Consolidated Financial Statements

December 31, 2019

This is an unofficial translation into English of the consolidated financial statements for the years ended December 31, 2019 and 2018 issued in the Spanish language on February 11, 2020. This translation is provided solely for the convenience of English-speaking readers. For any and all purposes, the consolidated financial statements for the years ended December 31, 2019 and 2018 issued in the Spanish language on February 11, 2020 shall be considered the only official version of the document.

KPMG

Cemex Latam Holdings, S.A. and Subsidiaries

Consolidated Financial Statements

December 31, 2019

(With Independent Auditor's Report Thereon)

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

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CEMEX Latam Holdings S.A. and Subsidiaries

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

	Notes	Years ended December 31, 2019	2018 *
Revenues	2O, 3A	988,653	1,108,329
Cost of sales	2Q	(606,139)	(648,348)
Gross profit		**382,514**	**459,981**
Administrative and selling expenses	2Q	(156,455)	(184,671)
Distribution expenses	2Q	(110,376)	(105,471)
		(266,831)	(290,142)
Operating earnings before other (expenses) income, net		**115,683**	**169,839**
Other (expenses) income, net	3C, 5	(13,081)	3,757
Operating earnings		**102,602**	**173,596**
Financial expense	3C, 6A	(51,956)	(60,652)
Financial income and other items, net	3C, 6B	(1,647)	(1,722)
Foreign exchange results		(15,084)	(2,509)
Earnings before income tax		**33,915**	**108,713**
Income tax	19A	(29,443)	(36,532)
Net income from continuing operations		4,472	72,181
Net loss from discontinued operations	3B	–	(9,556)
CONSOLIDATED NET INCOME		**4,472**	**62,625**
Non-controlling interest net income		(5)	(194)
CONTROLLING INTEREST NET INCOME		**4,467**	**62,431**
Basic earnings per share	21	**0.01**	**0.11**
Basic earnings per share of continuing operations	21	**0.01**	**0.13**
Diluted earnings per share	21	**0.01**	**0.11**
Diluted earnings per share of continuing operations	21	**0.01**	**0.13**

The accompanying notes are part of these consolidated financial statements.

* The Company’s comparative financial statements were re-presented, see note 2A for a description of main changes.

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

	Notes		Years ended December 31, 2019	2018 *
CONSOLIDATED NET INCOME		$	**4,472**	**62,625**
Items that will not be reclassified subsequently to the income statement:				
Remeasurements of the defined benefits obligation	**18**		(2,692)	(815)
Items that will be reclassified subsequently to the income statement when specific conditions are met:				
Currency translation effects of foreign subsidiaries	**2D**		25,324	(90,643)
Total items of comprehensive income (loss) for the period			22,632	(91,458)
CONSOLIDATED COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD			27,104	(28,833)
Non-controlling interest comprehensive income			(5)	(194)
CONTROLLING INTEREST COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		$	**27,099**	**(29,027)**
Out of which**:**				
COMPREHENSIVE LOSS OF DISCONTINUED OPERATIONS		$	–	(9,556)
COMPREHENSIVE INCOME (LOSS) OF CONTINUING OPERATIONS			**27,099**	**(19,471)**

The accompanying notes are part of these consolidated financial statements.

* The Company's comparative financial statements were re-presented, see note 2A for a description of main changes.

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

	Notes	As of December 31 2019	2018 *
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	$ 22,606	37,126
Trade accounts receivable	8	70,650	87,465
Accounts receivable from related parties	9	34,350	21,138
Other accounts receivable	10A	13,828	14,007
Prepaid taxes		41,938	29,696
Inventories	11	77,973	81,172
Other current assets	12	22,604	38,567
Total current assets		283,949	309,171
NON-CURRENT ASSETS			
Other investments and non-current accounts receivable	10B	4,107	4,306
Property, machinery and equipment and assets for the right-of-use, net	13	1,131,440	1,177,623
Goodwill and other intangible assets, net	14	1,552,903	1,555,413
Deferred income tax assets	19B	21,804	18,597
Total non-current assets		2,710,254	2,755,939
TOTAL ASSETS		**$ 2,994,203**	**3,065,110**
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term debt and other financial liabilities	15A	$ 10,227	10,055
Trade payables		146,538	149,523
Accounts payable to related parties	9	20,021	42,870
Taxes payable		19,804	29,555
Other accounts payable and accrued expenses	16A	64,282	65,474
Total current liabilities		260,872	297,477
NON-CURRENT LIABILITIES			
Long-term debt and other financial liabilities	15A	19,174	19,400
Long-term accounts payable to related parties	9	729,090	835,102
Employee benefits	18	37,855	36,661
Deferred income tax liabilities	19B	339,048	346,612
Other liabilities	16B	64,358	17,575
Total non-current liabilities		1,189,525	1,255,350
TOTAL LIABILITIES		**1,450,397**	**1,552,827**
STOCKHOLDERS' EQUITY			
Controlling interest			
Common stock and additional paid-in capital	20A	1,472,391	1,469,732
Other equity reserves	20B	(903,715)	(928,151)
Retained earnings	20C	969,879	965,412
Total controlling interest		1,538,555	1,506,993
Non-controlling interest	20E	5,251	5,290
TOTAL STOCKHOLDERS' EQUITY		**1,543,806**	**1,512,283**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**$ 2,994,203**	**3,065,110**

The accompanying notes are part of these consolidate financial statements.

