, located in the municipalities of San Alberto, Aguachica, Curumaní, Astrea, Becerril, San Diego and Gamarra, as part of agreements signed in 2014. Which originally envisaged the construction of 2861 houses but were reduced by common agreement between the parties. The estimated selling price of the project is for an amount of approximately Col$128 billion ($43 million). The houses will be delivered gradually as they are concluded. In connection with these projects, as of December 31, 2016, customers have made advance payments deposited with a trustee agent for an amount of approximately Col $63 billion ($21 million) that partially guarantee payment for the houses, and which will be released to CEMEX Colombia as houses are delivered to the satisfaction of such customers. As of December 31, 2016, these housing projects have a combined stage of completion of approximately 36%. The deposited funds in the governorship have been legalized Col $ 11 billion ($ 4 million) corresponding to 492 houses registered in the Sara Lucia project in the municipality of Curumaní.

- On July 30, 2012, CEMEX signed a 10-year strategic agreement with IBM, which includes CEMEX Latam and its subsidiaries, pursuant to which IBM will provide business processes services and information technology ("IT"). Moreover, IBM will provide business consulting to detect and promote sustainable improvements in CEMEX's profitability. The 10-year contract assigned to IBM is expected to generate cost reductions to CEMEX, measured in respect to costs previously incurred in such activities, to the extent that processes efficiencies would be achieved during such 10-year period. The services from IBM include: data processing services (back office) in finance, accounting and human resources; as well as IT infrastructure services, support and maintenance of IT applications in the different countries in which CEMEX operates, including CEMEX Latam and its subsidiaries. The cost to be incurred by the Company with IBM under this agreement is of approximately $4 million per year.

- On December 20, 2007, Cementos Bayano S.A. entered into a long-term clinker supply contract in the Republic of Panama with Cemento Panama, S.A. (currently Argos Panama, S.A.). The supply contract was established for a period of 10 years and includes annual partial deliveries of clinker in metric tons ("MT") of 1,320,715 MT for the period from 2015 to 2016 and 1,414,783 MT for the period from 2017 to 2018.

23) CONTINGENCIES

23A) CONTINGENT LIABILITIES RESULTING FROM LEGAL PROCEEDINGS

CEMEX Latam is involved in various significant legal proceedings, the resolutions of which are deemed probable and imply cash outflows or the delivery of other resources owned by CEMEX Latam. Therefore, certain provisions or losses have been recorded in the financial statements, representing the best estimate of payments or impairment of assets thereof. As a result, CEMEX Latam considers that there will not be significant payments in excess of the amounts already recognized.

As of December 31, 2016, the only significant case considered individually is as follows:

- In relation to the construction of a new cement plant in the municipality of Maceo, Antioquia province in Colombia (note 13), on August 28, 2012, CEMEX Colombia signed a memorandum of understanding ("MOU") with the representative of the entity CI Calizas y Minerales S.A. ("CI Calizas"), which objective was the acquisition and transfer of assets comprising land (Monterrey farm in the municipality of Maceo), the mining concession and the environmental permit, the entirety of common shares of Zomam (holder of the free trade zone concession), as well as the beneficial rights of a trust entered between Acción Sociedad Fiduciaria S.A., CI Calizas (trustee) and Zomam (beneficiary), to execute the construction of the new cement plant. After signing the MOU, a former shareholder of CI Calizas, who presumptively transferred its shares of CI Calizas two years before the MOU was signed, was linked to an expiration of property process initiated by Colombia's Attorney General (*Fiscalía General de la Nación* or the "Attorney General"). Amongst other measures, the Attorney General ordered the seizure and consequent suspension of the right to dispose the assets subject to the MOU. The shares of Zomam were fully acquired by CEMEX Colombia before the beginning of such process; nonetheless the Attorney General decided to also include such shares in the expiration of property process. To protect its interests and defend its rights as a third party acting in good faith and free of guilt, CEMEX Colombia joined the expiration of property process, attending promptly each procedural stages, under the policy of full cooperation with the Attorney General. Additionally, CEMEX Colombia requested the inadmissibility of the action of expiration of property against the assets subject to the MOU.

