Consolidated Financial Statements

December 31, 2017

This is an unofficial translation into English of the consolidated financial statements for the years ended December 31, 2017 and 2016 issued in the Spanish language on February 07, 2018. This translation is provided solely for the convenience of English-speaking readers. For any and all purposes, the consolidated financial statements for the years ended December 31, 2017 and 2016 issued in the Spanish language on February 07, 2018 shall be considered the only official version of the document.

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CEMEX Latam Holdings S.A. and Subsidiaries

INDEPENDENT AUDITORS´ REPORT

To the Board of Directors and Stockholders
CEMEX Latam Holdings, S.A.:

KPMG Auditores S.L

David Hernanz Sayans

Madrid, España
XX de XX de 2017

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

	Notes		Years ended December 31, 2017	2016
Revenues	2O, 3	$	1,242,897	1,315,326
Cost of sales	2Q		(706,777)	(676,860)
Gross profit			**536,120**	**638,466**
Administrative and selling expenses	2Q		(203,725)	(202,367)
Distribution expenses	2Q		(101,559)	(93,633)
			(305,284)	(296,000)
Operating earnings before other expenses, net			**230,836**	**342,466**
Other expenses, net	3, 5		(79,347)	(30,219)
Operating earnings			**151,489**	**312,247**
Financial expense	3		(63,290)	(63,701)
Financial income and other items, net	3, 6		(3,180)	(3,492)
Foreign exchange results			(1,286)	3,008
Earnings before income tax			**83,733**	**248,062**
Income tax	19A		(37,322)	(107,793)
CONSOLIDATED NET INCOME			**46,411**	**140,269**
Non-controlling interest net income			316	500
CONTROLLING INTEREST NET INCOME		$	**46,095**	**139,769**
BASIC EARNINGS PER SHARE	21	$	**0.08**	**0.25**
DILUTED EARNINGS PER SHARE	21	$	**0.08**	**0.25**

The accompanying notes are part of these consolidated financial statements.

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

	Notes		Years ended December 31, 2017	2016
CONSOLIDATED NET INCOME		$	**46,411**	**140,269**
Items that will not be reclassified subsequently to the income statement:				
Remeasurements of the defined benefits obligation	**18**		(2,985)	(1,662)
Items that will be reclassified subsequently to the income statement when specific conditions are met				
Currency translation effects of foreign subsidiaries	**2D**		24,549	16,041
Total items of comprehensive income for the period			21,564	14,379
CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD			67,975	154,648
Non-controlling interest comprehensive income			316	500
CONTROLLING INTEREST COMPREHENSIVE INCOME FOR THE PERIOD		$	**67,659**	**154,148**

The accompanying notes are part of these consolidated financial statements.

CEMEX Latam Holdings, S.A. and Subsidiaries
Consolidated Statements of Financial Position
(Thousands of U.S. Dollars)

	Notes	Years ended December 31, 2017	2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	$ 45,154	44,907
Trade accounts receivable, net	8	115,475	100,344
Accounts receivable from related parties	9	9,647	4,484
Other accounts receivable	10A	14,834	16,854
Prepaid taxes		33,757	11,940
Inventories, net	11	82,675	71,595
Other current assets	12	25,745	11,247
Total current assets		327,287	261,371
NON-CURRENT ASSETS			
Other investments and non-current accounts receivable	10B	10,319	13,186
Property, machinery and equipment, net	13	1,250,521	1,236,150
Goodwill, intangible assets and deferred assets, net	14	1,694,998	1,773,548
Deferred income taxes assets	19B	10,864	10,391
Total non-current assets		2,966,702	3,033,275
TOTAL ASSETS		**$ 3,293,989**	**3,294,646**
CURRENT LIABILITIES			
Short-term debt	15A	$ 17,523	24,050
Trade payables		165,969	151,447
Accounts payable to related parties	9	358,134	171,054
Taxes payable		31,341	41,493
Other accounts payable and accrued expenses	16	109,870	69,819
Total current liabilities		682,837	457,863
NON-CURRENT LIABILITIES			
Long-term debt	15A	–	529
Long-term accounts payable to related parties	9	584,684	820,294
Employee benefits	18	40,415	38,401
Deferred income taxes liabilities	19B	427,382	487,922
Other non-current liabilities	16	15,626	15,726
Total non-current liabilities		1,068,107	1,362,872
TOTAL LIABILITIES		**1,750,944**	**1,820,735**
STOCKHOLDERS' EQUITY			
Controlling interest			
Common stock and additional paid-in capital	20A	1,467,987	1,466,818
Other equity reserves	20B	(838,603)	(860,376)
Retained earnings	20C	862,656	722,887
Net income		46,095	139,769
Total controlling interest		1,538,135	1,469,098
Non-controlling interest	20E	4,910	4,813
TOTAL STOCKHOLDERS' EQUITY		**1,543,045**	**1,473,911**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**$ 3,293,989**	**3,294,646**

The accompanying notes are part of these consolidate financial statements.

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

	Notes		Years ended December 31, 2017	2016
OPERATING ACTIVITIES				
Consolidated net income		$	**46,411**	**140,269**
Non-cash items:				
Depreciation and amortization of assets	4		79,491	81,184
Provisions and others non-cash expenses	8, 11		983	(668)
Financial expense, financial income and foreign exchange results			67,756	64,185
Income taxes	19		37,322	107,793
Loss on the sale of fixed assets	5		4,029	1,108
Impairment losses	5		46,749	21,872
Changes in working capital, excluding income taxes			7,841	38,222
Net cash flow provided by operating activities before interest and income taxes			**290,582**	**453,965**
Financial expense paid in cash			(43,686)	(66,399)
Income taxes paid in cash			(100,457)	(99,865)
Net cash flows provided by operating activities			**146,439**	**287,701**
INVESTING ACTIVITIES				
Property, machinery and equipment, net	13		(68,312)	(187,408)
Financial expenses (income)	6		234	(934)
Intangible assets and other deferred charges			20	1,826
Long term assets and others, net	10B		3,339	(124)
Net cash flows used in investing activities			**(64,719)**	**(186,640)**
FINANCING ACTIVITIES				
Related parties debt payments	9		(713,522)	(1,150,966)
Loans with related parties			654,728	1,043,326
Loans (repayments), net			(7,095)	(3,400)
Non-current liabilities, net			(15,361)	221
Net cash flows used in financing activities			**(81,250)**	**(110,819)**
Increase (decrease) in cash and cash equivalents			470	(9,758)
Cash conversion effect, net			(223)	1,030
Cash and cash equivalents at beginning of the period			44,907	53,635
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7	$	**45,154**	**44,907**
Changes in working capital, excluding income taxes:				
Trade receivables, net		$	(15,956)	(8,812)
Other accounts receivable and other assets			(14,919)	(6,536)
Inventories			(11,238)	15,243
Trade payables			14,522	31,172
Short-term related parties, net			(3,012)	10,040
Other accounts payable and accrued expenses			38,444	(2,885)
Changes in working capital, excluding income taxes		$	**7,841**	**38,222**

The accompanying notes are part of these consolidated financial statements.

CEMEX Latam Holdings, S.A. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
As of December 31, 2017 and 2016
(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, 2015		**$**	**718,124**	**746,862**	**(876,387)**	**722,887**	**1,311,486**	**5,329**	**1,316,815**
Net income for the period			–	–	–	139,769	139,769	500	140,269
Total other items of comprehensive income for the period			–	–	14,379	–	14,379	–	14,379
Changes in non-controlling interest	20E		–	–	–	–	–	(1,016)	(1,016)
Stock-based compensation	20D		–	1,832	1,632	–	3,464	–	3,464
Balance as of December 31, 2016		**$**	**718,124**	**748,694**	**(860,376)**	**862,656**	**1,469,098**	**4,813**	**1,473,911**
Net income for the period			–	–	–	46,095	46,095	316	46,411
Total other items of comprehensive income for the period			–	–	21,564	–	21,564	–	21,564
Changes in non-controlling interest	20E		–	–	–	–	–	(219)	(219)
Stock-based compensation	20D		–	1,169	209	–	1,378	–	1,378
Balance as of December 31, 2017		**$**	**718,124**	**749,863**	**(838,603)**	**908,751**	**1,538,135**	**4,910**	**1,543,045**

The accompanying notes are part of these consolidated financial statements.

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 condensed financial statements was authorized by Management and the Board of Directors of the Parent Company on February 7, 2018, considering the favorable report of the Audit Commission.

2) SIGNIFICANT ACCOUNTING POLICIES

2A) BASIS OF PRESENTATION AND DISCLOSURE

The consolidated financial statements and the accompanying notes as of December 31, 2017 and 2016 were prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2017, 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 2017, 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, 2017. 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, 2017 and 2016, as well as for the years ended December 31, 2017 and 2016 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 "$" or Dollar, it means the Dollar of the United States, when reference is made to "€" or Euros, it means the currency in circulation in a significant number of European Union ("EU") countries. When reference is made to "¢" or Colones, it means Colones of the Republic of Costa Rica ("Costa Rica"). When reference is made to "R$" or Reals, it means Reals of the Federative Republic of Brazil ("Brazil"). When reference is made to "Col$" or Pesos, it means Pesos of the Republic of Colombia ("Colombia"). When reference is made to "C$" or Cordobas, it means Cordobas of the Republic of Nicaragua ("Nicaragua"). When reference is made to "Q$" or Quetzals, it means Quetzals of the Republic of 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 the 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.

Income statements – continued

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 the impairment of assets, taxes assumed, fines and other sanctions, 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, 2017 and 2016, 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, 2017 and 2016, the increase in long-term accounts payable to related parties of $30,849 and $32,067, respectively, related to the capitalization of interest accrued on the debt with CEMEX companies.

- For the years ended December 31, 2017 and 2016, the net increase in other equity reserves of $209 and $1,632, respectively, and the increase in additional paid-in capital of $1,169 in 2017 and $1,832 in 2016, in connection with executive stock-based compensation (note 20D).

Going Concern

As of December 31, 2017, current liabilities, which include accounts payable to CEMEX companies of approximately $358,134 (note 9), exceeded current assets in $355,550. The Parent Company's Board of Directors has approved these consolidated financial statements as of December 31, 2017 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 Company's management considers that it would succeed in renegotiating on a long-term basis the maturity of some short-term payables to such CEMEX' companies in case it is deemed necessary. For the years ended December, 31, 2017 and 2016, CEMEX Latam generated net cash flows from operations, after interest expense and income taxes, of $146,439 and $287,701, 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 stand-alone legally responsible entity and maintains custody of its own financial resources.