* The Company's comparative financial statements were re-presented, see note 2A for a description of main changes.

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

	Notes	Years ended December 31 2019	2018
OPERATING ACTIVITIES			
Consolidated net income		4,472	72,181
Discontinued operations, net of tax		–	(9,556)
Net income from continuing operations		4,472	62,625
Non-cash items:			
Depreciation and amortization of assets	4	83,181	78,661
Provisions and other non-cash expenses	8, 11	1,060	1,825
Financial expense, other financial income and foreign exchange results, net		68,687	64,883
Income taxes	19	29,443	36,532
Results on the sale of fixed assets		(2,361)	5,006
Impairment losses	5	4,686	2,756
Changes in working capital, excluding income taxes		5,274	(20,163)
Net cash flow provided by operating activities from continuing operations before interest and income taxes		**194,442**	**232,125**
Financial expense paid in cash		(42,609)	(37,464)
Income taxes paid in cash		(51,854)	(58,003)
Net cash flow provided by operating activities of continuing operations		99,979	136,658
Net cash flow used in operating activities of discontinued operations		–	(1,235)
Net cash flows provided by operating activities		**99,979**	**135,423**
INVESTING ACTIVITIES			
Property, machinery and equipment and assets for the right-of-use, net	13	(25,715)	(37,774)
Financial income	6	508	704
Intangible assets and other deferred charges		(3,206)	(1,060)
Long term assets and others, net	10B	199	(1,651)
Disposal of subsidiaries		–	31,414
Net cash flows used in investing activities of continuing operations		(28,214)	(8,367)
Net cash flows provided by investing activities of discontinued operations		–	878
Net cash flows used in investing activities		**(28,214)**	**(7,489)**
FINANCING ACTIVITIES			
Debt repayments to related parties		(413,886)	(543,132)
Loans from related parties		335,375	463,571
Debt repayments, net		(1,488)	(11,571)
Non-current liabilities, net		(6,004)	(42,699)
Net cash flows used in financing activities of continuing operations		(86,003)	(133,831)
Net cash flows used in financing activities of discontinued operations		–	(242)
Net cash flows used in financing activities		**(86,003)**	**(134,073)**
Decrease in cash and cash equivalents		(14,238)	(5,540)
Decrease in cash and cash equivalents of discontinued operations		–	(599)
Foreign currency translation effect on cash		(282)	(1,889)
Cash and cash equivalents at beginning of period		37,126	45,154
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	$ **22,606**	**37,126**
Changes in working capital, excluding income taxes:			
Trade accounts receivable		15,779	26,264
Other accounts receivable and other assets		12,830	(6,498)
Inventories		3,175	1,424
Trade accounts payable		(2,985)	(16,449)
Short-term related parties, net		(18,919)	17,730
Other accounts payable and accrued expenses		(4,606)	(42,634)
Changes in working capital, excluding income taxes		**5,274**	**(20,163)**

The accompanying notes are part of these consolidated financial statements.

* The Company's comparative financial statements were re-presented, see note 2A for a description of main changes

CEMEX Latam Holdings, S.A. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
As of December 31, 2019 and 2018
(Thousands of U.S. Dollars)

	Notas		Common stock	Additional paid-in capital	Other equity reserves	Retained earnings	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balance as of December 31, 2017		$	**718,124**	**749,863**	**(838,603)**	**908,751**	**1,538,135**	**4,910**	**1,543,045**
Effect from adoption of IFRS 9			–	–	–	(608)	(608)	(3)	(611)
Effect from adoption of IFRS 16			–	–	–	(5,162)	(5,162)	(6)	(5,168)
Balances as of January 1, 2018 *			**718,124**	**749,863**	**(838,603)**	**902,981**	**1,532,365**	**4,901**	**1,537,266**
Net income for the period			–	–	–	62,431	62,431	194	62,625
Other items of comprehensive income for the period			–	–	(91,458)	–	(91,458)	–	(91,458)
Total other comprehensive income for the period			–	–	(91,458)	62,431	(29,027)	194	(28,833)
Changes in non-controlling interest	20E		–	–	–	–	–	195	195
Share-based compensation	20D		–	1,745	1,910	–	3,655	–	3,655
Balance as of December 31, 2018 *		$	**718,124**	**751,608**	**(928,151)**	**965,412**	**1,506,993**	**5,290**	**1,512,283**
Net income for the period			–	–	–	4,467	4,467	5	4,472
Other items of comprehensive income for the period			–	–	22,632	–	22,632	–	22,632
Total other comprehensive income for the period			–	–	22,632	4,467	27,099	5	27,104
Changes in non-controlling interest	20E		–	–	–	–	–	(44)	(44)
Share-based compensation	20D		–	2,659	1,804	–	4,463	–	4,463
Balance as of December 31, 2019		$	**718,124**	**754,267**	**(903,715)**	**969,879**	**1,538,555**	**5,251**	**1,543,806**