  In July 2013, CEMEX Colombia signed with the provisional depository of the assets, designated by the Drugs National Department (*Dirección Nacional de Estupefacientes*, then depository of the affected assets), which functions after its liquidation were assumed by the Administrator of Special Assets (*Sociedad de Activos Especiales S.A.S.* or the "SAE"), a lease contract for a period of five years, which can be early terminated by the SAE, by means of which CEMEX Colombia was duly authorized to continue with the necessary works for the construction and operation of the plant (the "Lease Contract"). Likewise, the provisional depository granted a mandate to CEMEX Colombia for the same purpose.

  On May 2, 2016, the Attorney General resolved to deny CEMEX's Colombia inadmissibility request to the action for expiration of property mentioned above, considering that it should broaden obtaining evidentiary elements and its analysis in order to take a resolution according to law. Given on the nature of the process, despite the Colombian law has defined terms for the several procedural stages, as of December 31, 2016, it is estimated that the issuance of a final resolution in respect to the applicability or not for the action of expiration of property over the aforementioned assets may take between five and ten years. As of December 31, 2016, the expiration of property process is in its investigation stage, awaiting the appointment of the guardians *ad litem* designated by the Attorney General. The appointment of the guardian *ad litem* would open the evidentiary stage, in which evidence will be tested.

  The maturity of the Lease Contract is July 15, 2018, therefore, subject to the resolution of the ongoing legal process, CEMEX Colombia plans to negotiate and extension to such Lease Contract.

  Moreover, in connection with Maceo's project, CEMEX Colombia also engaged the same representative of CI Calizas to also represent CEMEX Colombia in the acquisition of land adjacent to the plant, signing a new memorandum of understanding with this representative (the "MOU with the Representative"). CEMEX Colombia made cash advances to this representative for amounts in Colombian pesos equivalent to approximately $13,412 and has paid interest for approximately $1,252, in both cases considering the Colombian peso to U.S. dollar exchange rate as of December 31, 2016. These payments were deposited in the representative's personal bank account as advance payments for CI Calizas' assets and for the purchase in the name and on behalf of CEMEX Colombia under the MOU with the Representative of Maceo's project adjacent land, interest was paid by CEMEX Colombia according to the representative's instructions. Pursuant to the expiration of property process of the assets subject to the MOU and the failures to legally formalize the purchases under the MOU with the Representative, as of the reporting date, CEMEX Colombia is not the legitimate owner of the aforementioned assets. As described in note 1, the executives responsible for the implementation and execution of these payments were dismissed from the company on September 23, 2016 and the Chief Executive Officer of CEMEX Latam and President of CEMEX Colombia resigned on the same date. Moreover, considering that payments made by CEMEX Colombia for the purchase of property, shares and transfer of the mining contract and the environmental permit, as well as the land adjacent to the manufacturing plant, were made in violation of CEMEX's and CEMEX Latam's internal policies, both CEMEX Latam and CEMEX Colombia reported these facts to the Attorney General, providing the findings obtained during the investigations and internal audits, in order for the Attorney General to take any actions it may deemed relevant. On December 20, 2016, CEMEX Colombia filed an extension of the original complaint of September 23, 2016, with information and findings obtained to date.

Contingent – continued

Pursuant to a requirement of CEMEX, S.A.B. de C.V.'s Audit Committee and of CEMEX Latam's Audit Commission, an audit firm, experts in forensic audits, was engaged in order to perform an independent investigation of Maceo's project. Additionally, CEMEX Colombia and CEMEX Latam engaged an external lawyers firm with the aim of assisting CEMEX Latam and CEMEX Colombia on the necessary collaboration with the Attorney General. Moreover, considering CEMEX Latam's internal controls and usual best practices, management also engaged a team of external lawyers for its own legal advice. In relation to the irregularities detected in the purchase of CI Calizas' assets and the aforementioned additional land, which led to the execution of the internal audit, the termination of employment of certain executives and the report of these findings, there is an ongoing investigation by the Attorney General. As of the financial statements date, the investigation by the Attorney General is in its initial stage (inquiry), in which CEMEX Latam is neither able to predict the actions that the General Attorney could implement, nor the possibility and degree in which any of these possible actions, including the termination of employment of the aforementioned executives, could have a material adverse effect on CEMEX Latam's results of operation, liquidity or financial position. At this respect, under the presumption that CEMEX Colombia conducted itself in good faith, and considering that the rest of its investments made in the development of Maceo's project were made with the consent of the SAE and CI Calizas by virtue of the lease contract and the mandate, such investments are protected by Colombian law, under which, if a person builds on the property of a third party, with full knowledge of such third party, this third party may: a) take ownership of the plant, provided a corresponding indemnity to CEMEX Colombia, or otherwise, b) oblige CEMEX Colombia to purchase the land.

