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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 201X

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

	Notes		Years ended December 31, 2018	2017
Revenues	2O, 3A	$	1,108,329	1,206,453
Cost of sales	2Q		(649,670)	(670,188)
Gross profit			**458,659**	**536,265**
Administrative and selling expenses	2Q		(185,194)	(196,495)
Distribution expenses	2Q		(105,654)	(101,048)
			(290,848)	(297,543)
Operating earnings before other expenses, net			**167,811**	**238,722**
Other expenses, net	3C, 5		3,757	(34,386)
Operating earnings			**171,568**	**204,336**
Financial expense	3C		(59,000)	(63,256)
Financial income and other items, net	3C, 6		(1,722)	(3,293)
Foreign exchange results			(1,747)	(1,356)
Earnings before income tax			**109,099**	**136,431**
Income tax	19A		(36,593)	(56,894)
Net income from continuing operations			72,506	79,537
Net loss from discontinued operations	2A, 3B		(9,556)	(33,126)
CONSOLIDATED NET INCOME			**62,950**	**46,411**
Non-controlling interest net income			194	316
CONTROLLING INTEREST NET INCOME		$	**62,756**	**46,095**
Basic earnings per share	21	$	**0.11**	**0.08**
Basic earnings per share of continuing operations	21		**0.13**	**0.14**
Diluted earnings per share	21	$	**0.11**	**0.08**
Diluted earnings per share of continuing operations	21		**0.13**	**0.14**

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, 2018	2017
CONSOLIDATED NET INCOME		$	**62,950**	**46,411**
Items that will not be reclassified subsequently to the income statement:				
Remeasurements of the defined benefits obligation			(815)	(2,985)
Items that will be reclassified subsequently to the income statement when specific conditions are met:				
Currency translation effects of foreign subsidiaries	**2D**		(90,818)	24,549
Total items of comprehensive (loss) income for the period			(91,633)	21,564
CONSOLIDATED COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD			(28,683)	67,975
Non-controlling interest comprehensive income			194	316
CONTROLLING INTEREST COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		$	**(28,877)**	**67,659**
Out of which:				
COMPREHENSIVE LOSS OF DISCONTINUED OPERATIONS			(9,556)	(33,126)
COMPREHENSIVE (LOSS) INCOME OF CONTINUING OPERATIONS			**(19,321)**	**100,785**

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		As of December 31, 2018	2017
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	7	$	37,126	45,154
Trade accounts receivable, net	8		87,465	115,475
Accounts receivable from related parties	9		21,138	9,647
Other accounts receivable	10A		14,007	14,834
Prepaid taxes			29,696	33,757
Inventories, net	11		81,172	82,675
Other current assets	12		38,567	25,745
Total current assets			309,171	327,287
NON-CURRENT ASSETS				
Other investments and non-current accounts receivable	10B		4,306	10,319
Property, machinery and equipment, net	13		1,162,672	1,250,521
Goodwill and other intangible assets, net	14		1,555,413	1,694,998
Deferred income tax assets	19B		16,219	10,864
Total non-current assets			2,738,610	2,966,702
TOTAL ASSETS		$	**3,047,781**	**3,293,989**
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term debt	15A	$	7,135	17,523
Trade payables			149,523	165,969
Accounts payable to related parties	9		42,870	358,134
Taxes payable			29,555	31,341
Other accounts payable and accrued expenses	16		65,474	109,870
Total current liabilities			294,557	682,837
NON-CURRENT LIABILITIES				
Long-term accounts payable to related parties	9		835,102	584,684
Employee benefits	18		36,661	40,415
Deferred income tax liabilities	19B		346,285	427,382
Other liabilities	16		17,575	15,626
Total non-current liabilities			1,235,623	1,068,107
TOTAL LIABILITIES			**1,530,180**	**1,750,944**
STOCKHOLDERS' EQUITY				
Controlling interest				
Common stock and additional paid-in capital	20A		1,469,732	1,467,987
Other equity reserves	20B		(928,326)	(838,603)
Retained earnings	20C		908,143	862,656
Net income			62,756	46,095
Total controlling interest			1,512,305	1,538,135
Non-controlling interest	20E		5,296	4,910
TOTAL STOCKHOLDERS' EQUITY			**1,517,601**	**1,543,045**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$	**3,047,781**	**3,293,989**

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, 2018	2017
OPERATING ACTIVITIES			
Consolidated net income		$ 72,506	79,537
Discontinued operations, net of tax		(9,556)	(33,126)
Net income from continuing operations		62,950	46,411
Non-cash items:			
Depreciation and amortization of assets	4	74,696	75,386
Provisions and other non-cash expenses	11, 8	1,825	728
Financial expense, financial income and foreign exchange results, net		62,469	67,905
Income taxes	19	36,593	56,894
Loss on the sale of fixed assets		295	4,030
Recycling of cumulative currency translation effects upon disposal of subsidiaries		4,711	–
Impairment losses	5	2,756	1,790
Changes in working capital, excluding income taxes		(20,163)	(15,429)
Net cash flow provided by operating activities from continuing operations before interest and income taxes		**226,132**	**237,715**
Financial expense paid in cash		(37,464)	(43,686)
Income taxes paid in cash		(58,003)	(100,457)
Net cash flow provided by operating activities of continuing operations		130,665	93,572
Net cash flow provided by operating activities of discontinued operations		(1,235)	52,867
Net cash flows provided by operating activities		**129,430**	**146,439**
ACTIVIDADES DE INVERSIÓN			
Property, machinery and equipment, net	13	(34,364)	(68,278)
Financial income	6	704	121
Intangible assets and other deferred charges		(1,060)	(1,722)
Long term assets and others, net	10B	(2,061)	5,842
Disposal of subsidiaries	3A	31,414	–
Net cash flows used in investing activities of continuing operations		(5,367)	(64,037)
Net cash flows provided by (used in) investing activities of discontinued operations		878	(681)
Net cash flows used in investing activities		**(4,489)**	**(64,718)**
FINANCING ACTIVITIES			
Debt repayments to related parties		(543,132)	(713,522)
Loans from related parties		463,571	654,728
Loans repayments, net		(8,957)	(7,095)
Non-current liabilities, net		(42,320)	4,909
Net cash flows used in financing activities of continuing operations		(130,838)	(60,980)
Net cash flows used in financing activities of discontinued operations		(242)	(20,270)
Net cash flows used in financing activities		**(131,080)**	**(81,250)**
Decrease in cash and cash equivalents		(5,540)	(31,445)
Increase (decrease) in cash and cash equivalents of discontinued operations		(599)	31,916
Cash conversion effect, net		(1,889)	(224)
Cash and cash equivalents at beginning of period		45,154	44,907
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	$ **37,126**	**45,154**
Changes in working capital, excluding income taxes:			
Trade receivables, net		$ 26,264	(15,861)
Other accounts receivable and other assets		(6,498)	(14,860)
Inventories		1,424	(10,471)
Trade payables		(16,449)	13,448
Short-term related parties, net		17,730	(3,575)
Other accounts payable and accrued expenses		(42,634)	15,890
Changes in working capital, excluding income taxes		$ **(20,163)**	**(15,429)**

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, 2018 and 2017
(Thousands of U.S. Dollars)

	Notes		Common stock	Additional paid-in capital	Other equity reserves	Retained earnings	Total controlling interest	Non-controlling interest a	Total stockholders' equity
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**
Effect from adoption of IFRS 9 (note 2A)			–	–	–	(608)	(608)	(3)	(611)
Balances as of January 1, 2018		**$**	**718,124**	**749,863**	**(838,603)**	**908,143**	**1,537,527**	**4,907**	**1,542,434**
Net income for the period			–	–	–	62,756	62,756	194	62,950
Total other items of comprehensive income for the period			–	–	(91,633)	–	(91,633)	–	(91,633)
Changes in non-controlling interest	**20E**		–	–	–	–	–	195	195
Stock-based compensation	**20D**		–	1,745	1,910	–	3,655	–	3,655
Balance as of December 31, 2018		**$**	**718,124**	**751,608**	**(928,326)**	**970,899**	**1,512,305**	**5,296**	**1,517,601**

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, and El Salvador, are all oriented to the construction industry through the production, marketing, distribution and sale of cement, ready-mix concrete, aggregates and other construction materials. The common shares of CEMEX Latam Holdings, S.A., are listed in the Colombian Stock Exchange (*Bolsa de Valores de Colombia, S.A.* or "BVC") under the symbol CLH.

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

The issuance of these consolidated financial statements was authorized by Management and the Board of Directors of the Parent Company on February 6, 2019, 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, 2018 and 2017 were prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2018, 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.

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, 2018. 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, 2018 and 2017, as well as for the years ended December 31, 2018 and 2017 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 "$" or Dollars is to Dollars of the United States, when reference is made to "€" or Euros is to the currency in circulation in a significant number of European Union ("EU") countries. When reference is made to "¢" or Colones is to Colones of the Republic of Costa Rica ("Costa Rica"). When reference is made to "Col$" or Pesos is to Pesos of the Republic of Colombia ("Colombia"). When reference is made to "C$" or Cordobas is to Cordobas of the Republic of Nicaragua ("Nicaragua"). When reference is made to "Q$" or Quetzals is to Quetzals of the Republic of Guatemala ("Guatemala").

Newly issued IFRS adopted in 2018

IFRS 9, *Financial Instruments: classification and measurement* ("IFRS 9") (note 2F)

Effective beginning January 1, 2018, IFRS 9 sets forth the guidance relating to the classification and measurement of financial assets and financial liabilities, the accounting for expected credit losses of financial assets and commitments to extend credits, as well as the requirements for hedge accounting; and replaced IAS 39, *Financial instruments: recognition and measurement* ("IAS 39"). CEMEX Latam applied IFRS 9 prospectively. The accounting policies were changed to comply with IFRS 9. The changes required by IFRS 9 are described as follows:

Among other aspects, IFRS 9 changed the classification categories for financial assets under IAS 39 and replaced them with categories that more closely reflect the measurement method, the contractual cash flow characteristics and the entity's business model for managing the financial asset:

Newly issued IFRS adopted in 2018 – IFRS 9 – continued

- Cash and cash equivalents, trade and other accounts receivable and other financial assets, which were classified as "Loans and receivables" and measured at amortized cost under IAS 39, are now classified as "Held to collect" under IFRS 9 and continue to be measured at amortized cost.
- Investments and non-current accounts receivable that were classified as "Held to maturity" and measured at amortized cost under IAS 39, are now classified as "Held to collect" under IFRS 9 and continue to be measured at amortized cost.
- Investments that were classified as "Held for trading" and measured at fair value through profit or loss under IAS 39, are now classified as "Other investments" under IFRS 9 and are measured at fair value through profit or loss.
- Certain investments that were classified as "Held for sale" and measured at fair value through other comprehensive income under IAS 39, are now considered as strategic investments under IFRS 9 and continue to be measured at fair value through other comprehensive income.

Debt instruments and other financial obligations continue to be classified as "Loans" and measured at amortized cost under IFRS 9 and derivative financial instruments continue to be measured at fair value through profit or loss under IFRS 9.

CEMEX Latam assessed which business models applied to its financial assets and liabilities as of the date of initial application of IFRS 9 and classified its financial instruments into the appropriate IFRS 9 categories. As of January 1, 2018, the changes due to the classification and measurement requirements under IFRS 9 did not impact either the measurement or carrying amount of financial assets and liabilities and there was no effect on CEMEX Latam retained earnings.

In addition, under the new impairment model under IFRS 9 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 a loss has not yet been incurred, considering for their measurement past events and current conditions, as well as reasonable and supportable forecasts affecting collectability. CEMEX Latam developed an expected credit loss model applicable to its trade accounts receivable that considers the historical performance and economic environment, as well as the credit risk and expected developments for each group of customers and applied the simplified approach upon adoption of IFRS 9. The effects of the adoption of IFRS 9 on January 1, 2018 related to the expected credit loss model represented an increase in the allowance for expected credit losses of $853 recognized against retained earnings, net of a deferred income tax asset of $242. The balances of such allowance and deferred tax assets increased from the reported amounts as of December 31, 2017 of $6,558 and $10,864, respectively, to $7,411 and $11,106 as of January 1, 2018, respectively, after the adoption effects.

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. IFRS 9 maintains the same hedge 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 performed an analysis of its derivative financial instruments upon adoption of IFRS 9 on January 1, 2018 and determined that the changes in hedge accounting described above did not impact either the measurement or carrying amount of the assets and liabilities related to its derivative financial instruments and there was no effect on CEMEX Latam retained earnings.

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: a) identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); b) identify the different performance obligations (promises) in the contract and account for those separately; c) determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); d) allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and e): 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 was effective on January 1, 2018 and did not generate any significant effect on CEMEX Latam's operating results or financial position.

Among other minor effects, the main changes under IFRS 15 as they apply to CEMEX Latam referred to 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).