The accompanying notes are part of these consolidated financial statements

* The Company's comparative financial statements were re-presented, see note 2A for a description of main changes

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 11, 2020, 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, 2019 and 2018 were prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 (the "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, 2019 and 2018, as well as for the years ended December 31, 2019 and 2018 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 "$" or Dollars is to Dollars of the United States, when reference is made to "€" or Euros is to the currency in circulation in a significant number of European Union ("EU") countries. When reference is made to "¢" or Colones is to Colones of the Republic of Costa Rica ("Costa Rica"). When reference is made to "COP$" 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").

Discontinued Operations

Considering the disposal of its entire reportable operating segment in Brazil on September 27, 2018 (note 3B), CEMEX Latam presents such reportable segment as discontinued operations in the income statement, the statement of comprehensive income and the statement of cash flows for the period from January 1 to September 27, 2018. Discontinued operations are presented net of income tax.

Income statements

CEMEX Latam includes in the income statements the line item titled "Operating earnings before other (expenses) income, net" considering that it is a relevant operating measure for the Company's management. The line item "Other (expenses) income, 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) income, net" and the display of the statement of operations vary significantly by industry and company according to specific needs.

Income statements – continued

Considering that it is an indicator of its ability to internally fund capital expenditures and to measure its ability to service or incur debt, for purposes of note 3C, CEMEX Latam presents "Operating EBITDA" (operating earnings before other (expenses) income, 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:

Financial Activities

- For the years ended December 31, 2019 and 2018, related to the capitalization of interest accrued on the debt with CEMEX companies, the increase in long-term accounts payable to related parties of $27,500 and 35,804, respectively,

- For the years ended December 31, 2019 and 2018, in connection with the executives' share-based compensation (note 20D), the net increase in other equity reserves of $1,804 and $1,910, respectively, and the increase in additional paid-in capital of $2,659 in 2019 and $1,745 in 2018, and

- In 2019, the increase in other financial obligations of $2,377 and in 2018, the decrease in other financial obligations of $600 in relation with the lease contracts negotiated or canceled during the year, respectively (note 15A).

Investing activities

- In 2019, the increase in assets for the right-of-use of $2,631 and in 2018 the decrease in assets for the right-of-use of $727, in relation with the lease contracts negotiated or canceled during the year, respectively (note 13B).

Newly issued IFRS with impact on the reported periods

IFRS 16, Leases ("IFRS 16") (notes 2F, 13B y 15A)

Beginning January 1, 2019, IFRS 16 superseded all existing guidance related to lease accounting including IAS 17, *Leases* and introduced a single lessee accounting model that requires a lessee to recognize, for all leases, assets for the "right-of-use" the underlying asset against a corresponding financial liability, representing the net present value of the estimated fixed payments under the lease contract, allowing exemptions in case of leases with a term of less than 12 months or when the underlying asset is of low value. Under this model, the lessee recognizes in the income statement depreciation of the asset for the right-of-use and interest on the lease liability. After concluding the inventory and measurement of its leases, CEMEX Latam adopted IFRS 16 using the full retrospective approach by means of which it determined an opening cumulative effect in its statement of financial position as of January 1, 2018, that is, at the beginning of the oldest comparative period, representing an increase in assets for the right-of-use of $15,678, an increase in deferred income tax assets of $2,786, an increase in other financial obligations of $22,921, an increase in deferred income tax liabilities of $705 and a reduction in stockholders' equity of $5,168. The reduction in stockholders' equity refers to a temporary difference between the depreciation expense of the assets for the right-of-use under the straight–line method against the amortization of the liability under the effective interest rate method since the beginning of the contracts, which will be reversed during the remaining life of the contracts.

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

CEMEX Latam adopted IFRS 9 beginning January 1, 2018, which 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 Company's accounting policies were changed to comply with IFRS 9.