Changes in the ownership interest of the Parent Company in a subsidiary that do not result in a loss of control are accounted for as transactions between stockholders in their capacity as owners. Therefore, adjustments to non-controlling interests, which are based on a proportional amount of the net assets of the subsidiary, do not result in adjustments to goodwill and/or the 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 reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of reporting, as well as the reported 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 prevailing on the dates of their execution. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing 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.

(Thousands of U.S. Dollars)

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

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 statement of financial position 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 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, there were no subsidiaries whose functional currency was the currency of 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 statement of financial position accounts and the income statement's accounts would be translated to Dollars at the closing exchange rates of the year.

The most significant closing exchange rates per U.S. Dollar as of December 31, 2017 and 2016 for statement of financial position and for income statements purposes, and the average exchange rates per U.S. are as follows:

	2017		2016	
Currency	**Closing**	**Average**	**Closing**	**Average**
Colombian Pesos	2,984.00	2,957.89	3,000.71	3,040.09
Costa Rican Colones	572.56	572.30	561.10	552.06
Nicaraguan Cordobas	30.79	30.11	29.32	28.68
Guatemalan Quetzals	7.34	7.35	7.52	7.60
Brazilian Reals	3.31	3.20	3.26	3.45

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 "Financial income and other items, 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

Beginning January 1, 2018, IFRS 9, *Financial Instruments: classification and measurement* is effective, (see note 2S). Until December 31, 2017, CEMEX Latam policy for the recognition of financial instruments is set forth below:

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 between 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 the income statement as part of "Financial income and other items, net".

Financial instruments – Other investments and non-current receivables – continued

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 the income statement as part of "Financial income and other items, net," and in the second case, changes in valuation are recognized as part of "Other comprehensive income for the period" within "Other equity reserves" until their time of disposition, when all valuation effects accrued in equity are reclassified to "Financial income and other items, net" in the income statement. 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 subsequently recognized at its amortized cost. Interest accrued on financial instruments is recognized in the statement of financial position 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.

Finance leases (notes 15A and 22A)

Finance 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 lease 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 finance lease are: a) ownership title of the asset is transferred to CEMEX Latam at the expiration of the contract; b) CEMEX Latam has a bargain purchase option to acquire the asset at the end of the lease term; c) the lease term covers the majority of the useful life of the asset; and/or d) 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.

(Thousands of U.S. Dollars)

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, 2017, 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.

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 the income statement 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 5).

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, 2017, 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.

Impairment of long lived assets – continued

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.

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 statement of financial position 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 "Financial income and other items, 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 and 23)

Obligations or losses related to contingencies are recognized as liabilities in the consolidated statement of financial position 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 "Financial income and other items, net." As of December 31, 2017 and 2016 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.

Income taxes – continued

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 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 20E)

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

2O) REVENUE RECOGNITION

Beginning January 1, 2018, IFRS 15, Revenue from contracts with customers is effective, see note 2S. Until December 31, 2017, CEMEX's policy for revenue recognition is set forth below:

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 20D)

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, 2017 and 2016, 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.

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, the accounting for expected credit losses of financial assets and commitments to extend credits, as well as the requirements for hedge accounting; and will replace IAS 39, *Financial instruments: recognition and measurement* ("IAS 39"). IFRS 9 is effective beginning January 1, 2018. Among other aspects, IFRS 9 changes the classification categories for financial assets under IAS 39 of: 1) held to maturity; 2) loans and receivables; 3) fair value through the income statement; and 4) available for sale; and replaces them with categories that reflect the measurement method, the contractual cash flow characteristics and the entity's business model for managing the financial asset: 1) amortized cost, that will significantly comprise IAS39 held to maturity and loans and receivables categories; 2) fair value through other comprehensive income, similar to IAS 39 held to maturity category; and 3) fair value through the income statement with the same IAS 39 definitions. The adoption of such classification categories under IFRS 9 will not have any significant effect on CEMEX Latam operating results, financial situation and compliance of contractual obligations (financial restrictions).

In addition, under the new impairment model based on expected credit losses, impairment losses for the entire lifetime of financial assets, including trade accounts receivable, are recognized on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if the loss has not yet been incurred, considering for their measurement past events and current conditions, as well as reasonable and supportable forecasts affecting collectability. Changes in the allowance for doubtful accounts under the new expected credit loss model upon adoption of IFRS 9 on January 1, 2018 will be recognized through equity.

In this regard, CEMEX Latam developed an expected credit loss model applicable to its trade accounts receivable that considers the historical performance, as well as the credit risk and expected developments for each group of customers, ready for the prospective adoption of IFRS 9 on January 1, 2018. The preliminary effects for adoption of IFRS 9 on January 1, 2018 related to the new expected credit loss model which do represent any significant impact on CEMEX Latam operating results, financial situation and compliance of contractual obligations (financial restrictions), represent an estimated increase in the allowance for doubtful accounts as of December 31, 2017 of $853 that will be recognized against equity.

In connection with hedge accounting under IFRS 9, among other changes, there is a relief for entities in performing: a) the retrospective effectiveness test at inception of the hedging relationship; and b) the requirement to maintain a prospective effectiveness ratio between 0.8 and 1.25 at each reporting date for purposes of sustaining the hedging designation, both requirements of IAS 39. Under IFRS 9, a hedging relationship can be established to the extent the entity considers, based on the analysis of the overall characteristics of the hedging and hedged items, that the hedge will be highly effective in the future and the hedge relationship at inception is aligned with the entity's reported risk management strategy. Nonetheless, IFRS 9 maintains the same hedging accounting categories of cash flow hedge, fair value hedge and hedge of a net investment established in IAS 39, as well as the requirement of recognizing the ineffective portion of a cash flow hedge immediately in the income statement. CEMEX Latam does not expect any significant effect from the adoption of the new hedge accounting rules under IFRS 9 beginning January 1, 2018.

IFRS 15, *Revenues from contracts with customers* (“IFRS 15”)

Under IFRS 15, 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 contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time (typically for the sale of goods) or over time (typically for the sale of services and construction contracts). IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. IFRS 15 is effective on January 1, 2018 and will supersede all existing guidance on revenue recognition. Beginning January 1, 2018, CEMEX Latam will adopt IFRS 15 using the full retrospective approach, which represents the restatement of the financial statements of prior years.

CEMEX Latam started in 2015 the evaluation of the impacts of IFRS 15 on the accounting and disclosures of its revenues. As of December 31, 2017, CEMEX Latam has analyzed its contracts with customers in all the countries in which it operates in order to review the different performance obligations and other promises (discounts, loyalty programs, rebates, etc.) included in such contracts, among other aspects, aimed to determine the differences in the accounting recognition of revenue with respect to current IFRS and concluded the theoretical assessment. In addition, key personnel were trained in the new standard with the support of external experts and an online training course was implemented. Moreover, CEMEX Latam also concluded the quantification of the adjustments that are necessary to present prior year’s information under IFRS 15 beginning in 2018 and has implemented the necessary changes in business processes to generate information under IFRS 15 beginning in 2018. The adjustments determined in CEMEX Latam revenue recognition will not generate any material impact on CEMEX Latam operating results, financial situation and compliance of contractual obligations (financial restrictions).

Among other minor effects, the main changes under IFRS 15 as they apply to CEMEX Latam refer to: a) several reclassifications that are required to comply with IFRS 15 new accounts in the statement of financial position aimed to recognize contract assets (costs to obtain a contract) and contract liabilities (deferred revenue for promises not yet fulfilled); b) rebates and/or discounts offered to customers in a sale transaction that are redeemable by the customer in a subsequent purchase transaction, are considered separate performance obligations, rather than future costs, and a portion of the sale price of such transaction allocated to these promises should be deferred to revenue until the promise is redeemed or expires; and c) awards (points) offer to customers through their purchases under loyalty programs that are later redeemable for goods or services, also represent separate performance obligations, rather than future costs, and a portion of the sale price of such transactions allocated to these points should be deferred to revenue until the points are redeemed or expire. The adjustments and reclassifications determined in the recognition of revenues of CEMEX Latam do not represent any significant impact in the results of operations, financial situation and compliance with contractual obligations (financial restrictions).

IFRS 16, *Leases* (“IFRS 16”)

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 amortization of the right-of-use asset and interest on the lease liability. A lessee shall present either in the statement of financial position, 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 and will supersede all current standards and interpretations related to lease accounting.

As of December 31, 2017, CEMEX Latam has concluded an assessment of its main outstanding lease contracts and other contracts that may have embedded the use of an asset, in order to inventory the most relevant characteristics of such contracts (types of assets, committed payments, maturity dates, renewal clauses, etc.). During the first quarter of 2018, CEMEX Latam expects to define its future policy under IFRS 16 in connection with the exception for short-term leases and low-value assets, in order to set the basis and be able to quantify the required adjustments for the proper recognition of the assets for the "right-of-use" and the corresponding financial liabilities, aiming to adopt IFRS 16 on January 1, 2019. CEMEX Latam plans preliminarily the adoption IFRS 16 retrospectively to the extent such adoption is practicable. which implies that the right-of-use assets and the corresponding liabilities will be quantified using the interest rates and economic assumptions as of January 1, 2017 and the financial statements of previous years will be restated. Based on its assessment as of the reporting date, CEMEX Latam considers that upon the adoption of IFRS 16, most of its outstanding operating leases will be recognized in the statement of financial position, significantly increasing assets and liabilities, as well as amortization and interest, without any significant initial effect on net assets.

IFRIC 23, *Uncertainty over income tax treatments* (“IFRIC 23”)

IFRIC 23 clarifies the accounting for uncertainties in income taxes. Among other aspects, when an entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty. IFRIC 23 is effective beginning January 1, 2019. Considering CEMEX Latam current policy for uncertain tax positions (note 19D) CEMEX Latam does not expect any significant effect from the adoption of IFRIC 23.

(Thousands of U.S. Dollars)

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.