Considering this, CEMEX Latam estimates that, during the term of the Lease Contract, it will be able to use and enjoy the land in order to operate the plant. Moreover, CEMEX Latam considers that will be able to retain ownership of the plant and other refurbishments made. Nonetheless, had this not be the case, CEMEX Colombia would take all necessary actions to safeguard the project in Maceo. At this respect, there is the possibility that CEMEX Latam considers remote, in which, in the event that the expiration of property over the assets subject to the MOU is ordered in favor of the State, the SAE may decide not to sell the assets to CEMEX Colombia, or, the SAE may elect to maintain ownership of the assets and not extend the Lease Contract. In both cases, under Colombian law, CEMEX Colombia would be entitled to an indemnity for the amount of its incurred investments. However, an adverse resolution at this respect could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

In connection with the investigation and internal audit related to Maceo's project, and considering the findings and the legal opinions available, during the fourth quarter of 2016, as mentioned in note 1, during the fourth quarter of 2016, CEMEX Latam determined that: a) there is low probability of recover resources delivered under different memorandums of understanding for the purchase of the assets related to the project for an amount in Colombian pesos equivalent to approximately $14,257, considering the Colombian peso to U.S. dollar exchange rate as of December 31, 2016, which were recognized as part of investments in progress, have been considered as contingent assets and therefore were reduced to zero recognizing an impairment loss for such amount against other expenses, net (nonetheless, on December 19, 2016, the Company filed a claim in the civil courts aiming that all property rights related to the additional land, some of which were assigned to the representative, would be effectively transferred to the Company), this amount include approximately $2,344 of losses not related with the MOU or the MOU with the Representative; b) certain purchases of equipment installed in the plant were considered exempt for VAT purposes under the benefits of the free trade zone, however, as those assets were actually installed outside of the free trade zone's area, they lack of such benefits, therefore, CEMEX Colombia increased investments in progress against VAT accounts payable for approximately $9,196; and c) the cancellation of the balance payable to CI Calizas under the MOU in connection with the acquisition of the assets for approximately $9,073 against a reduction in investments in progress. CEMEX Colombia determined an initial total budget for the Maceo plant of $340 million. As of December 31, 2016, the carrying amount of the project, net of adjustments, is of an amount in Colombian pesos equivalent to approximately $275 million.

On October 27, 2016, CEMEX Latam communicated its decision to postpone the start-up of Maceo plant, for the following reasons that emerged from the audits already in progress: (i) there are pending permits required to finalize the road access to the plant at Maceo. In the event that those permits are obtained, CEMEX Latam estimates that road access could be concluded and be ready for use until July 2017. Using the only existing access to the plant instead of the one under construction, would risk the safety of the operation and would probably limit the capacity to transport products from the plant at Maceo; (ii) CEMEX Colombia has requested an expansion to the free trade zone; to commission the new clinker line at Maceo without such expansion would risk CEMEX Colombia's capability to consolidate the fiscal benefits that would otherwise be available for CEMEX Colombia. It is possible that a final decision cannot be taken, with respect to the expansion of the free trade zone, due to the process of domain extinction already on course. With the objective of protecting the benefits to be had with the free trade zone, CEMEX Latam will not commission the clinker line until the free trade zone is expanded to cover the totality of the Maceo cement plant; and (iii) a subsidiary of CEMEX Colombia holds the environmental permit for project Maceo, however, the transfer of the mining concession was revoked by the Antioquia Mining Government Ministry in December 2013, hence was reassigned to CI Calizas. As a result, the environmental permit and the mining concession are in custody of different entities, contrary to the standard situation of having both in the same entity.

CEMEX Latam has also determined that the mining concession of the new plant partially overlaps with and integrally managed district. CEMEX Colombia will also negotiate with the corresponding authorities the modification of the environmental permit in order to allow incrementing production up to the required 950 thousand tons per year. It is possible that this process could be affected by the process of expiration of property process currently underway. CEMEX Colombia will continue working to address these matters as soon as possible. At this respect, on December 13, 2016, Corantioquia, the regional environmental agency, communicated its negative resolution to CEMEX Colombia's request to increase the mining concession to produce up to 950 thousand tons per year. This resolution was appealed within the following ten days.