Among other aspects of presentation that had no impact on the valuation or the book value of the Company's financial assets and liabilities and therefore on the retained earnings of CEMEX Latam, regarding 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 of the asset, and in 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 the history of credit losses 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 related to the adoption of IFRS 9 on January 1, 2018 in connection with the expected credit loss model represented an increase in the allowance of expected credit losses as of January 1, 2018 of $853 recognized against retained earnings, net of a deferred income tax asset of $236. The balances of such allowance of expected credit losses 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 $11,100 as of January 1, 2018, respectively, after the adoption effects.

(Thousands of U.S. Dollars)

Newly issued IFRS with impact on the reported periods – continued

The effects of IFRS 9 and IFRS 16 in CEMEX Latam's opening balance sheet as of January 1, 2018 were as follows:

Condensed Consolidated Statement of Financial Position		As of January 1, 2018 Original	IFRS adoption adjustments	As of January 1, 2018 Re-presented
ASSETS				
Trade accounts receivable (note 8)	$	115,475	(853)	114,622
Other items of current assets		211,812	–	211,812
Total current assets		327,287	(853)	326,434
Property, machinery and equipment, net and assets for the right-of-use, net (note 13B)		1,250,521	15,678	1,266,199
Deferred income tax assets		10,864	3,022	13,886
Other items of non-current assets		1,705,317	–	1,705,317
Total non-current assets		2,966,702	18,700	2,985,402
TOTAL ASSETS	$	3,293,989	17,847	3,311,836
LIABILITIES AND STOCKHOLDERS' EQUITY				
Short-term debt and other financial obligations	$	17,523	4,144	21,667
Other items of current liabilities		665,314	–	665,314
Total current liabilities		682,837	4,144	686,981
Long-term accounts payable to related parties		584,684	–	584,684
Long-term debt and other financial obligations		–	18,777	18,777
Deferred income tax liabilities		427,382	705	428,087
Other items of non-current liabilities		56,041	–	56,041
Total non-current liabilities		1,068,107	19,482	1,087,589
TOTAL LIABILITIES		1,750,944	23,626	1,774,570
Retained earnings		908,751	(5,770)	902,801
Other items of controlling interest		629,384	–	629,565
Total controlling interest		1,538,135	(5,770)	1,532,365
Non-controlling interest		4,910	(9)	4,901
TOTAL STOCKHOLDERS' EQUITY		1,543,045	(5,779)	1,537,266
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	3,293,989	17,847	3,311,836

Moreover, resulting from the adoption of IFRS 16, CEMEX Latam re-presented its previously reported statement of financial position as of December 31, 2018, as follows:

Condensed Consolidated Statement of Financial Position		December 31, 2018 Original	IFRS 16 adjustments	December 31, 2018 Re-presented
ASSETS				
Total current assets	$	309,171	–	309,171
Property, machinery and equipment, net and assets for the right-of-use, net (note 13B)		1,162,672	14,951	1,177,623
Deferred income tax assets		16,219	2,378	18,597
Other items of non-current assets		1,559,719	–	1,559,719
Total non-current assets		2,738,610	17,329	2,755,939
TOTAL ASSETS	$	**3,047,781**	**17,329**	**3,065,110**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Short-term debt and other financial obligations	$	7,135	2,920	10,055
Other items of current liabilities		287,422	–	287,422
Total current liabilities		294,557	2,920	297,477
Long-term accounts payable to related parties		835,102	–	835,102
Long-term debt and other financial obligations		–	19,400	19,400
Deferred income tax liabilities		346,285	327	346,612
Other items of non-current liabilities		54,236	–	54,236
Total non-current liabilities		1,235,623	19,727	1,255,350
TOTAL LIABILITIES		**1,530,180**	**22,647**	**1,552,827**
Retained earnings		908,143	(5,162)	902,981
Other items of controlling interest		604,162	(150)	604,012
Total controlling interest		1,512,305	(5,312)	1,506,993
Non-controlling interest		5,296	(6)	5,290
TOTAL STOCKHOLDERS' EQUITY		**1,517,601**	**(5,318)**	**1,512,283**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	**3,047,781**	**17,329**	**3,065,110**

(Thousands of U.S. Dollars)

Newly issued IFRS with impact on the reported periods – continued

Likewise, CEMEX Latam modified its previously reported income statement for the year ended December 31, 2018 to give effect to the retrospective adoption of IFRS 16, as follows:

Condensed consolidated income statements		2018 Original	IFRS 16 adjustments	2018 Re-presented
Revenues	$	1,108,329	–	1,108,329
Cost of sales		(649,670)	1,322	(648,348)
Operating expenses		(290,848)	706	(290,142)
Other (expenses) income, net		3,757	–	3,757
Financial expense		(59,000)	(1,652)	(60,652)
Financial income and other items, net		(1,722)	–	(1,722)
Foreign exchange results		(1,747)	(762)	(2,509)
Earnings before income tax		109,099	(386)	108,713
Income tax		(36,593)	61	(36,532)
Net income from continuing operations	$	72,506	(325)	72,181