Selected consolidated income statements' information by geographic operating segments for the years ended December 31, 2017 and 2016 are as follow:

2017	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	Financial income and other items, net
Colombia ....$	565,649	(4)	565,645	112,774	(26,108)	86,666	(32,497)	(20,007)	(1,499)
Panama	266,273	(192)	266,081	108,444	(17,525)	90,919	2,200	(7,745)	972
Costa Rica............	148,855	(20,061)	128,794	53,102	(5,216)	47,886	912	(272)	866
Rest of CLH..........	285,559	(3,182)	282,377	84,756	(6,038)	78,718	240	(2,085)	1,882
Others	–	–	–	(48,749)	(24,604)	(73,353)	(50,202)	(33,181)	(5,401)
Total........................$	1,266,336	(23,439)	1,242,897	310,327	(79,491)	230,836	(79,347)	(63,290)	(3,180)

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	Financial income and other items, net
Colombia ....$	665,154	(82)	665,072	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............	151,370	(18,842)	132,528	60,646	(6,200)	54,446	(886)	(569)	207
Rest of CLH..........	263,386	(1,961)	261,425	84,398	(5,506)	78,892	(595)	(2,903)	832
Others	–	–	–	(51,283)	(25,147)	(76,430)	20	(37,824)	(4,188)
Total........................$	1,336,211	(20,885)	1,315,326	423,650	(81,184)	342,466	(30,219)	(63,701)	(3,492)

(Thousands of U.S. Dollars)

Selected financial information by geographic operating segments – continued

Net sales by product and geographic operating segments for the years ended December 31, 2017 and 2016 are as follows:

2017	Cement	Concrete	Aggregates	Other products	Others	Net sales
Colombia $	293,905	204,275	11,267	56,202	(4)	565,645
Panama	161,840	87,618	3,955	12,860	(192)	266,081
Costa Rica	99,175	14,505	17,868	17,307	(20,061)	128,794
Rest of CLH	240,950	22,969	5,566	16,074	(3,182)	282,377
Total $	795,870	329,367	38,656	102,443	(23,439)	1,242,897

2016	Cement	Concrete	Aggregates	Other products	Others	Net sales
Colombia $	375,094	232,903	13,166	43,991	(82)	665,072
Panama	163,812	81,488	3,531	7,470	–	256,301
Costa Rica	97,045	15,596	22,429	16,300	(18,842)	132,528
Rest of CLH	228,282	17,866	2,174	15,064	(1,961)	261,425
Total $	864,233	347,853	41,300	82,825	(20,885)	1,315,326

As of December 31, 2017 and 2016, selected consolidated Statements of Financial Position' information by geographic segments is as follows:

2017	Total Assets	Total Liabilities	Net assets by segment	Capital expenditures
Colombia $	2,047,992	807,795	1,240,197	62,287
Panama	379,984	238,737	141,247	8,123
Costa Rica	139,011	38,474	100,537	2,298
Rest of CLH	135,806	119,322	16,484	7,826
Others	591,196	546,616	44,580	–
Total $	3,293,989	1,750,944	1,543,045	80,534

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

4) DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 is detailed as follows:

		2017	2016
Depreciation and amortization expense of assets used in the production process	$	53,640	55,535
Depreciation and amortization expense of assets used in administrative and selling activities		25,851	25,649
	$	79,491	81,184

5) OTHER EXPENSES, NET

Other expenses detail net, in 2017 and 2016 is as follows:

		2017	2016
Impairment losses [1]	$	(46,749)	(21,872)
Assumed taxes, fines, and other penalties [2]		(29,897)	(2,321)
Severance payments for reorganization and other personnel costs		(2,829)	(3,549)
Damages recoveries		36	144
Results from valuation the sale of assets, sale of scrap and other products and non-operating expenses, net		92	(2,621)
	$	(79,347)	(30,219)

(Thousands of U.S. Dollars)

Other expenses, net – continued

1 In 2017, as a result of impairment evaluations and considering various unfavorable factors in Brazil, the Company recognized impairment losses in that country related to the operating license for an amount of $44,959 ($26,659 after income taxes), see notes 14A and 14B, as well as impairment losses associated with the Chiriquí mill in Panama for $1,790 (note 13). 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, and impairment losses of $7,615 associated with the close in the short term of a cement mill in Colombia.

2 In 2017, mainly refers to an expense in Colombian Pesos equivalent to approximately $24,722 related to a received fine from the Superintendence of Industry and Commerce in Colombia associated with a market research procedure (note 23A).

6) FINANCIAL INCOME AND OTHER ITEMS, NET

Financial income and other items, net in 2017 and 2016 are as follows:

		2017	2016
Interest cost on employee benefits	$	(3,414)	(2,558)
Financial income		234	(934)
	$	(3,180)	(3,492)

7) CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents as of December 31, 2017 and 2016 are as follows:

		2017	2016
Cash and bank accounts	$	28,105	39,099
Fixed-income securities and other cash equivalents		17,049	5,808
	$	45,154	44,907

8) TRADE ACCOUNTS RECEIVABLE

Consolidated trade accounts receivable as of December 31, 2017 and 2016 are detailed as follows:

		2017	2016
Trade accounts receivable	$	122,033	106,077
Allowances for doubtful accounts		(6,558)	(5,733)
	$	115,475	100,344

Allowances for doubtful accounts were established until December 31, 2017 based on an incurred loss model according to the credit history and risk profile of each customer. Changes in the valuation of this caption for the years ended December 31, 2017 and 2016 consists of:

		2017	2016
Allowances for doubtful accounts at beginning of the period	$	5,733	5,697
Charged to selling expenses		1,859	2,087
Deductions		(1,034)	(2,051)
Allowances for doubtful accounts at end of the period	$	6,558	5,733

9) TRANSACTIONS WITH RELATED PARTIES

Balances receivable from and payable to related parties as of December 31, 2017 and 2016 are detailed as follows:

Short-term accounts receivable		2017	2016
CEMEX España, S.A.	$	4,871	2,534
CEMEX Research Group, AG		3,188	1,214
Mustang Re Limited		980	–
CEMEX, S.A.B. de C.V.		327	327
CEMEX Denmark ApS		96	–
New Sunward Holding B.V.		93	84
CEMEX Central, S.A. de C.V		53	257
Business Material Funding SL		15	15
CEMEX Dominicana, S.A.		12	36
CEMEX Holdings Inc.		10	10
Others		2	7
Total assets with related parties	$	9,647	4,484

(Thousands of U.S. Dollars)

Transactions with related parties – continued

Short-term accounts payable		**2017**	**2016**
CEMEX España, S.A. [1]	$	194,484	7,694
New Sunward Holding B.V.[2]		139,084	143,159
CEMEX Holdings Inc. [3]		21,660	17,393
CEMEX Research Group, AG [4]		1,181	857
CEMEX Central, S.A. de C.V.		534	599
CEMEX Internacional, S.A. de C.V.		531	705
Beijing Import & Export Co., Ltd.		197	34
CEMEX México, S.A. de C.V		171	179
Fujur, S.A. de C.V.		120	205
Pro Ambiente, S.A. de C.V.		63	137
CEMEX Jamaica Limited		35	13
CEMEX Dominicana, S.A.		29	–
Latinamerican Trading S.A.		23	23
CEMEX Central Europe GmbH		12	–
CEMEX de Puerto Rico, Inc.		–	42
Others		10	14
	$	358,134	171,054

Long-term accounts payable		**2017**	**2016**
New Sunward Holding B.V. [2]	$	584,684	708,284
CEMEX España, S.A. [1]		–	112,010
	$	584,684	820,294
Total liabilities with related parties	$	942,818	991,348

1. The balance of accounts payable relates to a loan negotiated by CEMEX Colombia with CEMEX España originally in October 2010, subsequently renegotiated, which is outstanding until December 28, 2018, bearing 6-month LIBOR rate plus 255 basis points and classified in the long term in December 2016. On May 4, 2017, CEMEX Colombia increased its revolving credit line with CEMEX España in $60 million; proceeds used to settle obligations with other related parties and therefore did not increase the total debt with these related parties. On December 18, the line of credit increased by $22 million.

2. On February 24, 2017, before their maturity in 2018, the Parent Company and Corporación Cementera Latinoamericana S.L.U. ("CCL") refinanced their respective debt with New Sunward Holding, B.V., extending their maturity until 2023 and modifying the applicable interest rate, according to market conditions at the date of renegotiation, which decreased from 7% to 5.65%. As a result of such modification in the credit agreements and considering the original remaining period and the difference in interest rates, the Parent Company and CCL incurred in renegotiation costs for $3,867 and $8,132, respectively. These costs are presented net of the debt balance and will be amortized to financial expense over the term of the debt. The balances as of December 31, 2017 and 2016, include: a) loan agreement and accrued interest negotiated by CCL of $387,519 in 2017 and $487,584 in 2016; b) loan agreement and accrued interest negotiated by the Parent Company of $88,223 in 2017 and $57,664 in 2016, as well as a revolving credit of $115,951 in 2017 and $175,969 in 2016; and c) loan agreement and accrued interest negotiated by Cemento Bayano, S.A. of $132,075 in 2017 and $130,226 in 2016.

3. The outstanding balances were generated mainly from imports of cement grey

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, 2017 are as follows:

Debtor		**2023**	**Total**
Corporación Cementera Latinoamericana, S.L.U. (5.65% annual)	$	384,203	384,203
CEMEX Latam Holdings, S.A. (5.65% annual)		200,481	200,481
	$	584,684	584,684

The Company’s main transactions entered into with related parties for the years ended December 31, 2017 and 2016 are shown below:

Purchases of raw materials		**2017**	**2016**
CEMEX Holdings Inc	$	59,289	46,300
CEMEX Internacional, S.A. de C.V.		5,532	6,163
Beijing Import & Export Co., Ltd.		32	–
CEMEX Trading, LLC		–	3,197
CEMEX España, S.A.		–	307
Others		–	3
	$	64,853	55,970

(Thousands of U.S. Dollars)

Transactions with related parties – continued

Administrative and sale expenses		**2017**	**2016**
CEMEX Central, S.A. de C.V.	$	30	–
Neoris de México, S.A. de C.V		5	14
CEMEX Research Group, AG		–	33
	$	35	47

Royalties and technical assistance (note 22B)		**2017**	**2016**
CEMEX Research Group, AG.	$	40,272	37,234
CEMEX Central, S.A. de C.V.		16,375	21,116
CEMEX, S.A.B. de C.V.		5,495	7,415
	$	62,142	65,765

Financial expenses [1]		**2017**	**2016**
New Sunward Holding B.V.	$	48,284	59,621
CEMEX España, S.A.		6,090	4,125
	$	54,374	63,746

[1] Out of the financial expense incurred with related parties during the twelve-month period ended December 31, 2016 for $63,746, an amount of $8,465 of financial expense accrued in such year still during the construction period of the Maceo plant (note 13), was charged and capitalized as part of the historical cost of the Maceo plant in compliance with applicable IFRS. During the same period in 2017, there was no capitalization of financial expense considering that the construction of the plant has been substantially completed.

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, 2017 and 2016, the members of the Parent Company's Board of Directors, in fulfillment of their functions, accrued compensation for a total of approximately $376 and $260, 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 incurred in 2016, which in 2017 are part of retained earnings, were approved by the General Shareholders' Meeting celebrated in Madrid on June 29, 2017. The Company's directors have not received advances or loans and the Company has not provided guarantee or assumed obligations for such directors.

In addition, for the years ended December 31, 2017 and 2016, the aggregate compensation amounts accrued by members of the Company's top management were approximately $6,628 and $5,169, respectively. The following totals $6,018 for 2017 and $4,673 for 2016, correspond with remuneration base plus performance bonuses including pensions and other postretirement benefits. In addition, approximately $610 in 2017 and $495 in 2016 aggregate remuneration corresponded to allocations of shares to the executive compensation programs CEMEX and the Parent Company.