Discontinued Operations

Considering the disposal of an entire reportable operating segment (note 3B), CEMEX Latam presents its reportable segment in Brazil as discontinued operations in the income statements, statements of comprehensive income and statements of cash flows for the year 2017 and the period from January 1 to September 27, 2018. As a result, the comparative financial statements and their notes for the prior period previously reported, in which CEMEX Latam reported is operations in Brazil consolidated line-by-line, have been restated. Discontinued operations are presented net of income tax. Based on IFRS, the information of the statement of financial position for the comparative prior period is not restated.

Income statements

CEMEX Latam includes in the income statements the line item titled “Operating earnings before other expenses, net” considering that it is a relevant operating measure for the Company’s management. The line item “Other expenses, net” consists primarily of revenues and expenses not directly related to CEMEX Latam’s main activities, or that are of an unusual or non-recurring nature, including results on disposal of assets, reimbursement of damages from insurance companies, as well as certain severance payments under restructuring, among others (note 5). Under IFRS, the inclusion of certain subtotals such as “Operating earnings before other expenses, net” and the display of the statement of operations vary significantly by industry and company according to specific needs.

Considering that it is an indicator for management of CEMEX Latam’s ability to internally fund capital expenditures and to measure its ability to service or incur debt under its financing agreements, for purposes of note 3B, CEMEX presents “Operating EBITDA” (operating earnings before other expenses, net, plus depreciation and amortization). This is not an indicator of CEMEX Latam’s financial performance, an alternative to cash flows, measure of liquidity or comparable to other similarly titled measures of other companies. This indicator is used by CEMEX Latam’s management for decision-making purposes.

Statements of cash flows

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, 2018 and 2017, related to the capitalization of interest accrued on the debt with CEMEX companies, the increase in long-term accounts payable to related parties of $35,804 and $30,849, respectively, and

- For the years ended December 31, 2018 and 2017, in connection with the executives’ stock-based compensation (note 20D), the net increase in other equity reserves of $1,910 and $1,378, respectively, and the increase in additional paid-in capital of $1,745 in 2018 and $1,169 in 2017.

Going Concern

The Parent Company’s Board of Directors has approved these consolidated financial statements as of December 31, 2018 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. As of December 31, 2017, current liabilities exceeded current assets in $355,550. As of December 31, 2018, current assets exceeded current liabilities in $14,614. In order to reduce liquidity risk, on June 29, 2018, the Company renegotiated to a two-year maturity the loan granted by LOMEZ International B.V to Cemento Bayano, S.A. ("Cemento Bayano") for $130,195. In addition, on December 28, 2018, CEMEX Colombia renewed its credit line with CEMEX España with a maturity of 2 years (note 9). The Company’s management considers that CEMEX Latam will generate sufficient net cash flows from operations in the future to allow it to cope with any liquidity risk in the short term. In case it is deemed necessary, CEMEX Latam considers that it would succeed in renegotiating on a long-term basis the maturity of some short-term payables to CEMEX. For the years ended December, 31, 2018 and 2017, net cash flows from operations after interest expense and income taxes amounted to $124,430 and $146,439, respectively.

2B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of CEMEX Latam Holdings, S.A. and those of all 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 the Parent Company and its subsidiaries (related parties) were eliminated in consolidation. Each subsidiary is a legally responsible separate 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 for the period.

(Thousands of U.S. Dollars)

2C) USE OF ESTIMATES AND MANAGEMENT JUDGMENT

The preparation of the consolidated financial statement in accordance with IFRS requires management to make estimates and assumptions that affect the 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 of revenues and expenses for 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 expected credit losses of financial assets and inventories obsolescence, recognition of deferred income tax assets, as well as the measurement of financial instruments at fair value and the measurement of assets and liabilities related to employee benefits. Significant judgment by management is required to appropriately measure these items.

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 until the disposal of the foreign net investment, at which time the accumulated amount would be recycled through the income statement as part of the gain or loss on disposal.

The financial statements of foreign subsidiaries, as determined using their respective functional currency, are translated to U.S. Dollars at the closing exchange rate for 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, 2018 and 2017 for statement of financial position and for income statements purposes, and the average exchange rates per U.S. are as follows:

	2018		2017	
Currency	**Closing**	**Average**	**Closing**	**Average**
Colombian Pesos	3,249.75	2,972.04	2,984.00	2,957.89
Costa Rican Colones	611.75	581.56	572.56	572.30
Nicaraguan Cordobas	32.33	31.62	30.79	30.11
Guatemalan Quetzals	7.74	7.54	7.34	7.35
Brazilian Reals	3.87	3.68	3.31	3.20

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".

2F) FINANCIAL INSTRUMENTS

As mentioned in note 2A, IFRS 9 was adopted prospectively by CEMEX Latam for the period starting January 1, 2018. The accounting policies under IFRS 9 are described as follows:

Classification and measurement of financial instruments

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as "Held to collect" and measured at amortized cost. Amortized cost represents the net present value ("NPV") of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents (note 7).

- Trade accounts receivable, other current accounts receivable and other current assets (notes 9 and 10). Considering the short-term nature of these assets, CEMEX Latam initially recognizes these assets at the original invoiced or transaction amount less any expected credit losses, as explained below.

- Trade receivables sold under securitization programs, in which certain residual interest in the trade receivables sold in case of recovery failure and continued involvement in such assets is maintained, do not qualify for derecognition and are maintained in the statement of financial position. For the reported periods the Company did not maintain programs for the sale of trade accounts receivable.

- Investments and non-current accounts receivable (note 10B). Subsequent changes in amortized cost are recognized in the income statement as part of "Financial income and other items, net."

Certain strategic investments, should any exist, are measured at fair value through other comprehensive income within "Other equity reserves". Moreover, those investments whose business model has the objective of collecting contractual cash flows and then selling the financial assets are defined as instruments "Held to collect and sell." For the reported periods CEMEX Latam did not maintain strategic investments or financial assets "Held to collect and sell."

The financial assets that are not classified as "Held to collect" or that do not have strategic characteristics fall into the residual category of held at fair value through the income statement as part of "Financial income and other items, net," (note 6).

Debt instruments and other financial obligations are classified as "Loans" and measured at amortized cost (notes 15). Interest accrued on financial instruments is recognized as financial expense in the income statement against "Other accounts payable and accrued expenses". During the reported periods, CEMEX Latam did not have financial liabilities voluntarily recognized at fair value or associated with fair value hedge strategies with derivative financial instruments.

Impairment of financial assets

Impairment losses of financial assets, including trade accounts receivable, are recognized using the expected credit loss model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not yet been incurred, considering for their measurement historical losses and current conditions, as well as reasonable and supportable forecasts affecting collectability.

Costs incurred in the issuance of debt or borrowings

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 that the holders and the relevant economic terms of the new instrument are not substantially different to the replaced instrument, adjust the carrying amount of the related debt and are amortized as interest expense as part of the effective interest rate of each instrument 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 from the old instrument according to a qualitative and quantitative analysis, are recognized in the income statement as incurred.

Finance leases

Finance leases are recognized as financing liabilities against a corresponding fixed asset for the lesser of the market value of the leased asset and the NPV of future minimum lease payments, using the contract's implicit interest rate to the extent available, or the incremental borrowing cost. 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 NPV 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 are no market and/or market participants willing to make a market, IFRS establishes a fair value hierarchy that 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:

Fair value measurements – continued

- Level 1, represent quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2, 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. In the absence of Level 1 inputs, CEMEX Latam would determine 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, are unobservable inputs for the asset or liability. CEMEX Latam uses 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 models, discounted cash flows or multiples of Operating EBITDA, including risk assumptions consistent with what market participants would use to arrive at fair value.

2G) INVENTORIES (note 11)

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

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

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

As of December 31, 2018, 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.

All waste removal costs or stripping costs incurred in the operative phase of a surface mine in order to access the 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. Any 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 useful lives and residual values of property, machinery and equipment are reviewed at each reporting date and adjusted if appropriate.

2I) BUSSINES COMBINATIONS, GOODWILL AND OTHER INTANGIBLE 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 4).

Business combinations, goodwill and other intangible assets – continued

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 Latam, 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, 2018, the Company's rights, licenses and other intangible assets are generally 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 expenses, net." The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs to sell such asset, the latter represented by the net present value of estimated cash flows related to the use and eventual disposal of the asset.

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

Goodwill

Goodwill is tested for impairment when required due to significant adverse changes or at least once a year, during the last quarter of such year, determining 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 the CGUs to which goodwill was allocated, which are generally determined over periods of 5 years. 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 3C), 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.

Impairment of long lived assets – continued

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 obtained of discounted estimated future cash flows by group of CGUs .

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

The costs associated with post-employment benefits are recognized 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 and real actuarial assumptions 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, 2018 and 2017 there are no defined benefit pension 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. 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 that the Company believes the tax authorities would not reject based on available evidence, and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through the generation of future taxable income. When it is considered highly probable that the tax authorities would reject a deferred tax asset, the Company decreases such asset. When it is considered not possible to use a deferred tax asset before its expiration, the Company would not recognize such 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 considers 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. Likewise, CEMEX Latam analyzes its actual results versus the Company's estimates, and adjusts, as necessary, its tax asset valuations. If actual results vary from its estimates, the deferred tax asset and/or valuations may be affected, and necessary adjustments will be made based on relevant information in the income statement for 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 amounts of current and deferred income tax included in the income statements for the period are highly variable, and are subject among other factors, to the amount of taxable income determined in each jurisdiction in which CEMEX Latam operates. The amounts of taxable income depend on variables such as volumes and selling prices, costs and expenses, fluctuations in exchange rates and interest on debt, among others, as well as the amount of 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)

Represent the value of stockholders' contributions and include the value of the Parent Company's shares issued under the executive stock-based compensation programs.

Other equity reserves (note 20B)

This caption groups the cumulative effects of items and transactions that are temporarily or permanently recognized in stockholders' equity, and includes the effects for the period that do not result from contributions by owners and distributions to owners, presented in the statements of comprehensive income. 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, when applicable, of any amount of dividends declared to shareholders.

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

As mentioned in note 2A, CEMEX Latam adopted IFRS 15 on January 1, 2018 using the retrospective approach. CEMEX Latam policies under IFRS 15 are as follows:

Revenue is recognized at a point in time or over time in the amount of the price, before tax on sales, expected to be received by CEMEX Latam's subsidiaries for goods and services supplied as a result of their ordinary activities, as contractual performance obligations are fulfilled, and control of goods and services passes to the customer. Revenues are decreased by any trade discounts or volume rebates granted to customers. Transactions between related parties are eliminated in consolidation.

Variable consideration is recognized when it is highly probable that a significant reversal in the amount of cumulative revenue recognized for the contract will not occur and is measured using the expected value or the most likely amount method, whichever is expected to better predict the amount based on the terms and conditions of the contract.

Revenue and costs from trading activities, in which CEMEX Latam acquires finished goods from a third party and subsequently sells the goods to another third-party, are recognized on a gross basis, considering that CEMEX Latam assumes ownership risks on the goods purchased, not acting as agent or broker.

When revenue is earned over time as contractual performance obligations are satisfied, which is the case of construction contracts, CEMEX Latam apply the stage of completion method to measure revenue, which represents: a) the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs; b) the surveys of work performed; or c) the physical proportion of the contract work completed, whichever better reflects the percentage of completion under the specific circumstances. Considering that (i) each party's enforceable rights regarding the asset under construction; (ii) the consideration to be exchanged; (iii) the manner and terms of settlement; (iv) actual costs incurred and contract costs required to complete the asset are effectively controlled; and (v) it is probable that the economic benefits associated with the contract will flow to the entity.

Progress payments and advances received from customers do not reflect the work performed and are recognized as short-term or long-term advanced payments, as appropriate.

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

The stock-based compensation programs to executives are treated as equity instruments, considering that services received from such employees are settled delivering shares of the Parent Company. 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, 2018 and 2017, 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 ADOPTED

IFRS issued as of the date of issuance of these financial statements which have not yet been adopted are described as follow:

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 in exchange for consideration and the lessee directs the use of the identified asset throughout that period. IFRS 16 introduces a single lessee accounting model, and requires a lessee to recognize, for all leases, allowing exemptions in case of the leases with a term of less than 12 months or when 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. IFRS16 is effective beginning January 1, 2019 and will supersede all current standards and interpretations related to lease accounting.