Contingent – continued

During the second half of 2016, Corantioquia requested the authorization and consent of Central de Mezclas to reverse the environmental license of the Maceo project to CI Calizas, entity that holds the corresponding mining concession. At December 31, 2016, Central de Mezclas has made the request to evaluate the basis and legal grounds on which Corantioquia returned the environmental permit to CI Calizas.

- In addition, in 2015, the Tax Authority informed that considering that CEMEX Colombia had made the majority of the Maceo project's investments of in its own name, CEMEX Colombia should proceed to transfer those investments to Zomam, entity that holds the free trade zone concession, and attest its status as shareholder of Zomam in order to validate the investments made in the construction project. In the event of a failed attestation, the entity Zomam would incur in breach of its commitments, and therefore, the Tax Authority would be obliged to declare this situation and the loss of the free trade zone status. Considering the above, CEMEX Colombia through an extraordinary Board of Directors' meeting held on December 11, 2015, approved: a) concluding the acquisition of all shares of the entity Zomam, and b) the capitalization of assets from CEMEX Colombia as a shareholders of Zomam, in order to comply with the request of the Tax Authority. In connection with the aforementioned, all legal documentation and accounting records were made in CEMEX Colombia and Zomam, with which CEMEX Colombia is 100% owner of Zomam and the Tax Authority was informed regarding the compliance with the requirements in order to keep Zomam's status of special tax zone. However the above, for the prosecutor´s disposition, Zomam's assets, that is the free trade zone, are within the extinction of property process of the assets subject to the MOU mentioned above.

- In 1999, several companies belonging to the Laserna family filed an extra-contractual civil liability claim against CEMEX Colombia, by means of which the plaintiffs demanded compensation for alleged damages caused to their land with effects on costs and lower production of their rice crops as a result of solid pollutants expelled by the chimneys of the "Buenos Aires" and "Caracolito" cement production plants in the department of Tolima. In January 2004, the Fourth Circuit Civil Court of Ibague issued a resolution ordering CEMEX Colombia a payment in favor of the plaintiff's equivalent to approximately $12 million. CEMEX Colombia appealed this resolution. On September 10, 2010, the Superior Court of Ibague fully revoked the resolution accepting the defense arguments of CEMEX Colombia. As of December 31, 2016, the process is in the Supreme Court of Justice, where the appeal resource filed by the plaintiffs is being processed. To this date there is a provision associated with this litigation for approximately $12 million (note 16), considering the exchange rate as of December 31, 2016.

23B) OTHERS CONTINGENCIES RESULTING FROM LEGAL PROCEEDINGS

As of December 31, 2016, CEMEX Latam is involved in various legal proceedings, in addition to those related to tax matters (note 19D), which have not required the recognition of accruals based on the evidence at its disposal. The Company considers the likelihood of an adverse resolution to be remote; nonetheless, it cannot assure that a favorable resolution in these proceedings will be obtained. The disclosure of facts of the most significant proceedings with a quantification of the potential loss is as follows:

Market related proceedings

- On March 7, 2016, the Competition Authority notified CEMEX Costa Rica, by instruction of the Ministry of Economy, Industry and Commerce of Costa Rica, of a request for information in order to initiate a customary preliminary investigation, to verify the existence of evidence in anticompetitive practices, determine market shares in the cement market and document the geographical areas where cement companies operate. This request for information was issued as a result of a claim issued by a third party. CEMEX Costa Rica delivered the information requested on March 18, 2016. In July 2016, the Commission for the Promotion of Competition (COPROCROM) resolved that they did not find evidence of any anticompetitive practices, so the claim and the preliminary investigation were closed.

- On April 22, 2015, CEMEX Costa Rica, was notified by the Competition Authority (*Dirección de Apoyo a la Competencia*) of a request for information issued by the Ministry of Economy, Industry and Trade of Costa Rica in connection with an study in the cement market that would allow the evaluation of price changes as well as to identify possible distortions and market barriers among other issues in such country. The aforementioned information request relates to volumes, prices and production costs from 2010 to date. The Company delivered the requested information as of June 5, 2015 and collaborates as necessary with the study mentioned. As of December 31, 2016, the Company has not being informed of any recent developments in connection with this market study.