Condensed consolidated statements of cash flows		2018 Original	IFRS 16 adjustments	2018 Re-presented
OPERATING ACTIVITIES				
Net income from continuing operations	$	62,950	(325)	62,625
Non-cash items:				
Depreciation and amortization of assets		74,696	3,965	78,661
Other non-cash items		108,649	2,353	111,002
Changes in working capital, excluding income taxes		(20,163)	–	(20,163)
Operating cash flows from continuing operations before financial expense and income taxes		226,132	5,993	232,125
Interest on debt paid		(37,464)	–	(37,464)
Income taxes paid		(58,003)	–	(58,003)
Operating cash flows from continuing operations		130,665	5,993	136,658
Operating cash flows from discontinued operations		(1,235)	–	(1,235)
Net cash flows provided by operating activities		129,430	5,993	135,423
INVESTING ACTIVITIES				
Property, machinery and equipment and assets for the right-of-use, net		(34,364)	(3,410)	(37,774)
Other items of investing activities		28,997	410	29,407
Net cash flows used in investing activities from continuing operations		(5,367)	(3,000)	(8,367)
Net cash flows provided by investing activities from discontinued operations		878	–	878
Net cash flows used in investing activities		(4,489)	(3,000)	(7,489)
FINANCING ACTIVITIES				
Other financial obligations, net		–	(2,993)	(2,993)
Debt with related parties, net		(79,561)	–	(79,561)
Other items of financing activities		(51,277)	–	(51,277)
Net cash flows used in financing activities of continuing operations		(130,838)	(2,993)	(133,831)
Net cash flows used in financing activities of discontinued operations		(242)	–	(242)
Net cash flows used in financing activities		(131,080)	(2,993)	(134,073)
Decrease in cash and cash equivalents of continuing operations		(5,540)	–	(5,540)
Decrease in cash and cash equivalents of discontinued operations		(599)	–	(599)
Foreign currency translation effect on cash		(1,889)	–	(1,889)
Cash and cash equivalents at beginning of period		45,154	–	45,154
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	37,126	–	37,126

Other newly issued IFRS adopted in the reported periods

In addition, there were other new standards, interpretations and standard amendments adopted as of January 1, 2019 and 2018, as correspond, which did not result in any material impact on CEMEX Latam results or financial position, and which are summarized as follows:

Standard	Main topic
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.
Amendments to IAS 28, *Long-term interests in associates and joint ventures*	The amendments clarify that IFRS 9, including its impairment rules, applies to these investments

Other newly issued IFRS adopted in the reported periods – continued

Standard	Main topic
IFRS 15, *Revenue from contracts with customers*	An entity recognizes income to reflect the sale of goods or services promised to customers, for an amount that reflects the consideration that the entity expects to earn in return (note 2O)..
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.
Amendments to IFRS 9 – *Prepayment Features with Negative Compensation*	Clarify that financial assets with prepayment features with negative compensation do not automatically fail to meet the 'solely payments of principal and interest' condition.
IFRS 11, *Joint Arrangements – Previously held Interests in a joint operation*	Clarify that a party that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in the joint operation when it obtains joint control.
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.
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).

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) has the power to appoint and remove the board of directors or relevant corporate governance body; b) holds directly or through subsidiaries, more than 50% of an entity's common stock; c) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity, or d) 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.

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 reporting date, as well as the reported amounts 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, the impairment tests of long-lived assets, the allowances for expected credit losses of financial assets, the recognition of deferred income tax assets, the measurement of financial instruments at fair value and the measurement of assets and liabilities related to employee benefits, as well as the contingencies resulting from ongoing legal and/or tax proceedings. 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 (note 20B).

(Thousands of U.S. Dollars)

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

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

The Company's main closing exchange rates per U.S. Dollar as of December 31, 2019 and 2018 for statement of financial position and the approximated average exchange rates in 2019 and 2018 for income statements purposes, are as follows:

	2019		2018	
Currency	Closing	Average	Closing	Average
Colombian Pesos	3,277.14	3,299.77	3,249.75	2,972.04
Costa Rican Colones	576.49	588.40	611.75	581.56
Nicaraguan Cordobas	33.83	33.18	32.33	31.62
Guatemalan Quetzals	7.69	7.70	7.74	7.54

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.
- 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."

Investments which business model consists in receiving contractual cash flows and subsequently selling such financial assets are defined as "held to collect and sale" instruments. During the reported years, CEMEX Latam did not maintain financial assets "held to collect and trade."

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 ("ECL") for the entire lifetime of such financial assets on initial recognition and during the tenure of such trade accounts receivable. For purposes of the 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 losses experienced over the last 24 months and analyses of future delinquency. This ECL rate is applied to the balance of the 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.