In its cement operations in Panama, which represented approximately 13% of the consolidated sales during the year ended December 31, 2017, the Company carries out transactions with Cemento Interoceánico, S.A (formerly 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. holds an ownership interest of 25% in the common stock of Cemento Interoceánico, S.A. During 2017, Cemento Interoceánico S.A. and Comercial Interoceánico, S.A., subsidiaries of Industrias Básicas, S.A. were merged and absorbed by this last entity, changing its legal name to Cemento Interoceánico, S.A.

(Thousands of U.S. Dollars)

10) OTHER ACCOUNTS RECEIVABLE

10A) OTHER CURRENT ACCOUNTS RECEIVABLE

Consolidated other accounts receivable as of December 31, 2017 and 2016 consisted of:

		2017	2016
Non-trade accounts receivable [1]	$	13,591	13,751
Loans to employees and others		1,243	1,110
Restricted cash [2]		–	1,993
	$	14,834	16,854

1 As of December 31, 2017, includes 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 $7,176, guaranteed by CEMEX Colombia and obtained for the purchase of the land. The Company maintains this asset considering that the estimated fair value of the land in case of sale, determined by an external expert, covers the repayment of the debt. CEMEX Colombia actively seeks alternatives to transfer this project to a housing developer who acquires the assets of the trust and assume its obligations and/or the sale of the land with the consequent liquidation of the trust and repayment of the debt, as well as $1,500 related to Zomam shares.

2 In 2016, restricted cash corresponded 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, 2017 and 2016 are detailed as follows:

		2017	2016
Loans and notes receivable [1]	$	6,279	11,076
Guaranty deposits and recoverable VAT [2]		3,666	1,736
Other non-current assets [3]		374	374
	$	10,319	13,186

1 This line items mainly include: a) fund of CEMEX Panama to secure seniority premium payments as of December 31, 2017 and 2016 of $2,649 and $2,319, respectively; b) advance payments for the purchase of fixed assets of $2,555 and $4,551 as of December 31, 2017 and 2016, respectively c) accounts receivable from the sale of land of $339 as of December 31, 2016 and e) receivables from the structured construction system used in Costa Rica of $521 and $646 as of December 31, 2017 and 2016, respectively.

2 Refers mainly to a VAT account receivable in El Salvador for $380 and $951 as of December 31, 2017 and 2016 respectively, as well as guarantee deposits in Brazil for $3,286 and $785 as of December 31, 2017 and 2016 respectively. The increase corresponds to the transfer from short to long term of state taxes.

3 Includes other investments in Colombia, Panama, Costa Rica, Guatemala and Nicaragua.

11) INVENTORIES

Consolidated balances of inventories as of December 31, 2017 and 2016 are summarized as follows:

		2017	2016
Materials	$	23,723	20,108
Finished goods		11,491	11,061
Work-in-process		19,830	14,676
Raw materials		19,150	15,380
Inventory in transit		9,197	10,124
Other inventories		–	804
Allowance for obsolescence		(716)	(558)
	$	82,675	71,595

12) OTHER CURRENT ASSETS

As of December 31, 2017 and 2016 consolidated other current assets consisted of:

		2017	2016
Advance payments [1]	$	19,539	9,883
Assets held for sale [2]		6,206	1,364
	$	25,745	11,247

1 As of December 31, 2017 and 2016, the line item of advance payments includes $19,463 and $8,685, respectively, mainly associated with insurance premiums.

2 Assets held for sale are stated at their estimated realizable value and include mainly properties received in payment of trade receivables.

(Thousands of U.S. Dollars)

13) PROPERTY, MACHINERY AND EQUIPMENT, NET

As of December 31, 2017 and 2016 the consolidated balances of property, machinery and equipment, net consisted of:

		2017				
		Land and mineral reserves	**Buildings**	**Machinery and equipment**	**Construction in progress [1]**	**Total**
Cost at beginning of the period	$	224,893	204,928	755,806	274,553	1,460,180
Capital expenditures		1,943	1,662	8,153	68,776	80,534
Total additions		1,943	1,662	8,153	68,776	80,534
Disposals		(327)	(604)	(11,291)	–	(12,222)
Reclassifications		4,927	6,593	40,589	(52,109)	–
Impairment [2]		–	–	(1,790)	–	(1,790)
Depreciation and depletion for the period		(7,149)	(5,674)	(42,758)	–	(55,581)
Foreign currency translation effects		4,434	(204)	(22,846)	(1,473)	(20,089)
Cost at end of the period		235,870	212,375	768,621	289,747	1,506,613
Accumulated depreciation and depletion		(36,946)	(43,947)	(175,199)	–	(256,092)
Net book value at end of the period	$	198,924	168,428	593,422	289,747	1,250,521

		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		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 [2]		(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

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 began operating in testing phase for some months in 2016 with the supply of clinker from the Caracolito plant in Ibague, and the cement obtained was used in its entirety in the construction of the plant. Within the next phase, the construction of the kiln has been completed, meanwhile the development of the access road to the plant has been suspended until the moment in which CEMEX Colombia would obtain the permits for its completion. The beginning of commercial operations is subject to the successful conclusion of several ongoing processes related to certain operating permits. The depreciation of the assets associated with this project, which started when it began operations in the test phase, for non significant amounts, was reversed and cancelled in 2017. These assets will start their depreciation upon the beginning of commercial operations. As a result of the investigations carried out for several deficiencies found, during the fourth quarter of 2016, the Company reduced construction in progress for approximately $23,330, of which, approximately $14,257 were recognized in such quarter 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, were considered contingent assets due to the low possibility of recovering them pursuant to deficiencies that have derived in certain legal processes (note 23A). In addition, an amount of approximately $1,500 related to the shares of Zomam, also recorded within construction in progress, was reclassified to other long-term assets. In the specific case of the aforementioned adjustments the Company considered the exchange rate outstanding at the date of the accounting recognition of 3,000.71 Colombian Pesos per Dollar. CEMEX Latam determined an initial total budget for the plant of $340 million. As of December 31, 2017, the carrying amount of the project, net of adjustments, is for an amount in Colombian Pesos equivalent to approximately $333 million, considering the net invested amount and the exchange rate of Col$2,984 as of December 31, 2017.

2 In 2017, it mainly refers to impairment losses related to the closure of the Chiriquí mill in Panama. In 2016, includes impairment losses related to the projected closure of a cement mill in Colombia for approximately $7,615.

(Thousands of U.S. Dollars)

14) GOODWILL AND INTANGIBLE ASSETS

14A) BALANCES AND CHANGES DURING THE PERIOD

As of December 31, 2017 and 2016, consolidated goodwill, intangible assets and deferred assets is summarized as follows:

		2017			2016		
		Cost	Accumulated amortization	Net book value	Cost[1]	Accumulated amortization	Net book value
Intangible assets of indefinite useful life							
Goodwill	$	1,551,684	–	1,551,684	1,563,836	–	1,563,836
Intangible assets of definite useful life							
Customer relations		197,506	(106,280)	91,226	194,361	(86,598)	107,763
Extraction permits and licenses		74,215	(22,867)	51,348	120,963	(19,132)	101,831
Industrial property and trademarks		2,938	(2,245)	693	1,846	(1,754)	92
Mining projects		356	(356)	–	354	(354)	–
Other intangibles and deferred assets		47	–	47	26	–	26
	$	1,826,746	(131,748)	1,694,998	1,881,386	(107,838)	1,773,548

Changes in intangible assets during the year ended December 31, 2017 and 2016 are as follows:

		2017				
		Goodwill	Customer relations	Permits and licenses	Others	Total
Net book value at beginning of the period	$	1,563,836	107,763	101,831	118	1,773,548
Additions (disposals), net		–	–	–	600	600
Amortization during the period		–	(19,682)	(4,116)	(112)	(23,910)
Impairment		–	–	(44,959)	–	(44,959)
Foreign currency translation effects		(12,152)	3,145	(,408)	134	(10,281)
Net book value at end of the period	$	1,551,684	91,226	51,348	740	1,694,998

		2016				
		Goodwill	Customer Relations	Permits 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

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.

During the last quarter of 2017, the Company recognized impairment losses associated with its operating segment in Brazil for a total of $44,959 corresponding to an operating license that represents the country's main asset and the origin of all its revenues. The total amount of the loss corresponded to the excess of the net book value of the operating license over its corresponding fair value. In the determination of the present value of the projected cash flows in Brazil, the Company used a discount rate of 11.4% and a long-term growth rate of 2.0%. The loss was mainly generated by strong competitive market dynamics, the growing imports of cement, the increase in the cost of inputs and the reduction in sales prices, which had the combined effect of significantly reducing the profitability and expected cash flows from the operations in that country. Moreover, despite the fact that the economy in Brazil began to improve in 2017, infrastructure projects are recovering at a very slow pace after the crisis that began in 2014.

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.

(Thousands of U.S. Dollars)

14B) ANALYSIS OF GOODWILL IMPAIRMENT

As of December 31, 2017 and 2016, goodwill balances allocated by operating segment are as follows:

		2017	2016
Costa Rica	$	428,283	437,031
Panama		344,703	344,703
Colombia		312,840	311,901
Guatemala		247,333	241,503
Nicaragua		203,437	213,610
El Salvador		15,088	15,088
	$	1,551,684	1,563,836

The Company assesses its balances of goodwill for impairment at least once a year during the last quarter of the year, or as required upon the existence of indicators, at the level of the groups of CGUs to which goodwill balances were allocated and which are commonly comprised for the operation segments corresponding to the Company's operations 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.

During the years 2017 and 2016, CEMEX Latam did not determine impairment losses in any of the groups of CGUs to which goodwill balances have been allocated in the different countries where the Company operates.