(Thousands of U.S. Dollars)

Newly issued IFRS not yet adopted – Leases – continued

As of December 31, 2018, by means of analyses of its outstanding lease contracts and other contracts that may have embedded the use of an asset, and the assessment of the most relevant characteristics of such contracts (type of assets, committed payments, maturity dates and renewal clauses, among others), CEMEX Latam significantly concluded the inventory and measurement of its lease contracts for purposes of adopting IFRS 16. Moreover, CEMEX Latam has defined its accounting policy under IFRS 16 and will apply the recognition exception for short-term leases and low-value assets, as well as the practical expedient to not separate the non-lease component from the lease component included in the same contract. CEMEX Latam will adopt IFRS 16 using the full retrospective approach pursuant to which prior periods will be restated. Upon adoption of IFRS 16 beginning on January 1, 2019, CEMEX Latam has estimated a range of effects for its opening statement of financial position as of January 1, 2017, as follows:

		As of January 1, 2017	
		Low	**High**
Assets for the right-of-use	$	17,945	18,237
Financial liabilities		(24,952)	(25,436)
Retained earnings [1]	$	(7,007)	(7,199)

1 The effect refers to a timing difference between depreciation expense of the assets calculated under the straight-line method and the interest expense from the liability determined under the effective interest rate method since the beginning of the contracts. This difference will reverse over the remaining life of the contracts.

In addition to IFRS 16, there are several amendments or new IFRS issued but not yet effective which are under analysis and the Company's management expects to adopt in their specific effective dates considering preliminarily without any significant effect in the Company's financial position or operating results, and which are summarized as follows:

Standard	Main topic	Effective date
Amendments to IFRS 9	Prepayment features with negative compensation do not automatically preclude amortized cost accounting.	January 1, 2019
IFRIC 23, *Uncertainty over income tax treatments*	When an entity concludes that it is not probable that a particular tax treatment is accepted, the decision should be based on which method provides better predictions of the resolution of the uncertainty.	January 1, 2019
Amendments to IAS 28, *Long-term interests in associates and joint ventures* ("IAS 28")	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests.	January 1, 2019
Amendments to IAS 12, *Income taxes*	Clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.	January 1, 2019
Amendments to IAS 23, *Borrowing costs*	Clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.	January 1, 2019
Amendments to IFRS 3, *Business combinations*	Clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value.	January 1, 2019
Amendments to IAS 19, *Employee benefits*	Clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).	January 1, 2019
Amendments to IFRS 10, *Consolidated financial statements* and IAS 28	Clarify the recognition of gains or losses in the Parent's financial statements for the sale or contribution of assets between an investor and its associate or joint venture	Has yet to be set
IFRS 17, *Insurance contracts*	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, *Insurance Contracts*. The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.	January 1, 2021

(Thousands of U.S. Dollars)

3) REVENUE, DISCONTINUED OPERATIONS AND SELECTED FINANCIAL INFORMATION BY REPORTABLE SEGMENT AND LINE OF BUSINESS

3A) REVENUE

CEMEX Latam's revenues are mainly originated from the sale and distribution of cement, ready-mix concrete, aggregates and other construction materials and services. CEMEX Latam grants credit for terms ranging from 15 to 45 days depending of the type of project and risk of each customer. For the years ended December 31, 2018 and 2017, revenues, after eliminations between related parties, are detailed as follows:

		2018	2017
From the sale of cement	$	712,813	759,451
From the sale of ready-mix concrete		286,612	329,367
From the sale of aggregates		30,948	38,656
From the sale of other products and eliminations [1]		77,956	78,979
	$	1,108,329	1,206,453

1 Refers mainly to revenues generated in other business lines, multiproduct sales and infrastructure and housing projects.

Information of revenues by reportable segment and line of business for the years 2018, 2017 and 2016 is presented in note 3C.

Under IFRS 15, some commercial practices of CEMEX Latam, in the form of certain promotions and/or discounts and rebates offered as part of the sale transaction, result in that a portion of the transaction price should be allocated to such commercial incentives as separate performance obligations, recognized as contract liabilities with customers, and deferred to the income statement during the period in which the incentive is exercised by the customer or until it expires. For the years ended December 31, 2018 and 2017 changes in the balance of contract liabilities with customers are as follows:

		2018	2017
Opening balance of contract liabilities with customers	$	471	98
Increase during the period for new transactions		267	617
Decrease during the period for exercise or expiration of incentives		(471)	(244)
Closing balance of contract liabilities with customers	$	267	471

For the years 2018, 2017 and 2016, CEMEX Latam did not identify any costs required to be capitalized as contract fulfillment assets and released over the contract life according to IFRS 15.

3B) DISCONTINUED OPERATIONS

On September 27, 2018, the Parent Company jointly with its subsidiary Corporación Cementera Latinoamericana, S.L.U. ("CCL"), disposed off the operations of the Company in Brazil, which consisted of a fluvial cement distribution terminal located in Manaus, Amazonas province, as well as the operating license, through the sale of all the shares of the Brazilian entity Cimento Vencemos Do Amazonas Ltda, as part of the binding agreements signed with Votorantim Cimentos N / NE S.A. on May 24, 2018 for an amount of approximately $31 million, proceeds that after considering withholding taxes, were used to reduce debt with related parties.

The following table presents condensed information of the statement of operations of CLH discontinued operations in Brazil for the year ended December 31, 2017 and the period from January 1 through September 27, 2018:

		2018	2017
Sales	$	26,631	36,445
Cost of sales and operating expenses		(27,934)	(44,330)
Other expenses, net [1]		(54)	(44,961)
Financial (income) expenses, net and others		(256)	148
Loss before income tax		**(1,613)**	**(52,698)**
Income tax		265	19,572
Loss of discontinued operations		**(1,348)**	**(33,126)**
Result on sale, withholding tax and reclassification of currency translation effects [2]		(8,208)	–
Net loss of discontinued operations	$	**(9,556)**	**(33,126)**

1 In 2017, includes impairment losses related to the operating license for an amount of $44,959.

2 The loss on sale of the operations in Brazil includes: a) the difference between the sale price and the net book value at the date of disposal of $630, b) a withholding tax of $2,867, and c) the recycling in the income statement of a currency translation loss accrued in equity of $4,711.

(Thousands of U.S. Dollars)

3C) SELECTED FINANCIAL INFORMATION BY REPORTABLE SEGMENT AND LINE OF BUSINESS

The reportable segments are defined as the components of the Company 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 assess their performance and make decisions about the allocation of resources to the segments, and for which discrete financial information is available. The accounting policies applied to determine the financial information by reportable segment are consistent with those described in note 2.

Considering similar regional and economic characteristics and/or materiality, certain countries have been aggregated and presented in a single line segment titled "Rest of CLH," which includes the combined operations of the Company in Guatemala, Nicaragua and El Salvador. Moreover, the segment "Others" refers to the Parent Company, including its corporate offices in Spain and its research and development offices in Switzerland, as well as adjustments and eliminations resulting from consolidation.

Selected consolidated information of income statement by reportable segments for the years ended December 31, 2018 and 2017 are as follow:

2018	Revenues (including related parties)	Less: Related parties	Revenues	Operating EBITDA	Less: Depreciation and amortization	Operating Earnings before other expenses, net	Other expenses, net	Financial expenses	Financial income and other items, net
Colombia......................$	524,330		524,330	95,408	(27,672)	67,736	12,816	(25,164)	(1,977)
Panama.........................	222,036	(208)	221,828	64,316	(16,093)	48,223	2,519	(7,526)	653
Costa Rica....................	139,087	(14,307)	124,780	45,336	(4,711)	40,625	(36)	(99)	1,968
Rest of CLH.................	238,750	(1,359)	237,391	73,818	(6,591)	67,227	16	(1,702)	2,995
Others..........................	–	–	–	(36,371)	(19,629)	(56,000)	(11,558)	(24,509)	(5,361)
Continuing operations....	1,124,203	(15,874)	1,108,329	242,507	(74,696)	167,811	3,757	(59,000)	(1,722)
Discontinued operations.	26,631	–	26,631	591	(1,894)	(1,303)	(54)	(23)	82
Total................................$	1,150,834	(15,874)	1,134,960	243,098	(76,590)	166,508	3,703	(59,023)	(1,640)

2017	Revenues (including related parties)	Less: Related parties	Revenues	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	112,961	(26,295)	86,666	(32,497)	(20,007)	(1,499)
Panama.........................	266,273	(192)	266,081	108,512	(16,744)	91,768	2,200	(7,745)	972
Costa Rica....................	148,855	(20,061)	128,794	53,146	(5,259)	47,887	912	(272)	866
Rest of CLH.................	249,115	(3,182)	245,933	86,743	(5,856)	80,887	294	(2,051)	1,769
Others..........................	–	–	–	(47,254)	(21,232)	(68,486)	(5,295)	(33,181)	(5,401)
Continuing operations....	1,229,892	(23,439)	1,206,453	314,108	(75,386)	238,722	(34,386)	(63,256)	(3,293)
Discontinued operations.	36,445	–	36,445	(3,780)	(4,105)	(7,885)	(44,961)	(34)	113
Total................................$	1,266,337	(23,439)	1,242,898	310,328	(79,491)	230,837	(79,347)	(63,290)	(3,180)

Revenues by line of business and reportable segments for the years ended December 31, 2018 and 2017 are as follows:

2018	Cement	Concrete	Aggregates	Other products	Others	Revenues
Colombia..$	285,328	184,411	8,041	46,550	–	524,330
Panama..	133,619	63,045	3,859	21,513	(208)	221,828
Costa Rica.......................................	95,851	16,474	14,930	11,832	(14,307)	124,780
Rest of CLH....................................	198,015	22,682	4,118	13,935	(1,359)	237,391
Continuing operations........................	712,813	286,612	30,948	93,830	(15,874)	1,108,329
Discontinued operations.....................	26,615	–	–	16	–	26,631
Total...$	739,428	286,612	30,948	93,846	(15,874)	1,134,960

2017	Cement	Concrete	Aggregates	Other products	Others	Revenues
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....................................	204,531	22,969	5,566	16,049	(3,182)	245,933
Continuing operations........................	759,451	329,367	38,656	102,418	(23,439)	1,206,453
Discontinued operations.....................	36,419	–	–	26	–	36,445
Total...$	795,870	329,367	38,656	102,444	(23,439)	1,242,898

(Thousands of U.S. Dollars)

Selected financial information by reportable segments – continued

As of December 31, 2018 and 2017, selected consolidated information of the statements of financial position by reportable segments is as follows:

2018		Total Assets	Total Liabilities	Net assets by segment	Capital expenditures
Colombia [1]	$	2,064,889	793,058	1,271,831	21,992
Panama		418,713	239,765	178,948	12,031
Costa Rica		150,696	56,673	94,023	3,098
Rest of CLH		193,968	87,155	106,813	7,706
Others [3]		219,515	353,529	(134,014)	–
Total	$	3,047,781	1,530,180	1,517,601	44,827

2017		Total Assets	Total Liabilities	Net assets by segment	Capital expenditures
Colombia [1]	$	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 [2]		254,769	119,322	135,447	7,826
Others [3]		472,233	546,616	(74,383)	–
Total	$	3,293,989	1,750,944	1,543,045	80,534

1 As of December 31, 2018 and 2017, total assets of the "Colombia" operating segment for $2,064,889 and $2,047,992, respectively, includes its own goodwill, as well as goodwill generated in the acquisition of Costa Rica and Nicaragua by CEMEX Colombia in 2009 for a total of $893,631 in 2018 and $944,560 in 2017 (note 14).

2 As of December 31, 2017, totals assets and total liabilities of the operating segment "Rest of CLH" include $68,878 and $27,632, respectively, related to the Brazilian operating segment (notes 2A and 3B).

3 As of December 31, 2018 and 2017, total assets of the operating segment "Other and eliminations" for $219,354 and $472,233, respectively, includes goodwill generated in the acquisition of Panama, Guatemala and El Salvador by CCL in 2012 for a total of $594,585 in 2018 and $607,124 in 2017 (note 14).

4) DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 is detailed as follows:

		2018	2017
Depreciation and amortization expense of assets used in the production process	$	51,662	52,836
Depreciation and amortization expense of assets used in administrative and selling activities		23,034	22,550
	$	74,696	75,386

5) OTHER EXPENSES, NET

Other expenses, net for the years 2018 and 2017 is detailed as follows:

		2018	2017
Results from valuation and sale of assets, sale of scrap and other non-operating products and expenses, net [1]		11,194	94
Damage recoveries		71	36
Assumed taxes, fines and other penalties [2]		(3,415)	(29,897)
Impairment losses [3]	$	(2,756)	(1,790)
Severance payments for reorganization and other personnel costs		(1,337)	(2,829)
	$	3,757	(34,386)

1 For the year 2018, includes the write off of the provision that had been recognized in relation to the legal proceeding for alleged damages to rice farm land adjacent to the Caracolito plant in Colombia for approximately $12.5 million.

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

3 Refers to impairment losses in Colombia and Panama in 2018 and Panama in 2017 (note 13).

(Thousands of U.S. Dollars)

6) FINANCIAL INCOME AND OTHER ITEMS, NET

Financial income and other items, net in 2018 and 2017 are as follows:

		2018	2017
Interest cost on employee benefits	$	(2,426)	(3,414)
Financial income		704	121
	$	(1,722)	(3,293)

7) CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents as of December 31, 2018 and 2017 are as follows:

		2018	2017
Cash and bank accounts	$	26,068	28,105
Fixed-income securities and other cash equivalents		11,058	17,049
	$	37,126	45,154

8) TRADE ACCOUNTS RECEIVABLE

For the reported periods the Company does not maintain programs for the sale of trade receivables. As of December 31, 2018 and 2017, consolidated trade accounts receivable are detailed as follows:

		2018	2017
Trade accounts receivable	$	95,769	122,033
Allowances for doubtful accounts		(8,304)	(6,558)
	$	87,465	115,475

Allowances for expected credit losses were established until December 31, 2017 based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Beginning in 2018, such allowances are determined and recognized upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable (note 2A).