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.

Leases (notes 2A, 13B and 15A)

As mentioned in note 2A, CEMEX Latam adopted IFRS 16 beginning January 1, 2019 using the full retrospective approach. At the inception of a lease contract, CEMEX Latam assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an indentified asset for a period in exchange for consideration. CEMEX Latam uses the definition of a lease in IFRS 16 to assess whether a contract conveys the right to control the use of an identified asset.

Based on IFRS 16, leases are recognized as financial liabilities against assets for the right-of-use, measured at their commencement date by the net present value ("NPV") of the future contractual fixed payments, using the interest rate implicit in the lease or, if that rate cannot be readily determined, CEMEX Latam's incremental borrowing rate. CEMEX Latam determines its incremental borrowing rate by obtaining interest rates from its external financing sources and makes certain adjustments to reflect the term of the lease, the type of the asset leased and the economic environment in which the asset is leased.

CEMEX Latam does not separate the non-lease component from the lease component included in the same contract. Lease payments included in the measurement of the lease liability comprise contractual fixed payments, less incentives, fixed payments of non-lease components and the value of a purchase option, to the extent that option is highly probable to be exercised or is considered a bargain purchase option. Interest incurred under the financial obligations related to lease contracts is recognized as part of the "Interest expense" line item in the income statement.

At commencement date or on modification of a contract that contains a lease component, CEMEX Latam allocates the consideration in the contract to each lease component based on their relative stand-alone prices. CEMEX Latam applies the recognition exception for lease terms of 12 months or less and contracts of low-value assets and recognizes the lease payment of these leases as rental expense in the income statement over the lease term. CEMEX Latam defined the lease contracts related to office and computer equipment as low-value assets.

The lease liability is amortized using the effective interest method as payments are incurred and is remeasured when: a) there is a change in future lease payments arising from a change in an index or rate, b) if there is a change in the amount expected to be payable under a residual guarantee, c) if the Company changes its assessment of whether it will exercise a purchase, extension or termination option, or d) if there is a revised in-substance fixed lease payment. When the lease liability is remeasured, an adjustment is made to the carrying amount of the asset for the right-of-use or is recognized within "Financial income and other items, net" if such asset has been reduced to zero.

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), data different to quoted prices in active markets that are directly or indirectly observable for the asset or liability (level 2 measurement), and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements).

2G) INVENTORIES (note 11)

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

(Thousands of U.S. Dollars)

2H) PROPERTY, MACHINERY AND EQUIPMENT AND ASSETS FOR THE RIGHT-OF-USE (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, 2019, the average useful lives by category of fixed assets which are reviewed on each reporting date and adjusted if necessary are as follows:

	Years
Administrative buildings	29
Industrial buildings	35
Machinery and equipment	16
Ready-mix trucks and motor vehicles	10
Office equipment and other assets	5

Assets for the right-of-use related to leases are initially measured at cost, which comprises the initial amount of the lease liability adjusted by any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlaying asset, less any lease incentives received. The asset for the right-of-use is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlaying asset to CEMEX Latam by the end of the lease term or if the cost of the asset for the right-of-use reflects that CEMEX Latam will exercise a purchase option. In that case the asset for the right-of-use would be depreciated over the useful life of the underlying asset. In addition, assets for the right-of-use may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. As of December 31, 2019, the average term of the current contracts is four years.

CEMEX Latam capitalizes, as part of the related cost of fixed assets, interest expense from existing debt during the construction or installation period of significant fixed assets, considering CEMEX Latam 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. The capitalized amounts are further amortized over the expected useful life of exposed ore body based on the units of production method.

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

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).

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.

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, assets for the right-of-use and intangible assets of definite life

Property, machinery and equipment, assets for the right-of–use and intangible assets of definite life, 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) income, 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.

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) income, 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 reportable segments disclosed 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. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. The higher the growth rate in perpetuity applied, the higher the amount of undiscounted future cash flows by group of CGUs obtained. Moreover, the amounts of discounted estimated future cash flows are significantly sensitive to the discount rate applied. The higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by group of CGUs. 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.

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 there structuring 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 on going 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, 2019 and 2018 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 under IFRS 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.

Income taxes – continued

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.

Based on IFRIC 23, *Uncertainty over income tax treatments* ("IFRIC 23"), 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. For each position is considered individually its probability, regardless of its relation to any other broader tax settlement. The probability threshold represents a positive assertion by management that the Company 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 income statements.

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

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.