As of December 31, 2017 and 2016, 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:

	Discount rates		Growth rates	
Groups of CGUs	**2017**	**2016**	**2017**	**2016**
Costa Rica	11.1%	10.3%	3.9%	4.0%
Colombia	10.5%	10.0%	3.7%	4.0%
Panama	10.0%	9.8%	5.5%	3.0%
Nicaragua	13.1%	12.4%	4.5%	4.0%
Guatemala	11.5%	10.3%	4.0%	4.0%
El Salvador	11.9%	11.9%	2.0%	2.0%

As of December 31, 2017, the discount rates used by CEMEX Latam in its cash flows projections remained relatively stable in the countries with the most significant goodwill balances compared to 2016. During the year, the funding cost observed in industry slightly decreased from 6.2% in 2016 to 6.1% in 2017 and the risk multiple associated to the Company also decreased from 1.29 in 2016 to 1.26 in 2017. Nonetheless, these decreases were offset by an increase in the risk free rate which increased from 2.70% in 2016 to 2.76% in 2017, as well as by general increases in the sovereign yields in the majority of the countries where CEMEX Latam operates. In respect to long-term growth rates, following general practice under IFRS, CEMEX Latam 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. CEMEX Latam considered an industry weighted average Operating EBITDA multiple of 9.0 times in 2017 and 2016. CEMEX Latam own Operating EBITDA multiple was 8.5 times in 2017 and 8.9 times in 2016. The lowest multiple observed in CEMEX Latam benchmark was 6.5 times in 2017 and 5.9 times in 2016, and the highest being 18.9 times in 2017 and 18.3 times in 2016. In 2017 and 2016, the sensitivity analysis did not indicate any risk related to goodwill impairment in any of the operations of CEMEX Latam.

15) FINANCIAL INSTRUMENTS

15A) SHORT-TERM AND LONG-TERM DEBT

As of December 31, 2017 and 2016, consolidated debt by type of financial instruments is summarized as follows:

		2017	2016
Foreign currency-denominated promissory notes, variable rate [1]		8,085	7,886
Trust guarantee for the development of housing projects [2]		7,176	7,136
Promissory note due to Banco de Bogotá, annual rate 10.52% [3]		1,732	4,166
Leasing Bancolombia, S.A., DTF anticipated quarterly plus 390 bps [4, 5]		366	1,361
Helm Leasing, S.A., DTF anticipated quarterly plus 385 bps [4, 5]		131	848
Leasing Bogotá, S.A., DTF anticipated quarterly plus 465 bps [4, 5]		33	671
Leasing Bolívar, S.A, DTF anticipated quarterly plus 550 bps [4, 5]		–	1,501
Leasing de Occidente, S.A., DTF anticipated quarterly plus 400 bps [4, 5]		–	1,010
Total	$	17,523	24,579
Long-term debt		–	529
Short-term debt	$	17,523	24,050

1 Refers to notes payable with a maturity of one year negotiated by CEMEX Colombia with AV VILLAS bank for $8,085 as of December 2017 bearing DTF rate plus 4% and $7,886 in December 31, 2016 bearing DTF rate plus 3.0%.

2 Represents the maximum quantification of the guarantee granted by CEMEX Colombia on the amount borrowed through a promissory note by the trust for the development of housing projects as described in note 10A. Said promissory note is being renewed at maturity by the trust every 180 days until finding the developer who buys the project, or until, by agreement of the parties, it is decided to sell the asset in order to liquidate the debt and extinguish the trust. The loan accrues interest at DTF rate plus 4.5%.

3 In July 2017, CEMEX Colombia signed a promissory note with Banco de Bogotá associated with housing projects in process.

4 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, 2017, the anticipated quarterly DTF rate was 5.21%.

5 Refers to finance leases with commercial finance companies denominated in Colombian Pesos negotiated in 2012 with a maturity of sixty months. For the twelve-month periods ended December 31, 2017 and 2016, CEMEX Colombia incurred interest on these finance leases for an amount of $270 and $791, respectively.

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, 2017 and 2016 are as follows:

Thousands of U.S. Dollars		2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Financial assets					
Other assets and non-current accounts receivable (note 10B)	$	10,319	10,319	13,186	13,186
Financial liabilities					
Long-term payables to related parties (note 9)	$	584,684	594,492	820,294	789,973
Long-term debt (note 15A)		–	–	529	529
Other non-current liabilities (note 16)		15,626	15,626	15,726	15,726
	$	600,310	610,118	836,549	806,228

16) OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, 2017 and 2016 consolidated other current accounts payable and accrued expenses were as follows:

		2017	2016
Accrued expenses	$	47,391	17,102
Others provisions and liabilities		23,057	13,870
Advances from customers		17,283	16,142
Provisions for legal claims and other commitments		14,673	14,790
Provisions for employee benefits		6,544	6,882
Others		922	1,033
	$	109,870	69,819

(Thousands of U.S. Dollars)

Other accounts payable and accrued expenses – continued

Current provisions primarily consist of employee benefits accrued at the statement of financial position 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.

For the years ended in 2017 and 2016, changes in the combined balance of provisions for legal claims and other commitments, provisions for employee benefits and other provisions and liabilities presented in the table above were as follows:

		2017	2016
Balance at beginning of period	$	35,542	39,968
Increase of the period with new or increased obligations estimated		67,211	69,340
Decrease due to obligation expired or decrease in estimates		(58,848)	(76,148)
Foreign currency translation adjustment		369	2,382
Balance at end of period	$	44,274	35,542

As of December 31, 2017 and 2016, consolidated other non-current liabilities were as follows:

		2017	2016
Provision for asset retirement obligations [1]	$	4,949	4,411
Other taxes		5,318	6,831
Other provisions and liabilities		3,698	3,439
Deferred income		1,661	1,045
	$	15,626	15,726

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

Enterprise risks may arise from any of the following situations: i) the potential change in the value of assets owned or reasonably anticipated to be owned, ii) the potential change in value of liabilities incurred or reasonably anticipated to be incurred, iii) the potential change in value of services provided, purchase or reasonably anticipated to be provided or purchased in the ordinary course of business, iv) the potential change in the value of assets, services, inputs, product or commodities owned, produced, manufactured, processed, merchandised, leased or sell or reasonably anticipated to be owned, produced, manufactured, processed, merchandising, leasing or selling in the ordinary course of business, or v) any potential change in the value arising from interest rate or foreign exchange rate exposures arising from current or anticipated assets or liabilities.

To manage some of these risks, such as credit risk, interest rate risk, foreign exchange risk, equity risk and liquidity risk, considering the guidelines set forth by the Board of Directors, which represent CEMEX Latam's risk management framework and that are supervised by several Committees, CEMEX Latam's management establishes specific policies that determine strategies oriented to obtain natural hedges to the extent possible, such as avoiding customer concentration on a determined market or aligning the currencies portfolio in which CEMEX Latam incurs its debt, with those in which CEMEX Latam generates its cash flows.

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. As of December 31, 2017 and 2016, 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 to a financial instrument does not meet its contractual obligations and originates mainly from trade accounts receivable. As of December 31, 2017 and 2016, 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's management requires guarantees from its customers and financial counterparties with regard to financial assets.

(Thousands of U.S. Dollars)

Risk management – continued

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 Latam can only carry out transactions by paying cash in advance. As of December 31, 2017 and 2016, 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 $6,558 and $5,733, respectively.

The aging of trade accounts receivable as of December 31, 2017 and 2016 are as follows:

		2017	2016
Neither past due, nor impaired portfolio	$	93,912	75,292
Past due less than 90 days portfolio		11,529	14,630
Past due more than 90 days portfolio		16,592	16,155
	$	122,033	106,077

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, 2017 and 2016, 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.

Nonetheless, it is not economically efficient to concentrate in fixed rates in a high point when the interest rates market expects a downward trend, this is, there is an opportunity cost for remaining long periods paying a determined fixed interest rate when the market rates have decreased and the entity may obtain improved interest rate conditions in a new loan or debt issuance. CEMEX Latam manages its interest rate risk by balancing its exposure to fixed and variable rates while attempting to reduce its interest costs. In addition, when the interest rate of a debt instrument has turned relatively high as compared to current market rates, CEMEX Latam intents to renegotiate the conditions or repurchase the debt, to the extent the net present value of the expected future benefits from the interest rate reduction would exceed the incentives that would have to be paid in such renegotiation or repurchase of debt.

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, 2017 and 2016, 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, 2017 and 2016 would have decreased by approximately $9,458 and $24,806, 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

As of December 31, 2017 and 2016, 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 are no effects in the expected cash flows of the Company from 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, as of December 31, 2017, current liabilities, which includes accounts payables with CEMEX companies for $358,134 exceeds current assets in $355,550 (note 9). The Company's 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 it would be successful in renegotiating on a long-term basis 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 $146,439 in 2017 and $287,701 in 2016. The maturities of the Company's contractual obligations are included in note 22A.

(Thousands of U.S. Dollars)

18) POSTRETIREMENT EMPLOYEE BENEFITS

Defined contribution pension plans

The consolidated cost of defined contribution plans for the years ended December 31, 2017 and 2016 were approximately $17 and $11, 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 statement of financial position date.

Defined benefit pension plans

The Company sponsors a defined benefit plan in Colombia, which is closed to new participants and whose beneficiaries are all retirees. For the years ended December 31, 2017 and 2016, the net periodic cost was recognized as follows:

		2017	2016
Recorded in financial income and other items, net			
Financial cost	$	2,597	2,558
Recorded in other comprehensive income, net			
Actuarial losses		2,985	1,662
Net periodic cost	$	5,582	4,220

The reconciliation of the actuarial benefits obligation as of December 31, 2017 and 2016 are presented as follows:

		2017	2016
Change in benefits obligation			
Projected benefits obligation at beginning of period	$	38,401	32,384
Financial cost		2,597	2,558
Benefits paid		(3,768)	(3,250)
Actuarial loss		2,985	1,662
Foreign currency translation		200	5,047
Projected benefits obligation at end of period	$	40,415	38,401

As of December 31, 2017, estimated payments for postretirement benefits over the next ten years are as follows:

		Estimated payments
2018	$	3,663
2019		3,675
2020		3,657
2021		3,635
2022		3,602
2023–2027		17,070
	$	35,302

On December 2017 and 2016, the most significant assumptions used in the determination of the net periodic cost were as follows:

	2017	2016
Discount rate	6.2%	7.0%
Pension growth rate	3.0%	3.0%

Sensitivity analysis of pensions and other postretirement benefits

For the year ended December 31, 2017, 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 projected benefits obligation as of December 31, 2017 is shown below:

Variables:	+50bps	-50bps
Discount rate	(1,584)	(1,706)
Pension growth rate	1,846	1,726

(Thousands of U.S. Dollars)

19) INCOME TAXES

19A) INCOME TAXES FOR THE PERIOD

For the years ended December 31, 2017 and 2016, income tax expense recognized in the consolidated income statements was as follows:

		2017	2016
Current income taxes	$	62,366	119,465
Deferred income taxes		(25,044)	(11,672)
	$	37,322	107,793
Out of which:			
Colombia [1, 2]	$	16,263	52,817
Costa Rica		10,673	11,857
Panama		6,451	8,934
Rest of CLH and others [3]		3,935	34,185
	$	37,322	107,793

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 tax was valid on the years 2015, 2016 and 2017. The effect the years 2017 and 2016 was approximately $1,939 and $4,710 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, 2017, 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.

As of December 31, 2017, the Company has tax loss carryforwards and other tax credits of $189,693, which has not been subject to accounting recognition. As of the same date, such tax loss carryforwards and other tax credits can be offset against taxable income in any future fiscal year without expiration.