Under this ECL model, CEMEX Latam segments its accounts receivable in a matrix by country, type of client or homogeneous credit risk and days past due and determines for each segment an average rate of ECL, considering actual credit loss experience over the last 24 months and analyses of future delinquency. This ECL rate is applied to the balance of accounts receivable. The average ECL rate increases in each segment of days past due until the rate is 100% for the segment of 365 days or more past due.

As of December 31, 2018, balances of trade accounts receivable and the allowance for ECL were as follows:

		Accounts receivable	ECL allowance	ECL average rate
Colombia	$	34,851	652	1.9%
Panamá		28,611	2,623	9.2%
Costa Rica [1]		12,992	4,719	36.3%
Rest of CLH		19,315	310	1.6%
	$	95,769	8,304	

[1] Balances of clients and the estimate of PCE include approximately $3.7 million of trade receivables in process of legal recovery that were fully provisioned.

Changes in the allowance for expected credit losses in 2018 and 2017 were as follows:

		2018	2017
Allowance for expected credit losses at beginning of the period	$	6,558	5,733
Adoption effects of IFRS 9 charged to retained earnings (note 2A)		853	–
Additions during the year charged to administrative and selling expenses		4,049	1,859
Deductions during the year		(2,778)	(975)
Foreign currency translation effects		(378)	(59)
Allowance for expected credit losses at end of the period	$	8,304	6,558

(Thousands of U.S. Dollars)

9) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances receivable from and payable to related parties as of December 31, 2018 and 2017 are detailed as follows:

Short-term accounts receivable		**2018**	**2017**
Torino RE	$	14,165	–
CEMEX España, S.A.		3,735	4,871
CEMEX Central, S.A. de C.V.		2,149	53
CEMEX, S.A.B. de C.V.		509	327
Trinidad Cement L.T.D.		214	–
CEMEX Research Group, AG		199	3,188
CEMEX Dominicana, S.A.		54	12
CEMEX Denmark ApS		53	96
Beijing Import & Export Co., Ltd		25	–
CEMEX de Puerto Rico, Inc.		20	–
New Sunward Holding B.V		–	93
Mustang Re Limited		–	980
CEMEX Holdings Inc.		–	10
Others		15	17
Total assets with related parties	$	21,138	9,647

Short-term accounts payable		**2018**	**2017**
CEMEX Holdings Inc. [1]	$	22,441	21,660
CEMEX Research Group, AG [2]		14,340	1,181
CEMEX Central, S.A. de C.V [2]		3,425	534
CEMEX Internacional, S.A. de C.V.		830	531
CEMEX, S.A.B. de C.V [2]		727	–
CEMEX España, S.A. [3]		618	194,484
Beijing Import & Export Co., Ltd		234	197
Pro Ambiente, S.A. de C.V.		99	63
Fujur, S.A. de C.V.		38	120
CEMEX Jamaica Limited		32	35
CEMEX Dominicana, S.A.		29	29
Neoris de México, S.A. de C.V		24	–
Latinamerican Trading S.A.		21	23
CEMEX México, S.A. de C.V.		8	171
New Sunward Holding B.V.[4]		–	139,084
CEMEX Central Europe GmbH		–	12
Others		4	10
	$	42,870	358,134

Long-term accounts payable		**2018**	**2017**
Lomez International B.V [4].	$	641,092	–
CEMEX España, S.A. [3]		194,010	–
New Sunward Holding B.V. [4]		–	584,684
	$	835,102	584,684
Total liabilities with related parties	$	877,972	942,818

1. Balances are generated by imports of clinker and grey cement.
2. Balances related to royalties resulting from technical assistance agreements, use of licenses and brands, software and administrative processes.
3. Accounts payable related to a loan originally negotiated in October 2010 by CEMEX Colombia with CEMEX España, subsequently renegotiated, which is outstanding until December 28, 2020, bearing 6-month LIBOR rate plus 200 basis points. In 2017, CEMEX Colombia increased its line of credit with CEMEX España; proceeds used to settle obligations with other related parties.
4. On February 2017, the Parent Company and its subsidiary CCL refinanced their respective debt with New Sunward Holding, B.V. ("NSH") that expired in 2018, 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, renegotiation costs were incurred for $11,999, which are presented net of the debt balance and are amortized to financial expenses over the term of such debt. On March 1, 2018, NSH assigned to Lomez International, B.V., a Dutch subsidiary of CEMEX, the loans that had been granted by NSH to the Parent Company, CCL and Cemento Bayano. The conditions of these credits and loans were not affected by the referred assignment. The balances as of December 31, 2018 and 2017, include: a) loan agreement and accrued interest negotiated by CCL of $344,110 in 2018 and $387,519 in 2017; b) loan agreement and accrued interest negotiated by the Parent Company of $94,131 in 2018 and $88,223 in 2017, as well as a revolving credit of $72,656 in 2018 and $115,951 in 2017; and c) loan agreement and accrued interest negotiated by Cemento Bayano of $130,195 in 2018 and $132,075 in 2017. The later was renewed on June 29, 2018 and expires on June 29, 2020 bearing an interest rate of 6-month LIBOR plus 250 basis points.

(Thousands of U.S. Dollars)

Balances and transactions with related parties – continued

The maturities of non-current accounts payable as of December 31, 2018 are as follows:

Debtor		2020	2023	Total
Corporación Cementera Latinoamericana, S.L.U. (5.65% annual)	$	–	344,110	344,110
CEMEX Latam Holdings, S.A. (5.65% annual)		–	166,787	166,787
CEMEX Colombia S.A (6M Libor +200 bps)		194,010	–	194,010
Cemento Bayano, S.A. (6M Libor +250 bps)		130,195	–	130,195
	$	324,205	510,897	835,102

The Company's main transactions entered into with related parties for the years ended December 31, 2018 and 2017 are shown below:

Purchases of raw materials		2018	2017
CEMEX Holdings Inc	$	48,941	59,289
CEMEX Internacional, S.A. de C.V.		6,151	5,532
Beijing Import & Export Co., Ltd		53	32
Others		11	–
	$	55,156	64,853

Administrative and selling expenses		2018	2017
CEMEX Central, S.A. de C.V.	$	30	30
Neoris de México, S.A. de C.V		4	5
	$	34	35

Royalties and technical assistance (note 22B)		2018	2017
CEMEX Research Group, AG.	$	35,779	38,682
CEMEX Central, S.A. de C.V.		15,114	16,841
CEMEX, S.A.B. de C.V.		4,514	4,800
	$	55,407	60,323

Financial expenses		2018	2017
Lomez International B.V.	$	34,386	–
CEMEX España, S.A.		9,419	6,090
New Sunward Holding B.V		7,646	48,284
	$	51,451	54,374

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, the Parent Company 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, 2018 and 2017, the members of the Parent Company's Board of Directors, in fulfillment of their functions, accrued compensation for a total of approximately $407 and $376, respectively, including remuneration and annual allowances. The Company's directors have not received advances or loans from the Company has not provided guarantee or assumed obligations on pensions and insurance for such directors. There aren´t employees of the parent company such as members of senior management.

In addition, for the years ended December 31, 2018 and 2017, the aggregate compensation amounts accrued by members of the Company's top management were approximately $8,504 and $6,628, respectively, out of which, $7,845 in 2018 and $6,018 in 2017, corresponded to base remuneration plus performance bonuses including pensions and other postretirement benefits. In addition, approximately $660 in 2018 and $610 in 2017 out of the aggregate compensation corresponded to allocations of shares under the executive stock-based compensation programs.

In its cement operations in Panama, which represented approximately 12% of the consolidated sales during the year ended December 31, 2018, 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 amounts not considered significant. 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, 2018 and 2017 consisted of:

		2018	2017
Non-trade accounts receivable [1]	$	12,867	13,591
Loans to employees and others		1,140	1,243
	$	14,007	14,834

1. In 2018 and 2017, includes CEMEX Colombia's residual interest in a trust oriented to promote housing projects, which its only asset is land in the municipality of Zipaquira, Colombia and its only liability is a bank credit, guaranteed by CEMEX Colombia, for $6,589 y $7,176, respectively, obtained to purchase the land. As of the reporting date, according to recent quotations, the estimated realizable value of the land covers the repayment of the loan. In connection with this structure, on December 17, 2018, CEMEX Colombia and the other partner in the project accepted the binding offer of a local construction firm, pending of execution, whom, pursuant to the agreements, will join the trust as beneficiary and joint obligor of the debt and will acquire the project through the full repayment of the trust's debt by means of a repayment of approximately 50% during 2019 and the remaining portion in November 2020. Upon formalization of the agreements later in 2019, the construction firm will sign promissory notes to CEMEX Colombia securing its obligations and additionally the firm and the other partner will pledge their beneficial interest in the trust in favor of CEMEX Colombia. In addition, balances include stage of completion estimates related to infrastructure projects in Panama for $2,820 and $853 as of December 31, 2018 and 2017, respectively.

10B) OTHER INVESTMENTS AND NON-CURRENT ACCOUNTS RECEIVABLE

Consolidated balances of other assets and non-current accounts receivable as of December 31, 2018 and 2017 are detailed as follows:

		2018	2017
Loans and notes receivable [1]	$	3,780	6,279
Guaranty deposits and recoverable VAT [2]		60	3,666
Other non-current assets [3]		466	374
	$	4,306	10,319

1 This line item mainly includes: a) fund of CEMEX Panama to secure seniority premium payments in 2018 and 2017 of $3,041 and $2,649, respectively; b) advance payments for the purchase of fixed assets of $2,555 in 2017, and c) receivables from the structured construction system used in Costa Rica for $521 in 2017.

2 Refers mainly to a VAT accounts receivable in El Salvador for $60 in 2018 and $380 in 2017, as well as guarantee deposits in Brazil related to certain legal proceedings for $3,286 in 2017.

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

11) INVENTORIES

Consolidated balances of inventories as of December 31, 2018 and 2017 are summarized as follows:

		2018	2017
Materials	$	24,263	23,723
Finished goods		10,574	11,491
Work-in-process		17,742	19,830
Raw materials		19,619	19,150
Inventory in transit		9,295	9,197
Other inventories		474	–
Allowance for inventory obsolescence		(795)	(716)
	$	81,172	82,675

12) OTHER CURRENT ASSETS

As of December 31, 2018 and 2017 consolidated other current assets consisted of:

		2018	2017
Advance payments [1]	$	21,898	19,539
Assets held for sale [2]		4,354	6,206
Restricted cash [3]		12,315	–
	$	38,567	25,745

1 As of December 31, 2018 and 2017, advance payments include $19,083 and $19,463, respectively, 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 accounts receivable.

(Thousands of U.S. Dollars)

Other current assets – continued

3 In 2018, refers to restricted cash of CEMEX Colombia subject to a temporary restriction on its availability due to a seizure order within a legal proceeding initiated by a supplier in connection with a commercial dispute over an amount in Colombian Pesos being claimed equivalent to approximately $2 million. CEMEX Latam considers that such seizure order was excessive in relation to the amount claimed, and as of the reporting date, considering the nature of the proceeding, CEMEX Colombia's defense arguments that were put forth in its negotiations with the supplier have not yet been evaluated. As of the issuance date of these consolidated financial statements, CEMEX Colombia is following the required legal procedures in the civil court and considers probable that the cash amounts will be released in the short term.