- On March 11, 2015, 14 members of the surrounding communities of the cement plant in Panama filed a claim against Cemento Bayano, S.A ("Cemento Bayano"), subsidiary of the Company in such country, for alleged breach of environmental regulations as a result of the non-metallic mineral exploration in its quarries. Moreover, they requested the review of the environmental impact' studies that protect new raw materials' quarries of the plant. These community members are being assisted by non-governmental organizations and environmentalist groups aimed to impose unfounded penalties to the Company and to try to encourage the cancellation of the new quarries' environmental impact studies. By ruling from April 13, 2015, it was resolved to declare that the allegations in connection with water pollution, erosion control, air quality, impact control of protected areas be worthy of investigation. Such resolution was notified on April 27, 2015; on May 5, 2015, a motion for reconsideration was presented thereof. The Environmental Authority (*Administración Regional Metropolitana del Ministerio de Ambiente*) resolved not to support the motion for reconsideration and continued the investigation. On June 15 and 16, 2015 the Environmental Authority conducted a physical inspection is corroborated that are not evidence of the allegations. By Technical Inspection Report of July 2, 2015, it was concluded that during the inspection there were no evidence in the field of the points of the complaint filed by the residents. By means of Edict of December 23, 2015 and withdrawn on December 24, 2015, the Metropolitan Regional Administration of the Ministry of Environment notified Cemento Bayano that it had a period of no more than ten (10) business days to present its allegations And proof of discharge. On January 11, 2016, the pleadings were presented and evidence was provided within the administrative process.

Environmental proceedings

In connection with the aforementioned inspection to Cemento Bayano. At the end of January 2016, the process was referred to the recently created Regional Administration of North Panamá the Ministry of the Environment, (*Administración Regional Panamá Norte del Ministerio de Ambiente*) which, by Resolution of September 12, 2016, admitted and rejected evidence. By means of a Memorandum dated November 24, 2016, the North Regional Administration of the Ministry of the Environment requests the Environmental Economic Unit, to calculate the fine to be imposed to the company. As of December 31, 2016, the authorities have not issued any recent developments. Fines on environmental matters do not have a limit in the norm, but depend on the severity of the damage, recidivism, investments level and the economic situation of the offender. At this stage, Cemento Bayano considers remote the probability and adverse ruling; nonetheless, is not able to asses with certainty the likelihood of an adverse result or potential damages which could be determined to the Company. An adverse resolution in this case could have a material adverse impact on the Company's results of operations, liquidity or financial condition

- On September 5, 2013, the Colombian Superintendence of Industry and Commerce (the "SIC") issued a resolution pursuant to which the SIC opened an investigation against five cement companies and 14 directors of those companies, including CEMEX Colombia, its former legal representative and the current President of CEMEX Colombia, for allegedly breaching rules which prohibit: a) to limit free competition and/or determining or maintaining unfair prices; b) direct or indirect price fixing agreements; and c) any market sharing agreements between producers or distributors. In connection with the 14 executives under investigation, the SIC may sanction any individual who collaborated, facilitated, authorized, executed or tolerated behavior that violates free competition rules. On October 7, 2013, CEMEX Colombia responded the resolution and submitted evidence in its relief. If the alleged infringements are substantiated, aside from any measures that could be ordered to remediate the alleged practices, penalties may be imposed by the SIC against each company being declared in breach of the competition rules for an equivalent amount in Colombian pesos as of December 31, 2016 of up to $21 million for each violation, and an equivalent of up to $0.4 million against those individuals found responsible of collaborating, facilitating, authorizing, executing or tolerating behavior that violates free competition rules. It is expected that in during the course of the first quarter 2017, the Superintendent Delegate for Competition Protection will issue a non-binding report of the investigation, which could provide a recommendation to impose sanctions or to close the investigation. CEMEX Latam considered remote the probability of an adverse ruling is not able to assess with certainty the likelihood of the SIC imposing any measures and/or penalties against CEMEX Colombia, but if imposed, they could have a material adverse effect on the Company's results of operations, liquidity or financial condition.
- On June 5, 2010, the District of Bogota's Environmental Secretary (*Secretaría Distrital de Ambiente de Bogotá* or the "Environmental Secretary"), ordered the suspension of CEMEX Colombia's mining activities at El Tunjuelo quarry, located in Bogotá, as well as those of other aggregates producers in the same area. The Environmental Secretary alleged that during the past 60 years CEMEX Colombia and the other companies have illegally changed the course of the Tunjuelo River, have used the percolating waters without permission and have improperly used the edge of the river for mining activities. In connection with the injunction, on June 5, 2010, CEMEX Colombia received a notification from the Environmental Secretary informing the initiation of proceedings to impose fines against CEMEX Colombia based on the above mentioned alleged environmental violations. CEMEX Colombia responded to the injunction by requesting that it be revoked based on the fact that the mining activities at El Tunjuelo quarry are supported by the authorizations required by the applicable environmental laws and that all the environmental impact statements submitted by CEMEX Colombia have been reviewed and permanently authorized by the Ministry of Environment and Sustainable Development (*Ministerio de Ambiente y Desarrollo Sostenible*). On June 11, 2010, the local authorities in Bogotá, in compliance with the Environmental Secretary's decision, sealed off the mine to machinery and prohibited the removal of CEMEX's aggregates inventory. Although there is not an official quantification of the possible fine, the Environmental Secretary has publicly declared that the fine could be up to the equivalent amount in Colombian pesos as of December 31, 2016 of approximately $100 million. The temporary injunction has not compromise the production and supply of ready-mix concrete to the Company's clients in Colombia. At this stage, CEMEX Latam considered remote the probability of an adverse result or potential damages which could be borne by CEMEX Colombia. An adverse resolution in this case could have a material adverse impact on CEMEX Latam's results of operations, liquidity or financial condition.