19B) DEFERRED INCOME TAXES

As of December 31, 2017 and 2016, the main temporary differences that generated the consolidated deferred income tax assets and liabilities are presented below:

		2017	2016
Deferred tax assets:			
Tax carry forwards and other tax credits	$	381	545
Accounts payable and accrued expenses		10,164	9,527
Others		319	319
Total deferred tax assets		10,864	10,391
Deferred tax liabilities:			
Property, machinery and equipment		186,286	242,254
Goodwill		241,211	245,225
Others		(115)	443
Total deferred tax liabilities		427,382	487,922
Net deferred tax liabilities	$	416,518	477,531

The breakdown of changes in consolidated deferred income taxes during 2017 and 2016 were as follows:

		2017	2016
Deferred income tax benefit credited to the income statement	$	(25,044)	(11,672)
Deferred income tax expense (benefit) charged (credited) to stockholders' equity		(35,969)	13,120
Change in deferred income tax during the period	$	(61,013)	1,448

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 not expected to be distributed and 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, 2017 and 2016 were as follows:

	2017	2016
	%	%
Statutory tax rate in Spain	25.0	25.0
Other non-taxable income	(0.6)	(0.5)
Expenses and other non-deductible items	18.5	5.5
Other taxable non-accounting benefits	(2.3)	(0.7)
Differences in the income tax rates [1]	1.0	6.3
Income tax	1.9	2.0
Others	1.1	5.9
Effective consolidated tax rate	44.6	43.5

1 Includes the effects of the different income tax rates applicable in the countries that are part of this consolidated financial statements.

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, 2017, a summary of relevant facts of the most significant proceedings in progress, or which were resolved during the reported periods, were as follows:

Colombia

- In April, 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 considering the exchange rate as of December 31, 2017. After several appeals of CEMEX Colombia to the proceeding of the Tax Authority in the respective courts in which negative resolutions were obtained over the years, in July 2014, CEMEX Colombia filed an appeal against this resolution in the Colombian State Council (*Consejo de Estado)*. In this stage of the proceeding, as of December 31, 2017, CEMEX Latam does not consider probable an adverse resolution in this proceeding; however, it is difficult 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.

- In September, 2012, the Tax Authority notified CEMEX Colombia an ordinary request for the review of its income tax return for the fiscal year 2011, which is currently being audited, in connection with the amortization of goodwill of Lomas del Tempisque S.R.L. that was considered tax deductible in such tax return. At this stage of the proceeding, as of December 31, 2017, CEMEX Latam does not consider is probable an adverse resolution in this proceeding; however, it is difficult 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. Considering the exchange rate as of December 31, 2017, the summary of the cases is as follows::

	Amounts (millions $)			
Period		Tax	Fines	Status
1999	$	–	–	Favorable resolution in July 2013. Case closed.
2000 through 2005		–	–	Favorable resolution in May 2017. Cases closed.
2006 through 2007		–	–	Favorable resolution in March 2017. Cases closed.
2008		–	–	Favorable resolution in May 2017. Case closed.
2009 and 2010		–	–	Favorable resolution in June 2017. Cases closed.
2011		–	–	Procedures exhausted due to lack of action by the Municipality.
2012		–	–	Procedures exhausted due to lack of action by the Municipality.
2013		5	9	In progress, case challenged by the Company before the applicable instance.
	$	5	9	

(Thousands of U.S. Dollars)

Uncertain tax positions and significant tax proceedings – continued

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. After various resolutions and appeals to them, actions of unconstitutionality, cancellation and replenishment of the processes over the years, In July, 2017, the Tax Department confirmed by means of notification the sanctions imposed. In disagreement with such resolution, CEMEX Costa Rica filed an appeal with the Administrative Tax Court. The purported tax due and interest for these items if for an amount in Colones equivalent to approximately $6 million and the penalties determined in the resolution is for an amount in Colones equivalent to approximately $1 million, considering the exchange rate as of December 31, 2017. On December 31, 2017, the appeal is pending resolution. Once the Administrative Fiscal Court issues its resolution, the administrative process is considered exhausted. At this stage, CEMEX Latam does not consider probable that payments will be incurred in relation to this proceeding.

20) STOCKHOLDERS' EQUITY

20A) COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

As of December 31, 2017 and 2016, the line item common stock and additional paid-in capital was detailed as follows:

		2017			2016		
		Authorized	Treasury shares	Total	Authorized	Treasury shares	Total
Common stock	$	718,124	–	718,124	718,124	–	718,124
Additional paid-in capital		894,701	(144,838)	749,863	894,701	(146,007)	748,694
	$	1,612,825	(144,838)	1,467,987	1,612,825	(146,007)	1,466,818

During the years ended December 31, 2017 and 2016 the Parent Company performed physical deliveries of shares to the executives subject to the benefits of the stock-based long-term incentive plan (note 20D), which increased additional paid-in capital in the amount of $1,169 and $1,832, respectively, as result of the decrease in treasury shares, which were delivered to these executives.

As of December 31, 2017 and 2016, the Parent Company's subscribed and paid shares by owner were as follows:

Stocks	2017	2016
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	148,930,376	148,757,395
Total subscribed and paid shares	556,820,718	556,647,737

As of December 31, 2017 and 2016, 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 21,457,624 in 2017 and 21,630,605 shares in 2016 held in the Company's treasury (treasury shares).

On December 31, 2017 and 2016, CEMEX España owns approximately 73.25% and 73.28%, respectively, of the Parent Company's common shares, excluding shares held in treasury.

20B) OTHER EQUITY RESERVES

As of December 31, 2017 and 2016, the balances of other equity reserves are summarized as follows:

		2017	2016
Reorganization of entities under common control and other effects [1]	$	(300,422)	(300,422)
Translation effects of foreign subsidiaries [2]		(547,845)	(569,409)
Share-based payments [3]		9,664	9,455
	$	(838,603)	(860,376)

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, 2017 and 2016, the line item other equity reserves includes the effects associated with the executive stock-based compensation programs (note 20D), which costs are recognized in the operating 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 Company must allocate 10% of its profit for the year, determined on a stand-alone basis, to a legal reserve until it reaches at least an amount equivalent to 20% of the common stock. At December 31, 2017, and 2016, the legal reserve of the Parent Company amounted to $20,612 and $13,045, respectively.

20D) EXECUTIVE STOCK-BASED COMPENSATION

Based on IFRS 2, *Stock-based compensation*, instruments based in shares 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 such 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") of CEMEX, S.A.B. de C.V. are issued, which are vested and delivered during a services period of four years under each annual program. Effective January 1, 2013, all eligible executives from CEMEX Latam operations stopped receiving CPOs of CEMEX, S.A.B. de C.V.

For the years ended December 31, 2017 and 2016, 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 $209 and $1,632, respectively.

Under the annual long-term incentives 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 544,714 shares in 2017 and 377,412 shares in 2016 relative to 100% of the potential benefits to be accrued within each annual program. During 2017 and 2016, the Parent Company made the physical delivery of 172,981 and 271,461 shares, respectively, corresponding to the accrued portion of previous years' programs. Based on the aforementioned, as of December 31, 2017, there are approximately 798,552 shares of the Parent Company, corresponding to the portion of shares still unvested under these annual programs, which are expected to be physically delivered over the following years as the executives render services. The weighted average prices of the Parent Company's shares granted during the periods were for amounts equivalent in Colombian Pesos of approximately 4.42 Dollars per share in 2017 and 4.47 Dollars per share in 2016.

As of December 31, 2017 and 2016, 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, 2017 and 2016, non-controlling interest in equity amounted to approximately $4,910 and $4,813, respectively.

21) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income attributable to ordinary equity holders of the Parent Company (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 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, 2017 and 2016 were as follows:

Denominator (thousands of shares)		**2017**	**2016**
Weighted average number of shares outstanding – Basic EPS		556,677	556,377
Effect of dilutive instruments – stock-based compensation		799	540
Weighted average number of shares outstanding – Diluted EPS		557,476	556,917
Numerator			
Consolidated net income	$	46,411	140,269
Less: non-controlling interest net income		(316)	(500)
Controlling interest net income	$	46,095	139,769
Controlling Interest Basic Earnings per Share ($ per share)	$	0.08	0.25
Controlling Interest Diluted Earnings per Share ($ per share)	$	0.08	0.25

22) COMMITMENTS

22A) CONTRACTUAL OBLIGATIONS

As of December 31, 2017 and 2016, the Company had the following contractual obligations:

(Thousands of Dollars)		**2017**					**2016**
Debts		**Less than 1 year**	**1–3 years**	**3–5 years**	**More than 5 years**	**Total**	**Total**
Long-term debt with related parties [1]	$	358,134	–	–	584,684	942,818	991,348
Interest payments on debt [2]		48,157	66,069	66,069	5,068	185,363	81,538
Operating leases [3]		2,225	4,450	4,430	8,358	19,463	17,510
Finance lease obligations [4]		530	–	–	–	530	5,391
Pension plans and other benefits [5]		3,663	7,332	7,237	17,070	35,302	35,123
Purchases of raw materials, fuel and energy [6]		40,866	132,193	130,922	11,955	315,936	266,633
Investments in property, plant and equipment [7]		4,264	–	–	–	4,264	21,818
Total contractual obligations	$	457,839	210,044	208,658	627,135	1,503,676	1,419,361

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

2 Includes future interest payments under debt owed to third-party creditors, finance leases and debt owed to related parties using the current interest rates on the contracts as of December 31, 2017.

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 Compañía Nacional Productora de Cemento, S.A, for $2,060 to less than one year, $4,120 from one to three years, $4,120 from three to five years and $8,240 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 $165 to less than one year, $330 from one to three years, $310 from three to five years and $118 to more than five years.

4 Refers to finance 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 and Panama.

7 Correspond to the purchase of operating assets mainly in Colombia, as well as small amounts in Panama, Costa Rica, Nicaragua, Guatemala, Brazil and El Salvador.

Contractual obligations – continued

As of December 31, 2017, the Company has other significant contractual obligations. The descriptions of some of the most significant contracts are as follows:

- On September 28, 2017, CEMEX Colombia and Turgas S.A. E.S.P. signed a contract for the supply of natural gas to the Caracolito plant for a term of four years from the signing of the contract. The annual amount in Colombian Pesos is fully variable considering it depends of the amount of natural gas actually supplied multiplied by the agreed upon price per unit; nonetheless, the annual amount is estimated to be around $10.1 million.