13) PROPERTY, MACHINERY AND EQUIPMENT, NET

As of December 31, 2018 and 2017 the consolidated balances of property, machinery and equipment, net consisted of:

		2018				
		Land and mineral reserves	Buildings	Machinery and equipment	Construction in progress [1]	Total
Cost at beginning of the period	$	235,870	212,375	768,621	289,747	1,506,613
Capital expenditures		213	1,565	2,816	40,233	44,827
Total additions		213	1,565	2,816	40,233	44,827
Disposals		(5,695)	(4,361)	(4,906)	(514)	(15,476)
Reclassifications		6,314	4,844	28,574	(39,732)	–
Impairment [2]		–	(235)	(2,521)	–	(2,756)
Depreciation and depletion for the period		(7,062)	(6,454)	(42,046)	–	(55,562)
Foreign currency translation effects		(10,315)	(13,872)	(47,716)	(21,171)	(93,074)
Cost at end of the period		226,387	200,316	744,868	268,563	1,440,134
Accumulated depreciation and depletion		(42,015)	(43,723)	(191,724)	–	(277,462)
Net book value at end of the period	$	184,372	156,593	553,144	268,563	1,162,672

		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

1 In 2016, CEMEX Colombia finished the construction of a cement plant in the municipality of Maceo in the Antioquia department in Colombia with an annual capacity of approximately 1.1 million tons. The plant has not started commercial operations. As of the reporting date, the development of the access road to the plant remains suspended and the beginning of commercial operations is subject to the successful conclusion of several ongoing processes related to operating permits and the evolution of certain legal proceedings in progress, as well as required agreements with authorities for the use of the assets of the plant that are included in an expiration of property procedure. As of December 31, 2018 and 2017, the carrying amount of the project, net of adjustments (note 23A), is for amounts in Colombian Pesos equivalent to approximately $280 and $304 million, respectively, considering the exchange rates as of December 31, 2018 and 2017, respectively. Changes in the project's investment expressed in dollars terms during the period ended December 31, 2018 was mainly due to the variation in exchange rates. Out of the aforementioned investment of $280 million, a portion equivalent to approximately $79.9 million is recognized in the books of the entity Zona Franca Especial Cementera del Magdalena Medio S.A.S. ("Zomam"), a subsidiary of CEMEX Colombia and holder of the free zone declaration and the rights to build the cement plant. Of these $79.9 million, approximately $49.6 million correspond to the equipment contributed by CEMEX Colombia as equity contribution and the complement of $30.3 million corresponded to investments made by Zomam with financing from CEMEX, mainly through a loan granted by CCL amounting to approximately $46.2 million including capitalized interest. The rest of the investment in Maceo is held directly in the books of CEMEX Colombia. All amounts at the exchange rate of December 31, 2018. As mentioned in note 23A, Zomam's shares are held within an expiration of property process carried by the Colombian authorities.

During the years ended December 31, 2018 and 2017, impairment losses of fixed assets by country were as follows:

		2018	2017
Colombia	$	2,323	–
Panamá		433	1,790
	$	2,756	1,790

Considering the closing of operations, change of business model or maintaining idle assets, in 2018, the Company recognized impairment losses of mining assets in Colombia, and, in 2018 and 2017, related to a portable cement mill in Panama.

14) GOODWILL AND INTANGIBLE ASSETS

(Thousands of U.S. Dollars)

14A) BALANCES AND CHANGES DURING THE PERIOD

As of December 31, 2018, and 2017, consolidated goodwill, intangible assets and deferred assets is summarized as follows:

		2018			2017		
		Cost	Accumulated amortization	Net book value	Cost[1]	Accumulated amortization	Net book value
Intangible assets of indefinite useful life							
Goodwill	$	1,488,216	–	1,488,216	1,551,684	–	1,551,684
Intangible assets of definite useful life							
Customer relations		191,343	(125,301)	66,042	197,506	(106,280)	91,226
Extraction permits and licenses		–		–	74,215	(22,867)	51,348
Industrial property and trademarks		706	(703)	3	2,938	(2,245)	693
Mining projects		1,386	(326)	1,060	356	(356)	–
Other intangibles and deferred assets		92	–	92	47	–	47
	$	1,681,743	(126,330)	1,555,413	1,826,746	(131,748)	1,694,998

Changes in intangible assets during the year ended December 31, 2018 and 2017 are as follows:

		2018				
		Goodwill	Customer relations	Permits and licenses	Others	Total
Net book value at beginning of the period	$	1,551,684	91,226	51,348	740	1,694,998
Additions (disposals), net		–	–	(37,953)	1,060	(36,893)
Amortization during the period		–	(17,736)	(1,210)	(188)	(19,134)
Foreign currency translation effects		(63,468)	(7,448)	(12,185)	(457)	(83,558)
Net book value at end of the period	$	1,488,216	66,042	–	1,155	1,555,413

		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 [1]		–	–	(44,959)	–	(44,959)
Foreign currency translation effects		(12,152)	3,145	(1,408)	134	(10,281)
Net book value at end of the period	$	1,551,684	91,226	51,348	740	1,694,998

1 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. This loss was reclassified as part of the discontinued operations.

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.

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, 2018 and 2017 goodwill balances allocated by reportable operating segment are as follows:

		2018	2017
Costa Rica	$	400,846	428,283
Panama		344,703	344,703
Colombia		299,036	312,840
Guatemala		234,794	247,333
Nicaragua		193,749	203,437
El Salvador		15,088	15,088
	$	1,488,216	1,551,684

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 2018 and 2017, 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, including Nicaragua. During 2018 and at the end of the year, the Company carried out goodwill impairment tests in its operating segment in Nicaragua, considering impairment indicators arising from the social unrest and the economic and political instability in such country. Considering the available elements the results of the impairment tests did not present goodwill impairment losses. In these calculations, the estimated moderate reduction in the projected future cash flows was offset by a reduction in the discount rate, in which, despite of the increase in the country risk by approximately 100 basis points as compared to December 31, 2017, this effect was offset by a reduction in the interest rate. CEMEX Latam maintains a close supervision over the CGUs in which goodwill has been allocated that have presented a relative risk of goodwill impairment in any of the reported periods and, in the event that the economic assumptions relevant to the determination of the projected cash flows become more negative, it could result in future impairment losses.

As of December 31, 2018 and 2017, 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	**2018**	**2017**	**2018**	**2017**
Costa Rica	10.6%	11.1%	3.4%	3.9%
Colombia	9.5%	10.5%	3.6%	3.7%
Panama	9.1%	10.0%	5.5%	5.5%
Nicaragua	12.6%	13.1%	4.2%	4.5%
Guatemala	10.2%	11.5%	3.5%	4.0%
El Salvador	11.5%	11.9%	2.2%	2.0%

As of December 31, 2018, the discount rates used by CEMEX Latam in its cash flows projections in the countries with the most significant goodwill balances decreased slightly in most cases in a range of 0.4% up to 1 percentage point, as compared to the values determined in 2017. This reduction was mainly attributable to general decreases in the country specific sovereign yields in the majority of the countries where CEMEX Latam operates and the weighing of debt in the calculation, effects that were partially offset by increases during 2018 in the funding cost observed in the industry that changed from 6.1% in 2017 to 7.3% in 2018 and the risk free rate associated with CEMEX Latam which increased from 2.8% in 2017 to 2.9% in 2018. With respect to long-term growth rates, following general practice under IFRS, CEMEX uses country specific rates, which are mainly obtained from Consensus Economics, a compilation of analysts' forecasts worldwide or from the International Monetary Fund when the former is not available for a specific country.

Analysis of goodwill impairment – continued

In connection with the assumptions included in the table above, CEMEX Latam performed sensitivity analyses to changes in assumptions, affecting the value in use of all groups of CGUs with an independent reasonably 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. 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 and/or in recent mergers and acquisitions 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 11.1 times in 2018 and 9.0 times in 2017. The lowest multiple observed by CEMEX Latam was 6.7 times in 2018 and 6.5 times in 2017, and the highest multiple observed was 14.9 times in 2018 y 18.9 times in 2017. As of December 31, 2018 and 2017, none of the Company's sensitivity analysis indicated potential risk of impairment in its operating segments.

15) FINANCIAL INSTRUMENTS

15A) SHORT-TERM AND LONG-TERM DEBT

As of December 31, 2018 and 2017, consolidated debt by type of financial instruments is summarized as follows:

		2018	2017
Trust guarantee for the development of housing projects [1]	$	6,589	7,176
Foreign currency-denominated promissory notes, variable rate [2]		546	8,085
Promissory note due to Banco de Bogotá, annual rate 10.52% [3]		–	1,732
Leasing Bancolombia, S.A., anticipated quarterly DTF plus 390 bps [4, 5]		–	366
Helm Leasing, S.A., anticipated quarterly DTF plus 385 bps [4, 5]		–	131
Leasing Bogotá, S.A., anticipated quarterly DTF plus 465 bps [4, 5]		–	33
Total	$	7,135	17,523
Long-term debt		–	–
Short-term debt	$	7,135	17,523

1 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. The 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 4.55%.

2 As of December 31, 2018 and 2017, refers to notes payable with a maturity of one year negotiated by CEMEX Colombia, bearing DTF rate plus 3.85% and bearing DTF rate plus 4%.

3 In July 2017, CEMEX Colombia signed a promissory note with Banco de Bogotá associated with housing projects in process, which was repaid in January 2018.

4 Referred to finance leases with commercial finance companies denominated in Colombian Pesos negotiated in 2012 with a maturity of sixty months finished in September 2018.

5 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, 2018*,* the anticipated quarterly DTF rate was 4.54%.

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, 2018 and 2017 are as follows:

Thousands of U.S. Dollars		2018		2017	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Other assets and non-current accounts receivable (note 10B)……..	$	4,306	4,306	10,319	10,319
Financial liabilities					
Long-term payables to related parties (note 9)	$	835,102	795,588	584,684	594,492
Other non-current liabilities (note 16)		17,575	17,575	15,626	15,626
	$	852,677	813,163	600,310	610,118

(Thousands of U.S. Dollars)

16) OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, 2018 and 2017 consolidated other current accounts payable and accrued expenses were detailed as follows:

		2018	2017
Others provisions and liabilities	$	22,210	23,586
Accrued expenses		20,556	47,391
Advances from customers		14,126	17,283
Provisions for employee benefits		4,075	6,544
Provisions for legal claims and other commitments		3,557	14,673
Contract liabilities with customers (note 3A)		267	471
Others		683	922
	$	65,474	109,870

As described in the different items of the table above, the amounts refer mainly to employee benefits accrued at the reporting date, insurance, litigation and environmental resolutions, for the portion that is expected to be settled in the short term. These are revolving amounts and are expected to be settled and replaced for similar amounts within the next 12 months. As of December 31, 2017, accrued expenses payable includes the amount of the fine associated with the market investigation imposed by the Colombian Superintendence of Industry and Commerce (the "SIC") for approximately $25 million. CEMEX Colombia made the payment of the fine on January 5, 2018 and will continue its defense process as described in note 23A. The decrease in provisions for legal claims and other commitments corresponds mainly to the reversal of the provision that had been created in relation to the litigation for alleged damages to rice farm land adjacent to the Caracolito plant in Colombia for approximately $12.5 million (notes 5 and 23A).

For the years ended December 31, 2018 and 2017, 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:

		2018	2017
Balance at beginning of period	$	44,274	35,542
Additions of the period for new obligations or increases in estimates		69,390	67,211
Reductions of the period due to payments or decrease in estimates		(81,262)	(58,848)
Foreign currency translation adjustment		(2,293)	369
Balance at end of period	$	30,109	44,274

As of December 31, 2018 and 2017, consolidated other non-current liabilities were detailed as follows:

		2018	2017
Provision for asset retirement obligations [1]	$	4,463	4,949
Other taxes		3,456	5,318
Other provisions and liabilities		3,922	3,698
Deferred income		5,734	1,661
	$	17,575	15,626

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.

(Thousands of U.S. Dollars)

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, 2018 and 2017, 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, 2018 and 2017, 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.

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, 2018 and 2017, 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 $8,304 and $6,558, respectively.

The aging of trade accounts receivable as of December 31, 2018 and 2017 are as follows:

		2018	2017
Neither past due, nor impaired portfolio	$	61,554	93,912
Less than 90 days past due portfolio		18,509	11,529
More than 90 days past due portfolio		15,706	16,592
	$	95,769	122,033

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, 2018 and 2017, 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 intends 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, 2018 and 2017, 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, 2018 and 2017 would have decreased by approximately $6,295 and $4,641, 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.

(Thousands of U.S. Dollars)

Equity risk

As of December 31, 2018 and 2017, 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 not 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 of December 31, 2017, current liabilities exceeded current assets in $355,550. As of December 31, 2018 current assets exceeded current liabilities in $14,614. In order to reduce its liquidity risk, on June 29, 2018, the Company renegotiated to a two-year maturity the loan granted by LOMEZ International B.V to Cemento Bayano $130,195. In addition, on December 28, 2018, CEMEX Colombia renewed its credit line with CEMEX España with a maturity of 2 years (note 9). The Company's management considers that CEMEX Latam will generate sufficient net cash flows from operations in the future to allow it to cope with any liquidity risk in the short term. In case it is deemed necessary, CEMEX Latam considers that it would succeed in renegotiating on a long-term basis the maturity of some short-term payables to CEMEX. The Company's consolidated net cash flows from operations after interest expense and income taxes amounted to $124,430 in 2018 and $146,439 in 2017. The maturities of the Company's contractual obligations are included in note 22A.