In the ordinary course of business, the Company is subject to extensive *laws and regulations on environmental issues* in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards regarding air pollutant emissions, wastewater discharges, the use and handling of hazardous materials or waste disposal practices and the remediation of pollution or environmental damage. Among other things, these laws and regulations expose the Company to a risk of substantial environmental costs and responsibilities, including responsibilities associated with divested assets and past activities and, in some cases, to the acts and omissions of prior owners or operators of a property or plant. Also, in some jurisdictions, certain environmental laws and regulations impose obligations without regard the fault or the legality of the original activity *at* the moment of the actions which gave rise to the responsibility.

Other proceedings legal

- Related with a claim filed in 2005 against CEMEX Colombia, on July 28, 2015, the Superior Court of Bogotá upheld its ruling that CEMEX Colombia had no responsibility for the premature damage of the Transmilenio Public transport in Bogota at the time, for an amount in Colombian pesos equivalent to approximately $ 33 million, which ended the demand.

In addition, six cases related to the premature damage were filed against CEMEX Colombia, of which, the Administrative Tribunal of Cundinamarca annulled five and only one remained active. Likewise, the Institute of Urban Development (IDU) issued another procedure arguing that CEMEX Colombia made a misleading promotion of the characteristics of the fluid filling used in the construction of the line. CEMEX Colombia participated in this project only and exclusively as a supplier of concrete and fluid fill, which was delivered to the satisfaction of the builder in compliance with the technical specifications, and did not participate and had no responsibility in the design or technical specifications of the construction.

(Thousands of U.S. dollars)

Other proceedings legal – continued

On May 31, 2016, the Civil Court of Bogotá ruled that the fluid fill was not the cause of the damage to the line, but the changes in the design made without consulting the original designer and the lack of drains and ended the IDU, who appealed this decision of the court. On December 7, 2016, the Superior Court of Bogotá supported the decision of the Civil Court of Bogotá. As of December 31, 2016, CEMEX Latam considers that the likelihood of an adverse result in these proceedings is remote; however, an unfavorable resolution could have an adverse effect on CEMEX Latam's results of operations, liquidity and financial position.