- On August 14, 2017, the Board of Directors of CEMEX Colombia resolve to authorize the legal representative or whoever holds its duties to continue the development of the projects named Tunjuelo and Suratá, the first in the city of Bogotá and the second in the city of Bucaramanga, to carry out the urban development of certain properties owned by CEMEX Colombia. Regarding Tunjuelo's project, CEMEX Colombia engaged the firm Pinilla González y Prieto Abogados Ltda (PGP Ltda) for advice in soil management and commercialization of the project with fees amounting to 0.25% of the sale price of the project. Regarding the Suratá project, CEMEX Colombia engaged the firm PGP Ltda, Grener cities SAS and Lorenzo Castro for the development and commercialization of the project for a fee of $85 plus 1% of the sale price.

- On May 1, 2017, CEMEX Colombia signed a contract with Excavaciones y Proyectos de Colombia S.A.S. for the extraction of limestone at the quarry "La Esmeralda" and the transfer of raw materials at the Caracolito Plant (Tolima, Colombia), for a term of five years from the signing of the contract. The annual amount in Colombian Pesos is approximately $7 million.

- 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, the approximate annual amount is $9 million.

- On March 28, 2014, CEMEX Colombia signed an agreement with Exxonmobil Colombia S.A. for the supply of various fuels, the original duration of which was three years from its signature and to date it was terminated. On July 28, 2017 a new contract will be signed where CEMEX Colombia is given the status of retail distributor. The term of the new contract will be four years for an annual amount in Colombian Pesos equivalent to approximately $11 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. Annual payments are estimated in approximately $198.

- 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 payment is estimated in approximately $2 million.

- On May 23, 2013, CEMEX Colombia accepted the offer of Mincivil, S.A., 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 payment is estimated in approximately $2 million.

- On January 17, 2008, 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, 2017, 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, 2017 and 2016, the total expense for trademarks use recognized in the operating expenses amounted to $5,495 and $7,415, respectively.

Other commitments – continued

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, 2017 and 2016, the total royalty expense recognized in the operating expenses amounted to $40,272 and $37,234, 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, 2017 and 2016, the total services expense recognized in the operating expenses amounted to $16,375 and $21,116, respectively.

The mentioned contracts in subsections (i) and (iii) above have been renewed for a period of five years, that is, until July 1, 2022, in accordance with the stipulated in the agreement.

- In order to avoid potential conflicts of interest between the Parent Company and CEMEX S.A.B. de C.V, 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 S.A.B. de C.V, and CEMEX España, for which the Parent Company will require approval of its independent directors. At its meeting of March 28, 2017, following a favorable report from its Corporate Governance Commission, the Board of Directors unanimously agreed to amend the Framework Agreement to include a principle of common interest and reciprocity between the three companies in connection with the management and responses related to legal proceedings, administrative matters and investigations by authorities or governmental regulators. In addition, the Framework Agreement will cease to have effect if the Parent Company ceases to be a subsidiary of CEMEX, S.A.B. de C.V. or if CEMEX, S.A.B. de C.V. no longer has to account for its investment in the Holding Company on a consolidated basis or under the equity method for accounting purposes (or any other method that applies similar principles).

- Pursuant to the Framework Agreement entered with CEMEX S.A.B. de C.V and CEMEX España, and in order to assist CEMEX S.A.B. de C.V to accomplish its debt agreements, the Parent Company will require the prior consent of CEMEX S.A.B. de C.V 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.

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 S.A.B. de C.V. and CEMEX España.

g) Take any action that could result on default for CEMEX S.A.B. de C.V. under any contract or agreement, under its financing agreements and any refinancing, relocation or modifications thereto, to the extent that all CEMEX's S.A.B. de C.V. 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 S.A.B. de C.V. and any replacement or modification thereof.

Other commitments – continued

- As mentioned in note 22A, there are (i) a lease agreement of the Financial Group for its research and development offices in Switzerland since November 2012 for a term of five years, which has been extended by agreement dated September 1, 2017 for an additional period of five years, and (ii) 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. On June 12, 2017, the sublease contract has been modified reducing the leased area as well as the amount of the rent. The rest of the contract conditions remain and have not been modified. 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 connection with the project of the Maceo plant (notes 13 and 23A), 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 definite date for completion. The works of the access road have been suspended since the last quarter of 2016 pending the resolution of various administrative processes and permits (note 23A).

- CEMEX Colombia has been developing thirteen social interest housing projects in the departments of Cesar, Quindío, Risaralda and Norte de Santander, consisting of 5,344 units whose buyers were benefited with contributions from government entities in the form of subsidies and preferential interest rates. As of December 31, 2017, beneficiaries, government entities and financial entities have deposited in a trust funds for approximately Col $124 billion ($ 41.6 million) that would partially guarantee the payment of the homes, and that will be released to CEMEX Colombia. Title of contribution and utility as the technical and financial closure of the projects as occurs.

  The following are the regional breakdown according with the total number of units to be built:

  In the state of the Cesar (*Departamento del Cesar*) in Colombia, currently for the construction of 2,746 houses, located in the municipalities of San Alberto, Aguachica, Curumaní, Astrea, Becerril, San Diego and Gamarra, The estimated selling price of the project is for an amount of approximately Col$128 billion ($43 million). The houses are delivered gradually as they are concluded. In connection with these projects, as of December 31, 2017, customers have made advance payments deposited with a trustee agent for an amount of approximately Col$63 billion ($21,2 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, 2017, these housing projects have a combined stage of completion of approximately 85%. Out of the funds that have been deposited, the legal delivery process over approximately Col$57 billion ($19.3 million) corresponding to 2,408 houses has been concluded.

  In the state of Quindío and Risaralda, the construction of 1,578 homes belonging to the Villa Cecilia and San José projects in Armenia (Quindío), Los Juncos and San Marcos in Dos Quebradas (Risaralda) and Santa Clara in Pereira (Risaralda), with an estimated sale price of Col$78 billion ($26 million). As of December 31, 2017, advances in the execution of the works of 93% were presented. As regards the register process as of December 31, 2017, 532 deeds have been registered.

  In the state of the Norte de Santander the Arrayanes project, consisting of 1,020 homes with an estimated sale price of Col$49 billion ($16 million), whose execution as of December 31, 2017 is 93% having been deeded, is being registered in the Department of 820 houses.

- On July 30, 2012, CEMEX signed by 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 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, Cemento 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 since the first supply which was made in 2010 and includes annual partial deliveries of clinker in metric tons ("MT") of 1,320,715 MT for the period from 2016 to 2017 and 1,414,783 MT for the period from 2017 to 2018.

23) LEGAL PROCEEDINGS

23A) LIABILITIES RESULTING FROM LEGAL PROCEEDINGS

CEMEX Latam is involved in various significant legal proceedings, other than the procedures associated with taxes detailed in note 19D, 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. Consequently, CEMEX Latam considers that there will not be significant payments or additional losses in excess of the amounts already recognized.

As of December 31, 2017, the detail of the most significant legal proceedings that have generated the recognition of provisions or losses is as follows:

- On December 26, 2017, in the context of a market investigation started in 2013 against five cement companies and 14 executives of said companies, including two former executives of CEMEX Colombia for alleged practices against free competition, and after various arrangements over the years, the Colombian Superintendence of Industry and Commerce (the "SIC") imposed a final fine on CEMEX Colombia for an amount in Colombian Pesos equivalent to approximately $24.7 million to be paid no later than 5 of January 2018, considering CEMEX Colombia's defense strategy. As a result, as of December 31, 2017, CEMEX Colombia recognized a provision for such amount against "Other expenses, net". CEMEX Colombia will not appeal the resolution of the SIC and instead intends directly to file an annulment and reestablishment of right claim before the Administrative Court within the four months after the resolution. Once filed, this claim could take a considerable amount of time in being resolved. As of December 31, 2017, CEMEX Latam is not able to assess the likelihood for the recovery of the fine imposed by the SIC or the timeframe for the defense process.

- In relation to the construction of the cement plant in the municipality of Maceo, department of Antioquia in Colombia (note 13), In August, 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, the mining concession and the environmental permit, the shares of Zomam (holder of the free trade zone concession), as well as the rights to execute the construction of the cement plant. After signing of the MOU, a former shareholder of CI Calizas, who presumptively transferred its shares of CI Calizas two years before the signing of the MOU, was linked to a process of expiration of property 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. CEMEX Colombia acquired the shares of Zomam 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 fully cooperating with the Attorney General.

  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. CEMEX Latam considers that during the course of the different legal processes, the Lease Contract enables it to use and enjoying the land in order to operate the plant. Therefore, CEMEX Colombia plans to negotiate an extension to the Lease Contract before its expiration in July 2018, as well as an agreement that would allow CEMEX Colombia to operate the plant while the expiration of property process is exhausted.

  In May, 2016, the Attorney General resolved to deny the inadmissibility request to the action of expiration of property previously filed by CEMEX Colombia, considering that it should broaden the collection of evidential elements and its analysis in order to take a resolution according to law. As of December 31, 2017, given the nature of the process and the several procedural stages, it is estimated that it may take between five and ten years for the issuance of a final resolution in respect to the aforementioned process, which is in its investigation stage, waiting for the defendants' legal counsel (guardians' *ad litem*) appointed by the Attorney General to assume functions in order to open the evidentiary stage.

  Moreover, in connection with Maceo's project, CEMEX Colombia also engaged the same representative of CI Calizas to also represent in the name and on behalf of CEMEX Colombia in the acquisition of land adjacent to the plant, signing a new memorandum of understanding with this representative (the "Land MOU"). During 2016, CEMEX received reports through its anonymous complaint line, related to possible deficiencies in the purchase process of land where the cement plant is located. Through an internal investigation and internal audit in accordance with their corporate governance policies and code of ethics, CEMEX and CEMEX Latam confirmed the irregularities in such process as mentioned below. As a result, on September 23, 2016, CEMEX and CEMEX Latam decided to terminate the employment relationship with the Vice President of Planning of CEMEX Latam and of CEMEX Colombia; with the Legal Counsel of CEMEX Latam and CEMEX Colombia; and accepted the resignation of the Chief Executive Officer of CEMEX Latam and President of CEMEX Colombia to facilitate investigations. In order to strengthen the levels of leadership, management and best practices of corporate governance, in October 2016, the Board of Directors of the Parent Company decided to separate the roles of Chairman of the Board of Directors, Chief Executive Officer of CEMEX Latam and President of CEMEX Colombia, and immediately made the respective appointments. Moreover, pursuant to a requirement of CEMEX, S.A.B. de C.V.'s Audit Committee and of the Parent Company's Audit Commission, an audit firm, experts in forensic audits, was engaged in order to perform an independent investigation of the Maceo project. Additionally, CEMEX Colombia and the Parent Company engaged an external firm to assist them on the necessary collaboration with the Attorney General and management also engaged a team of external lawyers for its own legal advice.