18) PENSIONS AND OTHER POSTRETIREMENT EMPLOYEE BENEFITS

Defined contribution pension plans

The consolidated cost of defined contribution plans for the years ended December 31, 2018 and 2017 were approximately $12 and $17, 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, 2018 and 2017, the net periodic cost was recognized as follows:

		2018	2017
Recorded in financial income and other items, net			
Financial cost	$	2,421	2,597
Recorded in other comprehensive income, net			
Actuarial losses		815	2,985
Net periodic cost	$	3,236	5,582

The reconciliation of the actuarial benefits obligation as of December 31, 2018 and 2017 are presented as follows:

		2018	2017
Change in benefits obligation			
Projected benefits obligation at beginning of period	$	40,415	38,401
Financial cost		2,421	2,597
Benefits paid		(3,727)	(3,768)
Actuarial loss		815	2,985
Foreign currency translation		(3,263)	200
Projected benefits obligation at end of period	$	36,661	40,415

As of December 31, 2018, estimated payments for postretirement benefits over the next ten years are as follows:

		Estimated payments
2019	$	3,410
2020		3,397
2021		3,380
2022		3,353
2023		3,316
2024–2028		15,541
	$	32,397

(Thousands of U.S. Dollars)

Pensions and other postretirement employee benefits – continued

As of December 31, 2018 and 2017, the most significant assumptions used in the determination of the net periodic cost were as follows:

	2018	2017
Discount rate	6.25%	6.20%
Pension growth rate	3.00%	3.00%

Sensitivity analysis of pensions and other postretirement benefits

For the year ended December 31, 2018, 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, 2018 is shown below:

Variables:	+50pbs	-50pbs
Discount rate	(1,414)	1,521
Pension growth rate	1,648	(1,542)

19) INCOME TAXES

19A) INCOME TAXES FOR THE PERIOD

For the years ended December 31, 2018 and 2017, income tax expense recognized in the consolidated income statements was as follows:

		2018	2017
Current income taxes	$	54,922	62,314
Deferred income taxes		(18,329)	(5,420)
	$	36,593	56,894
Out of which:			
Colombia [1, 2, 3]	$	(637)	16,263
Costa Rica [4]		15,946	10,673
Panama		1,174	6,451
Rest of CLH and others [5]		20,110	23,507
	$	36,593	56,894

1 Beginning January 1, 2015, a tax on wealth became effective in Colombia, which was calculated considering the balance of net equity for tax purposes outstanding as of January 1, 2015. The tax was valid during the years 2015, 2016 and 2017. The effect for the period ended as of December 31, 2017 was approximately $1,939 and is included in the income taxes in such year.

2 As of January 1, 2017, as part of a package of tax modifications, was established 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 As part of a tax modifications package effective as of January 1, 2019, the income tax rate is modified to 32% in 2020, 31% in 2021 and 30% in 2022 and onwards. The rate for 2019 was maintained at 33%.

4 For the period as of December 31, 2018, includes an adjustment of income taxes plus interest, related to a 2008 tax litigation for a total amount in Colones equivalent to approximately $6 million (see note 19D).

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

As of December 31, 2018, the Company has unamortized tax loss carryforwards and other tax credits of $187,842, 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. The balance of tax loss carryforwards as of December 31, 2018 by expiration date was as follows:

		Unamortized tax loss carryforwards
2029	$	2,279
2030		7,340
No time limit		178,223
	$	187,842

(Thousands of U.S. Dollars)

19B) DEFERRED INCOME TAXES

As of December 31, 2018 and 2017, the main temporary differences that generated the consolidated deferred income tax assets and liabilities are presented below:

		2018	2017
Deferred tax assets:			
Tax loss carryforwards and other tax credits	$	267	381
Accounts payable and accrued expenses		15,495	10,164
Others		457	319
Total deferred tax assets		16,219	10,864
Deferred tax liabilities:			
Property, machinery and equipment		139,039	186,286
Goodwill		205,475	241,211
Others		1,771	(115)
Total deferred tax liabilities		346,285	427,382
Net deferred tax liabilities	$	330,066	416,518

The breakdown of changes in consolidated deferred income taxes during 2018 and 2017 were as follows:

		2018	2017
Deferred income tax benefit credited to the income statement	$	(18,329)	(5,420)
Reduction of the deferred tax liability from disposals (note 3B)		(21,309)	–
Deferred income tax benefit credited to stockholders' equity [1]		(46,814)	(1,445)
Change in deferred income tax during the period	$	(86,452)	(6,865)

1 In 2018, includes a deferred income tax of $242 resulting from the adoption of IFRS 9 as of January 1, 2018.

The Parent Company has not recognized any deferred tax liability for the undistributed earnings generated by its subsidiaries accounted under the equity method, considering that such undistributed earnings are not expected to be distributed and generate income tax in the foreseeable future. Moreover, 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, 2018 and 2017 these differences were as follows:

	2018	2017
	%	%
Statutory tax rate in Spain	25.0	25.0
Other non-taxable income	(7.4)	(0.4)
Expenses and other non-deductible items	13.0	11.4
Other taxable non-accounting benefits	(0.5)	(1.4)
Differences in income tax rates [1]	(2.3)	4.1
Special tax on wealth	–	1.2
Others	5.8	1.9

Effective consolidated tax rate	33.6	41.8

1 Includes the effects of the different income tax rates applicable in the countries that are part of these 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 an adverse resolution after considering the evidence at its disposal. Nonetheless, the Company cannot assure it will obtain a favorable resolution. As of December 31, 2018, a summary of relevant facts of the most significant proceedings in progress, or which were resolved during the reported periods, were as follows:

Colombia

- On April 6, 2018, CEMEX Colombia received a special proceeding from the Colombian Tax Authority (the "Tax Authority"), where certain deductions included in the 2012 income tax return were rejected. The Tax Authority assessed an increase in the income tax payable by CEMEX Colombia and imposed an inaccuracy penalty for amounts in Colombian Pesos equivalent to approximately $38 million of income tax and $38 million of penalty. On June 22, 2018, CEMEX Colombia filed a response to the special proceeding within the legal term. On December 28, 2018 CEMEX Colombia received an official review settlement ratifying the rejected deductible items and amounts. CEMEX Colombia will file a reconsideration request within the next two months. If the proceeding would be adversely resolved in the final stage, CEMEX Colombia must pay the amounts determined in the official settlement plus interest accrued on the amount of the income tax adjustment until the payment date. As of December 31, 2018, in this stage of the proceeding, CEMEX Latam believes an adverse resolution in this proceeding after conclusion of all available defense procedures is not probable, however, it is difficult to assess with certainty the likelihood of an adverse result in the proceeding; but if adversely resolved, CEMEX Latam believes this proceeding could have a material adverse impact on its operating results, liquidity or financial position.

- In September, 2012, the Tax Authority requested CEMEX Colombia to amend its income tax return for the year 2011 in connection with several deductible expenses including the amortization of goodwill. CEMEX Colombia rejected the arguments of the ordinary request and and filed a motion requesting the case to be closed. The 2011 income tax return was under audit of the Tax Authority from August 2013 until September 5, 2018, when CEMEX Colombia was notified of a special requirement in which the Tax Authority rejects certain deductions included in such income tax return of the year 2011 and determined an increase in the income tax payable and imposed a penalty for amounts in Colombian Pesos equivalent to approximately $26 million of income tax and $26 million of penalty. CEMEX Colombia filed a response to the special requirement on November 30, 2018. If the proceeding would be adversely resolved in its final stage, CEMEX Colombia would have to pay the amounts determined in the official settlement plus interest accrued on the amount of the income tax adjustment until the date of payment. As of December 31, 2018, in this stage of the proceeding, CEMEX Latam believes an adverse resolution in this proceeding after conclusion of all available defense procedures is not probable, however, it is difficult to assess with certainty the likelihood of an adverse result in the proceeding; but if adversely resolved, CEMEX Latam believes this proceeding could have a material adverse impact on its operating results, liquidity or financial position.

- In April, 2011, the Tax Authority notified CEMEX Colombia of a special proceeding rejecting certain deductions taken by CEMEX Colombia in its 2009 tax return considering they are not linked to direct revenues recorded in the same fiscal year, and assessed an increase in the income tax payable by CEMEX Colombia and imposed a penalty for amounts in Colombian Pesos equivalent to approximately $28 million of income tax and approximately $28 million of penalty, considering changes in the law that reduced the original sanction. After several appeals of CEMEX Colombia to the Colombian Tax Authority's special proceeding in the applicable courts in which CEMEX Colombia obtained negative resolutions in each case over the years, in July 2014, CEMEX Colombia filed an appeal against this resolution before the Colombian State Council (*Consejo de Estado*). If the proceeding would be adversely resolved in the final stage, CEMEX Colombia must pay the amounts determined in the official settlement plus interest accrued on the amount of the income tax adjustment until the payment date. As of December 31, 2018, in this stage of the proceeding, CEMEX Latam believes an adverse resolution in this proceeding after conclusion of all available defense procedures is not probable, however, it is difficult to assess with certainty the likelihood of an adverse result in the proceeding; but if adversely resolved, CEMEX Latam believes this proceeding could have a material adverse impact on its operating results, liquidity or financial position.

- The municipality of San Luis (the "Municipality") has issued requirements to CEMEX Colombia related with the payment of the industry and commerce tax (*impuesto de industria y comercio*) in such municipality for the fiscal years from 1999 to 2013. The Municipality argues that the tax is generated as a result of CEMEX Colombia's industrial activities in such jurisdiction. CEMEX Colombia considers that its activity in this municipality is strictly mining and therefore pays royalties for mineral extraction in this jurisdiction, based on the applicable law, which bans municipalities from collecting the industry and commerce tax, when the amount payable of royalties is equal or exceeds to the amount of such tax. CEMEX Colombia has duly submitted legal resources appealing these requirements. The processes from 1999 to 2012 have finalized without disbursements for CEMEX Colombia. In relation to the fiscal year 2013, there is a requirement from the Municipality that has been appealed by CEMEX Colombia, for amounts in Colombian Pesos equivalent to approximately $5 million of purported tax and $8 million of penalties, considering the exchange rate as of December 31, 2018. If the proceeding would be adversely resolved in the final stage, CEMEX Colombia must pay the amounts determined in the official settlement plus interest accrued on the tax adjustments until the payment date. As of the date of the financial statements, in this stage of the proceeding, CEMEX Latam considers that it is not probable that it will have to make payments in relation to this proceeding.

(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* or the "Tax Department") informed the beginning of audits for the 2008 fiscal year in CEMEX Costa Rica, S.A. ("CEMEX Costa Rica"), which included income tax, payroll withholding tax and sales tax. In August 2013, the Tax Department issued a provisional regularization proposal. After several 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, which were appealed by CEMEX Costa Rica before the Administrative Tax Court. The purported tax due plus accrued interest for these items is for an amount in Colones equivalent to approximately $6 million and the sanction determined in the resolution is for an amount in Colones equivalent to approximately $1 million. On April 9, 2018, the Administrative Tax Court issued an adverse resolution to the appeal filed by CEMEX Costa Rica in all its aspects. With the objective of preventing any seizure order, on July 6, 2018, CEMEX Costa Rica filed a precautionary measure before the Administrative Litigation Court, in which requested the non-execution of the resolution issued by the administrative authority and proposed a letter of credit as guarantee while the proceeding is handled in the courts. On September 18, 2018, the General Tax Office notified a request for payment of the resolution no later than October 9, 2018 for amounts in Colones equivalent to approximately $3 million of purported tax, allowing CEMEX Costa Rica to decide regarding the settlement of accrued interest. On October 9, 2018, the contentious administrative judge ordered the temporary suspension of the payment request issued on September 18, 2018, meanwhile the precautionary measure was resolved, however, on November 8, 2018, the contentious administrative court notified CEMEX Costa Rica a negative resolution in respect to the precautionary measure, As a result, CEMEX Costa Rica proceeded with the payments of the tax adjustment plus accrued interest determined according by law for an amount in Colones equivalent to approximately $6 million. On December 21, 2018, CEMEX Costa Rica filed a claim against the Costa Rican State before the Administrative Contentious Court. As of December 31, 2018, at this stage of the proceeding, CEMEX Latam believes an adverse resolution in this proceeding after conclusion of all available defense procedures is not probable, however, it is difficult to assess with certainty the likelihood of an adverse result in the proceeding; but if adversely resolved, CEMEX Latam believes this proceeding could not have a material adverse impact on its operating results, liquidity or financial position.

20) STOCKHOLDERS' EQUITY

20A) COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

As of December 31, 2018 and 2017, the line item common stock and additional paid-in capital was detailed as follows:

		2018			2017		
		Authorized	Treasury shares	Total	Authorized	Treasury shares	Total
Common stock	$	718,124	–	718,124	718,124	–	718,124
Additional paid-in capital		894,701	(143,093)	751,608	894,701	(144,838)	749,863
	$	1,612,825	(143,093)	1,469,732	1,612,825	(144,838)	1,467,987

During the years ended December 31, 2018 and 2017 the Parent Company carried out physical deliveries of shares to the executives subject to the benefits of the stock-based long-term compensation programs (note 20D), which increased additional paid-in capital for amounts of $1,745 and $1,169, respectively, as result of the decrease in treasury shares, which were delivered to these executives.