On July 30, 2008, the Panamanian Authority of Civil Aeronautics (*Autoridad de Aeronáutica Civil de Panama*), or AAC initially refused the application of Cemento Bayano, to erect structures above the permitted height restriction applicable to certain areas surrounding the Calzada Larga Airport which affected the construction of the cement plant's second line. On October 14, 2008, as per Cemento Bayano's request for reconsideration, the AAC granted permission for the construction of the tallest building of the second line, under the following conditions: that (a) Cemento Bayano assumes any liability arising from any incident or accident caused by the construction of such building, and (b) there would be no further permissions for additional structures. In connection with the construction of the remaining 12 buildings of the second line of the plant, on March 13, 2009, the AAC issued an explanatory note stating that: (a) should an accident occur in the Calzada Larga Airport's perimeter, an investigation shall be conducted in order to determine the cause and further responsibility; and (b) there will be no further permissions for additional structures of the same height as the tallest structure already authorized. As a result, additional permits may be obtained as long as the structures are lower than the tallest build*ing, on a case by case analysis to be* conducted by the authority. Cemento Bayano filed an authorization request for the construction of the project's 12 remaining structures. On September 11, 2009, the AAC issued a resolution authorizing 3 of the 12 remaining structures and denying permits to 9 additional structures above the permitted height restriction applicable to certain areas surrounding Calzada Larga Airport. On September 16, 2009, Cemento Bayano requested the AAC to reconsider its denial. On May 20, 2010, the AAC issued a report stating that all vertical structures erected by Cemento Bayano complied with the applicable signaling and lighting requirements in order to receive the respective authorization; nonetheless. On July 17, 2015 was held meeting with the Legal Services of AAC in order to give impetus to proceedings pending approval, by note dated August 9, 2016, the AAC accepts the existence of all the structures built and dictates the obligation of Cemento Bayano to illuminate with special lamps all the structures and to give them the proper maintenance. This letter contains the final AAC decision.

In addition, as of December 31, 2016, the Company is involved in various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) product warranty claims; 2) claims for environmental damages; 3) indemnification claims relating to acquisitions; 4) other similar claims brought against us that have arisen in the ordinary course of business.

24) MAIN SUBSIDIARIES

The Parent Company's main direct and indirect subsidiaries as of December 31, 2016 and 2015 are as follows:

Subsidiary	Country	Activity	% of interest 2016	2015
Corporación Cementera Latinoamericana, S.L.U. [1]	España	Tenedora	100.0	100.0
CEMEX Bogotá Investments, B.V. [2]	Holanda	Tenedora	–	100.0
CEMEX Colombia S.A.	Colombia	Operativa	99.7	99.7
Zona Franca Especial Cementera del Magdalena Medio S.A.S. [3]	Colombia	Operativa	100.0	100.0
CEMEX (Costa Rica), S.A.	Costa Rica	Operativa	99.1	99.1
CEMEX Nicaragua, S.A.	Nicaragua	Operativa	100.0	100.0
CEMEX Finance Latam, B.V. [4]	Holanda	Financiera	100.0	100.0
Cemento Bayano, S.A.	Panamá	Operativa	99.5	99.5
Cimentos Vencemos do Amazonas, Ltda.	Brasil	Operativa	100.0	100.0
CEMEX Guatemala, S.A.	Guatemala	Operativa	100.0	100.0
Equipos para Uso en Guatemala, S.A.	Guatemala	Operativa	100.0	100.0
CEMEX El Salvador, S.A.	El Salvador	Operativa	100.0	100.0
Inversiones SECOYA, S.A.	Nicaragua	Operativa	100.0	100.0
Apollo RE, Ltd.[5]	Barbados	Reaseguradora	100.0	–
Maverick RE, Ltd. [5]	Bermuda	Reaseguradora	100.0	100.0

1 CEMEX Latam Holdings, S.A., indirectly controls through Corporación Cementera Latinoamericana, S.L.U. and CEMEX Bogotá Investments, B.V., the operations of the Parent Company in Colombia, Costa Rica, Nicaragua, Panama, Brazil, Guatemala and El Salvador.

2 On June 22, 2016, the management of CEMEX Bogotá Investments B.V. and Corporación Cementera Latinoamericana, S.L.U. signed a joint merger project by absorption of the first entity by the second company. The merger was effective beginning October 3, 2016 and CEMEX Bogotá Investments was merged and dissolved.

3 Entity whose actions are in the process of extinguishing a domain (note 23A), holds a significant portion of the investments in the Maceo plant project and is the holder of the declaration of free zone in relation to said facility.

4 CEMEX Latam Finance B.V. was constituted on July 3, 2015 with the approval of Board of Directors at its meeting held on May 7, 2015, prior favorable report of the Audit Committee.

5 Apollo RE, Ltd was incorporated on November 14, 2016 with the approval of the Board of Directors at its meeting held on July 27, 2016, following a favorable report from the Audit Commission. The new subsidiary will assume the reinsurance contracts of CEMEX Latam companies which currently hold Maverick, RE, Ltd. Additionally, on December 30, 2016, the Parent Company sold 100% of its equity interest in Maverick RE, Ltd. to Apollo RE, Ltd, for $48,133.