Liabilities resulting from legal proceedings – continued

The internal audit initiated during 2016 found that CEMEX Colombia made cash advances and paid interest to this representative for amounts in Colombian Pesos equivalent to approximately $13,412 and $1,252, respectively, in both cases considering the Colombian Peso to U.S. Dollar exchange rate as of December 31, 2016. These amounts were deposited in the representative's personal bank account as advance payments under the MOU and the Land MOU. CEMEX Colombia paid interest 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 Land MOU, as of the reporting date, CEMEX Colombia is not the legitimate owner of the aforementioned assets. Moreover, considering that payments made by CEMEX Colombia under the MOU and the Land MOU were made in violation of CEMEX's and CEMEX Latam's internal policies; both the Parent Company and CEMEX Colombia reported these facts to the Attorney General, providing the findings obtained during the investigation and internal audits. In December 2016, CEMEX Colombia increased the original claim of September 23, 2016, with the information and findings compiled at such date, and also 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 CEMEX Colombia.

Based on the investigation and internal audit related to Maceo's project mentioned above, and considering the findings and the legal opinions available, in December, 2016, CEMEX Latam determined: a) low probability of recovering resources delivered under different memorandums of understanding for an amount in Colombian Pesos equivalent to approximately $14,257 that were recognized as part of construction in progress; as a result, such amount was reduced to zero recognizing an impairment loss for such amount against "Other expenses, net," including approximately $2,344 of losses not related with the MOU or the Land MOU; b) that 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 construction 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 construction in progress. All these amounts considering the Colombian Pesos to U.S. Dollar exchange rate as of December 31, 2016. During 2017, CEMEX Colombia further determined an adjustment and payment of additional VAT in the free zone for approximately $5 million. CEMEX Colombia determined an initial total budget for the Maceo plant of $340 million. As of December 31, 2017, the carrying amount of the project, net of adjustments, is for an amount in Colombian Pesos equivalent to approximately $333 million, considering the exchange rate as of December 31, 2017.

In connection with the aforementioned irregularities detected, there is an ongoing criminal investigation by the Attorney General. As of December 31, 2017, the investigation by the Attorney General is finalizing its initial stage (inquiry) and a hearing to present charges was set for January 15, 2018, which would initiate the second stage of the proceeding (investigation). 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. 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, 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. Consequently, CEMEX 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 addition and specifically in connection with the continuous efforts aimed to remediate the irregularities that occurred in the purchase process of the land and other assets related to the construction of the plant, CEMEX Latam, considering the investigations and internal audits as well as the assessment of the advice received by external advisors, continues with activities oriented to remediate the internal control weakness related to unusual and significant transactions, and that CEMEX, S.A.B. de C.V. and CEMEX Latam have defined as material weakness. As of December 31, 2017, among the remediation practices that CEMEX, S.A.B. de C.V. and the Parent Company implemented, with the approval of the Audit Commission and the Board of Directors of the Parent Company, there is the new approval policy on significant unusual transactions, the creation of a committee that oversees material investment projects and the strengthening of internal auditing procedures and the improvement of existing monitoring controls in order to operate in a satisfactory level of precision. As previously mentioned, as of December 31, 2017, the remediation activities have been fully implemented. Nonetheless, these remediation activities are being evaluated in their effectiveness; therefore, the material weakness in internal controls will not be considered remediated until the Company's management concludes that the remediation controls have been operating for a sufficient period in an effective way. The Parent Company considers that this weakness has not materially affected the financial statements issued by CEMEX Latam in prior periods.

Liabilities resulting from legal proceedings – continued

In October 2016, considering information that also emerged from the audits, CEMEX Latam decided to postpone the start-up of the Maceo plant and the construction of the access road until the following issues would be resolved: (i) there are pending permits required to finalize the access road to the Maceo plant, critical infrastructure to assure safety and capacity to transport products from the plant; (ii) CEMEX Colombia has requested an expansion to the free trade zone to cover the totality of the cement plant in order to access the tax benefits originally projected for the plant, for which is critical that the request for partial adjustment to the District of Integrated Management ("DIM") would be finalized in July 2018, in order to allow CEMEX Colombia continue with the expansion process of the free trade zone; (iii) it is necessary to modify the environmental license to expand its production to 950 thousand tons of clinker per year as initially planned; as well as to reduce the size of the zoning area in order to avoid any overlap with the DIM; (iv) a subsidiary of CEMEX Colombia holds the environmental permit for the Maceo project, however, the transfer of the mining concession was revoked by the Antioquia Mining Government Ministry in December 2013 and reassigned to CI Calizas. As a result, the environmental permit and the mining concession are in custody of different entities, contrary to standard situation; and (v) the mining permit of the plant partially overlaps with the DIM. In connection with these issues, in December 2016, Corantioquia, the regional environmental agency, communicated its negative resolution to CEMEX Colombia's request to increase the mining concession for up to 950 thousand tons per year, resolution that was appealed by CEMEX Colombia, whom continues working to address these issues as soon as possible, including the zoning and harmonization of the Maceo project with the DIM, as well as analyzing alternatives for partial extraction of the DIM aiming to evidence the feasibility of achieving the expansion of the proposed activity in the project. Once these alternatives are implemented, CEMEX Colombia would reconsider submitting a new request for modification of the environmental license to expand its production to the initially envisaged 950 thousand tons. Meanwhile, CEMEX Colombia will limit its activities to those authorized under the currently effective environmental license and mining title.

- 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, 2017, 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 in Colombian Pesos associated with this litigation for approximately $12 million considering the exchange rate as of December 31, 2017.

23B) OTHERS CONTINGENCIES RESULTING FROM LEGAL PROCEEDINGS

As of December 31, 2017, 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 the cement market shares and determine 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 on June 5, 2015 and collaborates as necessary with the aforementioned study. As of December 31, 2017, the Company has not being informed of any recent developments in connection with this market study.

Liabilities resulting from legal proceedings – continued

- 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 business days to present its arguments and exonerating evidence, which were filed on January 11, 2016 within the administrative process.

  In connection with the aforementioned inspection to Cemento Bayano, at the end of January 2016, the process was referred to the Regional Administration of North Panama of the Environment Ministry (*Administración Regional Panamá Norte del Ministerio de Ambiente* or the "Regional Administration"), which by resolution of September 12, 2016, admitted and rejected evidence. On November 24, 2016, the Regional Administration requested the Environmental Economic Unit to calculate the fine to be imposed to Cemento Bayano. As of December 31, 2017, the fine has not been yet imposed. Fines related to environmental matters do not have a limit in the code and depend on the severity of the damage, on the recidivism, on the investments level and on 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 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, 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 an amount in Colombian Pesos equivalent to approximately $102 million. The temporary injunction has not compromise the production and supply of ready-mix concrete to CEMEX Colombia's customers. 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

- As a result of the premature damages presented in the Transmilenio slabs - North Highway, six popular actions were filed against CEMEX Colombia. The Administrative Litigation Court decided to declare the nullity of five lawsuits and, currently, the lawsuit is filed by a citizen, which is pending judgment of the first instance. As of December 31, 2017, 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**.**

(Thousands of U.S. Dollars)

Other proceedings legal – continued

- In connection with the criminal proceedings against several officials of some participating companies on the occasion of the premature damage of the slabs of the Transmilenio Norte Highway and to which CEMEX Colombia was linked as a third party civilly responsible, On January 21**,** 2008, the judge of knowledge ordered and practiced the embargo of the mine Tunjuelo. CEMEX Colombia, at the time, pledged an amount in Colombian Pesos equivalent to December 31, 2017 of $6.8 million, for which it constituted a CDAT for an approximate amount in Colombian Pesos equivalent to December 31, 2017 of $2.2 million, as warranty. As a result of the completion of the process, the amount was reimbursed to CEMEX Colombia on October 25, 2017.
- In the case of the Transmilenio slabs - North Highway, CEMEX Colombia acted solely and exclusively as a supplier of fluid and concrete fillings, which were delivered and received to the satisfaction of the builder of the work, complying with all technical specifications required. Likewise, the Company did not participate nor had any responsibility in the definition of road designs, nor in the definition of the materials to be used and their corresponding technical specifications. These considerations were fully accepted by the judge of first instance by order of January 21, 2015 and were subsequently confirmed on July 28, 2015.

In addition, as of December 31, 2017, 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) SUBSEQUENT EVENTS

On January 5, 2018, in connection with the fine related to the market investigation imposed by the SIC in Colombia for approximately $25 million, CEMEX Colombia made the payment of such fine and will continue its defense process as described in note 23A.

In connection with the hearing to present charges set by the Attorney General to be held on January 15, 2018 and that would initiate the investigation phase in the process, within the proceeding associated with the Maceo project (note 23A), the aforementioned hearing was rescheduled for April 24, 2018.

25) MAIN SUBSIDIARIES

The Parent Company's main direct and indirect subsidiaries as of December 31, 2017 and 2016 are as follows:

Subsidiary	Country	Activity	% of interest 2017	% of interest 2016
Corporación Cementera Latinoamericana, S.L.U. [1]	Spain	Parent	100.0	100.0
CEMEX Colombia S.A.	Colombia	Operating	99.7	99.7
Zona Franca Especial Cementera del Magdalena Medio S.A.S. [2]	Colombia	Operating	100.0	100.0
CEMEX (Costa Rica), S.A.	Costa Rica	Operating	99.1	99.1
CEMEX Nicaragua, S.A.	Nicaragua	Operating	100.0	100.0
CEMEX Finance Latam, B.V.	The Netherlands	Finance	100.0	100.0
Cemento Bayano, S.A.	Panama	Operating	99.5	99.5
Cimentos Vencemos do Amazonas, Ltda.	Brazil	Operating	100.0	100.0
CEMEX Guatemala, S.A.	Guatemala	Operating	100.0	100.0
Equipos para Uso en Guatemala, S.A.	Guatemala	Operating	100.0	100.0
CEMEX El Salvador, S.A.	El Salvador	Operating	100.0	100.0
Inversiones SECOYA, S.A.	Nicaragua	Operating	100.0	100.0
Apollo RE, Ltd. [3]	Barbados	Reinsurance	100.0	100.0
Maverick RE, Ltd. [3]	Bermuda	Reinsurance	–	100.0

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

2 This entity, which shares are included in the expiration of property process (note 23A), holds a significant portion of the investments in the Maceo plant project and is the holder of the free trade zone concession.

3 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, considering the favorable report of the Audit Commission. On December 30, 2016, the Parent Company sold 100% of its stake in Maverick RE, Ltd. to Apollo RE, Ltd, for an amount of $48,133. Subsequently, on November 27, 2017, Apollo RE, Ltd., merged and absorbed Maverick RE, Ltd., with the extinction of the absorbed entity and the transfer to the merging entity of all its rights and obligations.