As of December 31, 2018 and 2017, the Parent Company's subscribed and paid shares by owner were as follows:

Shares	2018	2017
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	149,188,887	148,930,376
Total subscribed and paid shares	557,079,229	556,820,718

As of December 31, 2018 and 2017, 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 21,199,113 in 2018 and 21,457,624 shares in 2017 held in the Company's treasury (treasury shares).

As of December 31, 2018 and 2017, CEMEX España owned approximately 73.22% and 73.25%, respectively, of the Parent Company's common shares, excluding shares held in treasury.

(Thousands of U.S. Dollars)

20B) OTHER EQUITY RESERVES

As of December 31, 2018 and 2017, the items within other equity reserves are summarized as follows:

		2018	2017
Reorganization of entities under common control and other effects [1]	$	(300,422)	(300,422)
Currency translation effects of foreign subsidiaries [2]		(639,478)	(547,845)
Stock-based compensation [3]		11,574	9,664
	$	(928,326)	(838,603)

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 cumulative currency translation effects of foreign subsidiaries generated during each period. The effects generated during the periods ended December 31, 2018 and 2017 are included in the statements of comprehensive income.

3 The line item refers to the effects associated with the executive stock-based compensation programs (note 20D), and which costs are recognized in the operating results of each subsidiary during the vesting period of the awards 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, 2018, and 2017, the legal reserve of the Parent Company amounted to $22,174 and $20,612, respectively.

20D) EXECUTIVE STOCK-BASED COMPENSATION

Effective January 1, 2013, a long-term incentives plan for certain executives of CEMEX Latam was approved, consisting of an annual compensation plan based on the delivery of shares of the Parent Company. The cost associated with the equity instruments delivered to the Company's eligible executives is recognized in the operating results during the periods in which the executives subject to the benefits of the plan render services and vest the program's exercise rights. The underlying shares in the aforementioned long-term incentives plan, which are held in the Company's treasury, are delivered fully vested over a 4-year period under each annual program.

In addition, certain executives that join the Company coming from other CEMEX's operations participated until their transfer in CEMEX's stock-based long-term incentives program. In any such case, eligible executives of the stock-based long term compensation plan that join the Company from CEMEX stop receiving CEMEX, S.A.B. de C.V. shares and start receiving shares of the Parent Company in the following date of grant after joining the Company.

For the years ended December 31, 2018 and 2017, compensation expense related to the long-term incentive plans described above, which was recognized in the results of operations, amounted to $1,910 and $1,378, respectively.

Under the annual long-term incentives plan with CEMEX Latam Holdings shares, the Parent Company granted rights on its own shares to the executives subject to the plan's benefits for 622,145 shares in 2018 and 544,714 shares in 2017, in connection with 100% of the potential benefits to be vested within each annual program. During 2018 and 2017, the Parent Company carried out the physical delivery of 258,511 and 172,981 shares, respectively, corresponding to the vested portion of prior period grants. Based on the aforementioned, as of December 31, 2018, there are approximately 1,162,186 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 in Colombian Pesos equivalent to approximately 4.15 Dollars per share in 2018 and 4.42 Dollars per share in 2017.

As of December 31, 2018 and 2017, the Company has no commitments to make cash payments to executives based on changes in the market prices of CEMEX, S.A.B de C.V.'s or the Parent Company's shares.

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, 2018 and 2017, non-controlling interest in stockholders equity amounted to approximately $5,296 and $4,910, 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, 2018 and 2017 were as follows:

Denominator (thousands of shares)		2018	2017
Weighted average number of shares outstanding – Basic EPS		556,905	556,677
Effect of dilutive instruments – stock-based compensation		1,162	799
Weighted average number of shares outstanding – Diluted EPS		558,067	557,476
Numerator			
Consolidated net income from continuing operations	$	72,506	79,537
Less: non-controlling interest net income		(194)	(316)
Controlling interest net income from continuing operations		72,312	79,221
Net loss from discontinued operations		(9,556)	(33,126)
Controlling interest net income	$	62,756	46,095
Controlling interest basic earnings per share	$	0.11	0.08
Controlling interest basic earnings per share from continuing operations		0.13	0.14
Basic loss per share from discontinued operations		(0.02)	(0.06)
Controlling interest diluted earnings per share	$	0.11	0.08
Controlling interest diluted earnings per share from continuing operations		0.13	0.14
Diluted loss per share from discontinued operations		(0.02)	(0.06)

22) COMMITMENTS

22A) CONTRACTUAL OBLIGATIONS

As of December 31, 2018 and 2017, the Company had the following contractual obligations:

(Thousands of Dollars)		2018					2017
Debts		Less than 1 year	1–3 years	3–5 years	More than 5 years	Total	Total
Long-term debt with related parties [1]	$	42,870	324,205	510,897	–	877,972	942,818
Interest payments on debt [2]		45,017	69,830	33,222	–	148,069	185,363
Operating leases [3]		2,708	5,196	4,834	4,722	17,460	19,463
Finance lease obligations [4]		546	–	–	–	546	530
Pension plans and other benefits [5]		3,410	6,777	6,669	15,541	32,397	35,302
Purchases of raw materials, fuel and energy [6]		41,861	62,801	–	–	104,662	315,936
Investments in property, plant and equipment [7]		3,050	–	–	–	3,050	4,264
Total contractual obligations	$	139,462	468,809	555,622	20,263	1,184,156	1,503,676

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, 2018.

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 $1,700 to less than one year, $3,400 from one to three years, $3,400 from three to five years and $3,400 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 $164 to less than one year, $329 from one to three years, $188 from three to five years and $76 to more than five years.

Contractual obligations – continued

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 and El Salvador.

As of December 31, 2018, the summary of certain concepts related to the contracts for the purchase of raw materials, inputs and others presented in the previous table, which are negotiated in the local currency of each subsidiary, is as follows:

		(U.S. Dollars millions)			
Counterpart	**Contractor**	**Concept**	**Start date**	**Term**	**Annual approximate amount**
General de Maquinaria y Excavación Colombia S.A.S.	CEMEX Colombia	Quarry exploitation	July 2018	4 years	$ 2
Turgas S.A. E.S.P.	CEMEX Colombia	Natural gas	September 2017	4 years	10
Exxonmobil Colombia S.A.	CEMEX Colombia	Fuels	July 2017	4 years	10
Excavaciones y Proyectos de Colombia S.A.S.	CEMEX Colombia	Raw materials	May 2017	5 years	6
Wärtsilä Colombia S.A.	CEMEX Colombia	Energy	June 2014	5 years	10
IBM	Various subsidiaries	Administrative services	July 2012	10 years	4
En el Fortuna, S.A.	Cemento Bayano, S.A.	Energy	January 2010	10 years	13

22B) OTHER COMMITMENTS

In addition, as of December 31, 2018, the parent company had the following relevant contracts with CEMEX entities for several concepts, the amounts of which, except for the leasing of offices, are based on fixed percentages over the life of the contracts on consolidated revenues based on market conditions, which are summarized below:

		(Millions of dollars)			
Counterpart	**Contractor**	**Concept**	**Start date**	**Term**	**Annual approximate amount**
CEMEX, S.A.B de C.V.	Parent Company	Trademarks use	July 2017	5 years	$ 4.5
CEMEX Research Group, A.G. [1]	Parent Company	Use, operation and enjoyment of assets	January 2014	5 years	35.8
CEMEX Central, S.A. de C.V.	Parent Company	Administrative services	July 2017	5 years	15.1

1 In January 2019 this Contract was renewed with the same conditions.

The relationship between the Parent Company and CEMEX S.A.B. de C.V, CEMEX España and their subsidiaries, is regulated by a Framework Agreement effective since November 2012, which includes limits and restrictions for the Parent Company, entity that needs the previous authorization of CEMEX S.A.B. de C.V. and CEMEX España, in connection with: 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 of shares and equity securities; d) the declaration, decree or payment of dividends or other distribution by the Parent Company in connection with its shares; e) grant or guarantee any type of debt, and/or the creation of liens outside the ordinary business course; and f) take any action that could result on default for CEMEX S.A.B. de C.V. breach any contract or agreement. Moreover, beginning March 28, 2017, the Framework Agreement includes 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 Parent Company on a consolidated basis or under the equity method for accounting purposes (or any other method that applies similar principles).

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 with an aggregate selling price of approximately Col $254 billion ($87 million). As of December 31, 2018, beneficiaries, government entities and financial entities have deposited in a trust funds for approximately Col $225 billion ($69 million) which partially guarantee the payment of the homes, and that have been released to CEMEX Colombia as advance payment as the technical and financial closure of the projects has occurred considering the documentation and delivery of the homes to the customers satisfaction. As of December 31, 2018, the construction of the homes has a weighted average advance of 100% and a total of 5,189 homes have been documented in the public registry.

Other commitments – continued

In December, 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 1,138,020 MT for the period from 2017 to 2018 and by an approximate amount of 939,700 MT from 2019 to 2020. This contract was extended on December 14, 2018 until August 31, 2020.

23) LEGAL PROCEEDINGS

23A) LIABILITIES RESULTING FROM LEGAL PROCEEDINGS

CEMEX Latam is involved in several significant legal proceedings, other than those associated with taxes (note 19D), the resolutions of which are deemed probable and imply the incurrence of losses and/or cash outflows or the delivery of other resources owned by CEMEX Latam. As a result, certain provisions or losses have been recorded in the financial statements, representing the best estimate of amounts payable or impaired assets. Therefore, CEMEX Latam considers that it will not make significant expenditure or incur significant losses in excess of the amounts recorded. As of December 31, 2018, the details of the most significant legal proceedings giving effect to provisions or losses are as follows:

- In December, 2017, in the context of a market investigation initiated 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 several procedures over the years, the SIC imposed CEMEX Colombia a penalty for an amount in Colombian Pesos equivalent to approximately $25 million, which was accrued against "Other expenses, net" as of December 31, 2017. CEMEX Colombia paid the penalty on January 5, 2018. On June 7, 2018, CEMEX Colombia filed with the Administrative Contentious Court a claim for nullity and reinstatement of rights, seeking the cancellation of the charges imposed by the SIC and the restitution of the penalty paid, plus any adjustment indicated by Colombian law. This claim can take up to six years to resolve. As of December 31, 2018, CEMEX Latam is not able to assess the likelihood of recovering the penalty imposed by the SIC.

- In connection with the construction of the cement plant in the municipality of Maceo in Colombia (note 13), in August, 2012, CEMEX Colombia signed a memorandum of understanding ("MOU") with the representative of CI Calizas y Minerales S.A. ("CI Calizas"), for the acquisition of assets consisting of land, the mining concession and environmental permit, the shares of Zomam (holder of the free trade zone concession) and the rights to develop the cement plant. After the 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 (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, including the shares of Zomam acquired by CEMEX Colombia before the beginning of such process. As a third party acting in good faith and free of guilt, CEMEX Colombia joined the expiration of property process and fully cooperates with the Attorney General. As of December 31, 2018, it is estimated that it may take between five and ten years for a final resolution to be issued on the aforementioned process, which is in the investigatory stage, waiting for the legal counsels of the defendants appointed by the Attorney General to assume functions, which opens the evidentiary stage. In addition, in 2013, CEMEX Colombia also engaged the same representative of CI Calizas to 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 (the "Land MOU").

  In July 2013, CEMEX Colombia signed with the provisional depository appointed by the Drugs National Department (*Dirección Nacional de Estupefacientes* or the "DNE") (then depository of the affected assets), which functions after its liquidation were assumed by the Administration of Special Assets (*Sociedad de Activos Especiales S.A.S.* or the "SAE"), a lease contract for a period of five years, by means of which CEMEX Colombia was duly authorized to build and operate the plant (the "Lease Contract"). Moreover in 2014, the provisional depository granted a mandate to CEMEX Colombia for the same purposes.

  On July 15, 2018, the initial term of the Lease Contract signed by CEMEX Colombia with the DNE expired. Notwithstanding the expiry, CEMEX Colombia considers that it is entitled to continue to build and use the plant pursuant to the terms of an accompanying mandate until the conclusion of the expiration of property proceeding. As of December 31, 2018, CEMEX Colombia maintains negotiations with the SAE in order to enter into a new long term lease contract that would replace precedent agreements and would allow CEMEX Colombia to continue the construction and operation of the plant during a term of 21 years from the signing date with a potential extension of 10 additional years.

  During 2016, through an investigation and internal audit in accordance with the corporate governance policies and code of ethics of CEMEX and CEMEX Latam considering reports of deficiencies in the purchasing process received in CEMEX's anonymous reporting line, and after confirming the irregularities, in September, 2016, CEMEX Latam and CEMEX Colombia terminated the employment relationship with the Vice President of Planning of CEMEX Latam and CEMEX Colombia; with the Vice President of 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. In order to strengthen the levels of leadership, management and best practices of corporate governance, in October 2016, the Parent Company's Board of Directors separated the roles of Chairman of the Board of Directors, Chief Executive Officer of CEMEX Latam and President of CEMEX Colombia, and made the corresponding appointments. Moreover, CEMEX, S.A.B. de C.V.'s Audit Committee and the Parent Company's Audit Commission performed an independent investigation of the Maceo project through experts in forensic audit. Additionally, the management of CEMEX Colombia and the Parent Company engaged legal advisors for the required collaboration with the Attorney General and other purposes.

Liabilities resulting from legal proceedings – continued

The investigation and internal audit initiated during 2016 found that under the MOU and the Land MOU, CEMEX Colombia made deposits in the representative's bank account for advances and paid interests, settled in kind following its instructions, for amounts in Colombian Pesos equivalent to approximately $13,412 and $1,252, respectively, considering the exchange rate as of December 31, 2016. These payments were made in breach of CEMEX's and CEMEX Latam's policies. As a result, both, the Parent Company and CEMEX Colombia reported these facts to the Attorney General, providing the findings on hand. In December 2016, CEMEX Colombia filed a claim in the civil courts aiming that all property rights of the land acquired under de Land MOU, some of which were assigned to the representative, would be transferred to CEMEX Colombia. As of December 31, 2018, due to the process of expiration of property of the assets under the MOU and the deficient formalization of the acquisitions under the Land MOU, CEMEX Colombia is not the rightful owner of the aforementioned assets.

As a result, considering the legal opinions available and low probability of recovering such advances, in December 2016, the Company reduced investments in process for a net amount in Colombian Pesos equivalent to approximately $14,134, which included: a) a reduction of $14,257 for impairment of assets against "Other expenses, net," including approximately $2,344 of impairment losses not related with the MOU or the Land MOU; b) a reduction of $9,073 against "Other accounts payable" for the cancellation of the remaining account payable to CI Calizas under the MOU; and c) an increase in investments in process for $9,196 recognized against VAT accounts payable related with certain purchases of equipment installed outside the polygon of the free zone that were not exempted from this tax. All these amounts considering the 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.

Moreover, there is an ongoing criminal investigation by the Attorney General which is in its second investigatory stage. The hearing for indictments was held between June 12 and 29, 2018, whereas charges were brought against two of the former executives of CEMEX Colombia and the representative of CI Calizas, and pretrial detention of the defendants was determined. CEMEX Latam cannot predict the actions that the Attorney General could implement or the possibility and degree in which any of these actions could have a material adverse effect on CEMEX Latam's results of operation, liquidity or financial position. Under the presumption that CEMEX Colombia acted in good faith, CEMEX Latam considers that it will retain ownership of the plant and that the rest of its 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 paying indemnity to CEMEX Colombia, or otherwise, b) oblige CEMEX Colombia to purchase the land. Nonetheless, had this not be the case, CEMEX Colombia would take all necessary actions to safeguard the project in Maceo. At this respect, 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. Nonetheless, although as of December 31, 2018 CEMEX Latam cannot estimate if the expiration of property of the assets subject to the MDE would be declared in favor of the State, or as the case may be, if the SAE would determine to sell or not those assets to CEMEX Colombia or if a new Lease Contract would be negotiated or not, CEMEX Colombia does not consider probable that any of these adverse results may occur, but would any of these adverse results occur upon which an adverse resolution is received, such adverse resolution could have a material adverse effect on the CEMEX Latam's results of operations, liquidity or financial condition.

In addition and specifically in connection with the deficiencies occurred in the purchase process of the land and other assets related to the construction of the plant and considering the investigations and internal audit as well as the advice received from external advisors, CEMEX Latam continue with the efforts and 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 defined as material weakness. Among the remediation practices implemented in 2017, with the approval of the Parent Company's Audit Commission and Board of Directors, there is the approval policy on significant unusual transactions, the creation of a committee that oversees material investment projects, the strengthening of internal audit procedures and the improvement of existing monitoring controls in order to operate in a satisfactory level of precision. As of December 31, 2018, the remediation activities have been fully implemented. Nonetheless, the effectiveness of such remediation activities is still under evaluation; 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 in any significant aspect the financial statements issued by CEMEX Latam in prior periods.

As of December 31, 2018, the start-up of the Maceo plant and the construction of the access road remain suspended, mainly considering certain permits required to finalize the access road, as well as ongoing requests and procedures with the relevant authorities oriented to: a) resolve any overlap of the project with an Integrated Management District ("IMD"); b) modify the land use where the project is located to harmonize it with industrial and mining use; c) modify the environmental license to increase the permitted production up to 950 thousand tons per year; and d); obtain the extension of the free zone to cover the entire plant, and e) resolve the ownership of the environmental license and the mining title which transfer to a subsidiary of CEMEX Colombia was revoked by the regional environmental authority; until progress is achieved in these processes. CEMEX Colombia continues working to address these issues as soon as possible, In October 2017, CEMEX Colombia presented the initial request for the partial subtraction of the Maceo project from the IMD to test the feasibility of achieving the proposed expansion of the activity in the project and comments were received in May 2018. In this regard, on October 11, 2018, CEMEX Colombia submitted a response to the latest request for information in connection with such extraction process. This process of partial extraction of the Maceo project, would allow the removal of the cement operation productive area from the IMD. This request requires evidence of the viability to develop the proposed activity of the cement project in said area. Meanwhile, CEMEX Colombia will limit its activities to those on which it has the relevant authorizations.

Liabilities resulting from legal proceedings – continued

- On July 16, 2018, the Colombian Supreme Court of Justice issued a final ruling favorable to CEMEX Colombia in relation to the proceeding initiated in 1999 by several companies belonging to the Laserna family, in which it was sought the declaration of non-contractual civil responsibility and consequently the corresponding compensation for alleged damages caused by emissions from the Caracolito plant to rice-growing land. As a result of this resolution, during the third quarter of 2018, CEMEX Colombia reversed the provision it had accrued in prior years related to this proceeding for approximately $12.5 million (note 5).

23B) CONTINGENCIES RESULTING FROM LEGAL PROCEEDINGS

As of December 31, 2018, 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 low the likelihood of an adverse resolution; 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:

Contingencies from market related proceedings

- On June 12, 2018, the Consumer Protection and Defense of Competition Authority in Panama initiated an administrative investigation of officio to Cemento Bayano and another local producer for the presumed commission of practices against free competition in the market of gray concrete and ready-mix concrete. As a result of the investigation, the authority determined that there are elements that serve as a basis to consider the possible existence of absolute monopolistic practice, such as: (i) pricing and / or restriction of production in the gray cement market sold to companies producing ready-mix concrete in Panama, (ii) unilateral or joint predatory acts and / or exchange of subsidies in the concrete market. In October 2018, the Authority requested additional information to Cemento Bayano to continue such investigation. The Authority is gathering the necessary elements to make an informed decision regarding if there were violations to the law. Cemento Bayano considers it did not committed improper acts and is fully cooperating with the Panamanian Authority. In December 2018, two executives of Cemento Bayano render statements before the Panamanian Authority. As of December 31, 2018, CEMEX Latam cannot determine if the investigation would result in a fine, penalization or remediation, or if such fine, penalization or remediation, should any exist, could have a material adverse effect on CEMEX Latam's operating results, its liquidity or its financial position.

Contingencies from environmental proceedings

- In March, 2015, certain members of the surrounding communities of the cement plant in Panama filed a claim against Cemento Bayano for alleged breach of environmental regulations in the operation of its quarries and requested the review of the environmental impact' studies that support the new raw material quarries of the plant. These community members are being assisted by non-governmental organizations and environmentalist groups with the purpose of achieving fines to Cemento Bayano and the cancellation of the new quarries' environmental impact studies. In April 2015, the authorities resolved that the allegations in connection with water pollution, erosion control, air quality and impact control of protected areas, sustained the investigation.

  In June 2015, in connection with the claim against Cemento Bayano, the Environmental Authority conducted a physical inspection in attention to the plaintiffs, and by means of a Technical Inspection Report of July 2015, it was concluded that during the inspection there were no physical evidence of the issues related with the claim. Nonetheless, in January 2016, the process was referred to the Panama North Regional Administration of the Environment Ministry (the "Regional Administration"), which in November 2016, requested the Environmental Economic Unit to calculate the fine to be imposed to Cemento Bayano. As of December 31, 2018, Cemento Bayano is awaiting for the final resolution, which if it is adverse will be appealed. Fines related to environmental matters do not have an established limit and depend on the severity of the damage, the recidivism, the investments level and the economic situation of the offender. At this stage of the proceeding, although is not able to assess with full certainty, Cemento Bayano considers low the probability of an adverse resolution or potential damages that could be imposed. An adverse resolution in this proceeding could have a material adverse effect on the Company´s results of operations, liquidity or financial position.

- In June 2010, the District Environmental Secretary of Bogota (the "District Secretary"), ordered the suspension of the mining activities of CEMEX Colombia and other two companies in the quarry El Tunjuelo, located in Bogotá, The District Secretary alleged that over the past 60 years, CEMEX Colombia and the other companies, illegally changed the course of the Tunjuelo River, used the underground waters without permission and improperly invaded the edge of the Tunjuelo river for mining activities. CEMEX Colombia considers that its mining activities at El Tunjuelo quarry were supported by the appropriate authorizations required by the applicable environmental laws, and that all the environmental impact studies submitted by CEMEX Colombia were reviewed and authorized by the Ministry of Environment and Sustainable Development. Since June 2010, the local authorities closed down the quarry and prohibited the removal of aggregates inventory. In July, 2018, the District Secretary of Bogotá notified CEMEX Colombia of the imposition of a fine in Colombian Pesos equivalent to approximately $427, considering the exchange rate of August 1, 2018, the date on which it was liquidated. The fine is imposed based on the risk of having provoked affectation or harm in the use of the underground waters in the Tunjuelo river's middle basin, without the corresponding permit issued by the environmental authority. CEMEX Colombia was exonerated from the other initial charges of conduct against the water resource, as it was found that there was no effective use of the waters, nor was any damage caused. With the imposition of this fine, all the proceedings and possible claims against CEMEX Colombia related to this matter were finalized, which could have resulted in sanctions with a significant impact on the Company's financial statements.

(Thousands of U.S. Dollars)

Contingencies from environmental proceedings – continued

In addition, 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 legal proceedings

- On September 4, 2018, CEMEX Colombia answered the lawsuit filed by a constructor, through which the payment of damages is sought for an alleged breach of the contract for the supply of concrete for the construction of civil works called “Túnel de Crespo" located in the city of Cartagena, for an amount in Colombian Pesos equivalent to approximately $12.8 million. CEMEX Colombia considers that it has the legal and technical arguments that demonstrate compliance with the supply contract that is the subject of this litigation and will exercise the pertinent actions at each stage of the process. On October 2, 2018, CEMEX Colombia answered the lawsuit filed by a constructor. Simultaneously, CEMEX Colombia filed a counterclaim against the aforementioned constructor, in order to be recognized an amount in Colombian Pesos equivalent to approximately $7.3 million for expenditures made during the years 2014 and 2015 in repairs to civil works by causes allegedly imputable to the constructor. As of December 31, 2018, CEMEX Latam is analyzing the bases of the procedure and it is premature in this phase to qualify the loss probabilities. Nonetheless an adverse resolution in this case could have a material adverse impact on CEMEX Latam’s results of operations, liquidity or financial position.

- As a result of the premature damages presented in the slabs of Transmilenio’s North Highway, six civil claims were filed against CEMEX Colombia. The Administrative Litigation Court decided to declare the nullity of five claims and, currently, the claim filed by a citizen is under process and is pending of judgment in the first instance. As of December 31, 2018, CEMEX Latam considers remote the probability of an adverse resolution 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 position.

In addition, as of December 31, 2018, 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.

24) MAIN SUBSIDIARIES

The Parent Company’s main direct and indirect subsidiaries as of December 31, 2018 and 2017 are as follows:

Subsidiary	Country	Activity	% of interest 2018	2017
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	99.2	99.1
CEMEX Nicaragua, S.A.	Nicaragua	Operating	100.0	100.0
Cemento Bayano, S.A.	Panama	Operating	99.5	99.5
Cimentos Vencemos do Amazonas, Ltda. [3]	Brazil	Operating	–	100.0
CEMEX Guatemala, S.A.	Guatemala	Operating	100.0	100.0
Equipos para Uso de Guatemala, S.A. [4]	Guatemala	Operating	–	100.0
Cementos de Centroamérica, S.A. [4]	Guatemala	Operating	100.0	100.0
CEMEX Lan Trading Corporation	Barbados	Trading	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. [5]	Barbados	Reinsurance	100.0	100.0
CEMEX Finance Latam, B.V.	Holland	Finance	100.0	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, 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 As mentioned in note 2A on September 27 2018, the sale to Votorantim of the Company's operations in Brazil was concluded.

4 On July 26, 2018, the merger by absorption of Cementos de Centroamérica, S.A. was registered in the general mercantile registry of the Republic of Guatemala. with the company Equipos para Uso de Guatemala, a merger in which the former absorbs the latter, which is why Cementos de Centroamérica, S.A. retains its legal personality and acquires the assets, liabilities, rights and obligations of the absorbed company.

5 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.