(Thousands of U.S. Dollars)

Revenue recognition – continued

When revenue is earned over time as contractual performance obligations are satisfied, which is the case of construction contracts, CEMEX Latam applies 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 the following has been agreed: (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, 2019 and 2018, 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:

Standard	Main topic	Effective date
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
Amendments to IFRS 3, *Business Combination*..	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	January 1, 2020
Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*...........	The amendments use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest Rate Benchmark Reform*.......	The amendments respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting and provide temporary reliefs to continue hedge accounting during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.	January 1, 2020
IFRS 17, *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

The Company does not expect any material effect on its consolidated financial statements as a result of the adoption of these IFRS.

(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, 2019 and 2018, revenues, after eliminations between related parties, are detailed as follows:

		2019	2018
From the sale of cement	$	671,676	712,813
From the sale of ready-mix concrete		241,028	286,612
From the sale of aggregates		24,390	30,948
From the sale of other products and eliminations [1]		51,559	77,956
	$	988,653	1,108,329

1. Refers mainly to revenues generated by other business lines such as diverse products for the construction industry and infrastructure and housing projects.

Information of revenues by reportable segment and line of business for the years 2019 and 2018 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, 2019 and 2018 changes in the balance of contract liabilities with customers are as follows:

		2019	2018
Opening balance of contract liabilities with customers	$	14,393	17,754
Increase during the period for new transactions		9,356	8,085
Decrease during the period for exercise or expiration of incentives		(12,355)	(10,268)
Currency translation effects		(121)	(1,178)
Closing balance of contract liabilities with customers	$	11,273	14,393

For the years 2019 and 2018, 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 period from January 1 through September 27, 2018, as follows:

Sales	$	26,631
Cost of sales and operating expenses		(27,934)
Other (expenses) income, net [1]		(54)
Financial (income) expenses, net and others		(256)
Loss before income tax.		**(1,613)**
Income tax		265
Loss of discontinued operations		**(1,348)**
Result on sale, withholding tax and reclassification of currency translation effects [2]		(8,208)
Net loss of discontinued operations	$	**(9,556)**

1. Includes a loss on sale of $630, a withholding tax for transfer of $2,867 and the reclassification 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, 2019 and 2018 are as follow:

2019	Revenues (including related parties)	Less: Related parties	Revenues	Operating EBITDA	Less: Depreciation and amortization	Operating Earnings before other (expenses) income, net	Other (expenses) income, net	Financial expenses	Financial income and other items, net
Colombia $	503,839	(4)	503,835	90,716	(29,425)	61,291	(6,115)	(21,145)	(2,009)
Panama	181,229	(234)	180,995	48,619	(17,342)	31,277	(3,117)	(7,555)	326
Costa Rica	101,834	(14,125)	87,709	30,313	(4,643)	25,670	(2,675)	(177)	2,518
Rest of CLH	216,726	(612)	216,114	60,369	(8,279)	52,090	(888)	(2,344)	4,140
Others	–	–	–	(31,153)	(23,492)	(54,645)	(286)	(20,735)	(6,622)
Total	1,003,628	(14,975)	988,653	198,864	(83,181)	115,683	(13,081)	(51,956)	(1,647)

2018	Revenues (including related parties)	Less: Related parties	Revenues	Operating EBITDA	Less: Depreciation and amortization	Operating earnings before other (expenses) income, net	Other (expenses) income, net	Financial expenses	Financial income and other items, net
Colombia $	524,330	–	524,330	96,767	(28,920)	67,847	12,816	(25,278)	(1,977)
Panama	222,036	(208)	221,828	65,746	(17,028)	48,718	2,519	(7,928)	653
Costa Rica	139,087	(14,307)	124,780	45,490	(4,816)	40,674	(36)	(142)	1,968
Rest of CLH	238,750	(1,359)	237,391	76,800	(8,223)	68,577	16	(2,775)	2,995
Others	–	–	–	(36,303)	(19,674)	(55,977)	(11,558)	(24,529)	(5,361)
Continuing operations	1,124,203	(15,874)	1,108,329	248,500	(78,661)	169,839	3,757	(60,652)	(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	249,091	(80,555)	168,536	3,703	(60,675)	(1,640)

Revenues by line of business and reportable segments for the years ended December 31, 2019 and 2018 are as follows:

2019	Cement	Concrete	Aggregates	Other products	Others	Revenues
Colombia $	299,450	172,758	5,949	25,682	(4)	503,835
Panama	114,975	43,054	2,857	20,343	(234)	180,995
Costa Rica	69,724	12,775	13,304	6,031	(14,125)	87,709
Rest of CLH	187,527	12,441	2,280	14,478	(612)	216,114
Total	671,676	241,028	24,390	66,534	(14,975)	988,653

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

(Thousands of U.S. Dollars)

Selected financial information by reportable segments – continued

As of December 31, 2019 and 2018, selected consolidated information of the statements of financial position by reportable segments, which includes in each segment the its allocated balance of goodwill (note 14), as well as consolidation eliminations, as applicable, is as follows:

2019		Total Assets	Total Liabilities	Net assets by segment	Capital expenditures
Colombia	$	1,241,523	588,138	653,385	25,936
Panama		777,141	221,429	555,712	9,538
Costa Rica		426,156	29,471	396,685	4,122
Rest of CLH		528,820	73,732	455,088	6,263
Others		20,563	537,627	(517,064)	–
Total	$	2,994,203	1,450,397	1,543,806	45,859

2018		Total Assets [1]	Total Liabilities [1]	Net assets by segment [1]	Capital expenditures
Colombia	$	1,283,218	640,289	642,929	24,034
Panama		799,889	227,826	572,063	12,031
Costa Rica		400,165	30,223	369,942	3,098
Rest of CLH		559,946	78,641	481,305	9,437
Others		21,892	575,848	(553,956)	–
Total	$	3,065,110	1,552,827	1,512,283	48,600

1 The balances of assets and liabilities by reportable segments of 2018 previously reported were reclassified between segments to conform with their presentation in 2019, mainly in relation to the allocation of their respective goodwill balances and consolidation adjustments applicable in each segment.

4) DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 is detailed as follows:

		2019	2018
Depreciation and amortization expense of assets used in the production process	$	59,340	55,568
Depreciation and amortization expense of assets used in administrative and selling activities		23,841	23,093
	$	83,181	78,661

5) OTHER (EXPENSES) INCOME, NET

Other (expenses) income, net for the years 2019 and 2018 is detailed as follows:

		2019	2018
Early termination of supply contract (note 22A)	$	(5,162)	–
Impairment losses (note 13)		(4,686)	(2,756)
Severance payments for reorganization and other personnel costs		(2,015)	(1,337)
Assumed taxes, fines and other penalties		(764)	(3,415)
Results from valuation and sale of assets, sale of scrap and other non-operating products and expenses, net [1]		(454)	11,265
	$	(13,081)	3,757

1. For the year 2018, includes the write off of the provision that had been recognized in relation to a legal proceeding for alleged damages to rice farmland adjacent to the Caracolito plant in Colombia for approximately $12.5 million, considering that such proceeding was resolved favorably for the Company.

6) FINANCIAL EXPENSES, FINANCIAL INCOME AND OTHER ITEMS, NET

6A) FINANCIAL EXPENSE

Consolidated financial expense in 2019 and 2018 OF $ 51,956 and $ 60,652, respectively, includes $1,589 in 2019 and $1,652 in 2018, of financial expense arising from financial liabilities related to lease agreements (notes 13B and 15A).

(Thousands of U.S. Dollars)

Financial expense, financial income and other items, net – continued

6B) FINANCIAL INCOME AND OTHER ITEMS, NET

Financial income and other items, net in 2019 and 2018 are detailed as follows:

		2019	2018
Interest cost on employee benefits	$	(2,155)	(2,426)
Financial income		508	704
	$	(1,647)	(1,722)

7) CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents as of December 31, 2019 and 2018 are as follows:

		2019	2018
Cash and bank accounts	$	16,943	26,068
Fixed-income securities and other cash equivalents		5,663	11,058
	$	22,606	37,126

8) TRADE ACCOUNTS RECEIVABLE

For the reported periods the Company does not maintain programs for the sale of trade receivables. As of December 31, 2019 and 2018, consolidated trade accounts receivable are detailed as follows:

		2018	2017
Trade accounts receivable	$	79,990	95,769
Allowance for expected credit losses		(9,340)	(8,304)
	$	70,650	87,465

As of December 31, 2019 and 2018, balances of trade accounts receivable and the allowance for ECL by country were as follows:

		As of December 31, 2019			As of December 31, 2018		
		Accounts receivable	ECL allowance	ECL average rate	Accounts receivable	ECL allowance	ECL average rate
Colombia	$	32,257	1,948	6.04%	34,851	652	1.90%
Panama		22,489	2,132	9.48%	28,611	2,623	9.20%
Costa Rica [1]		10,788	3,928	36.41%	12,992	4,719	36.30%
Rest of CLH		14,456	1,332	9.21%	19,315	310	1.60%
	$	79,990	9,340		95,769	8,304	

1 As of December 31, 2019 and 2018, the balances of trade accounts receivable and the estimate ECL allowance include approximately $3.8 million and $3.7 million, respectively, of trade accounts receivable in process of legal recovery that were fully provisioned.

Changes in the allowance for expected credit losses in 2019 and 2018 were as follows:

		2019	2018
Allowance for expected credit losses at beginning of the period	$	8,304	6,558
Adoption effects of IFRS 9 charged to retained earnings (note 2A)		–	853
Additions during the year charged to administrative and selling expenses		4,986	4,049
Deductions		(3,910)	(2,778)
Foreign currency translation effects		(40)	(378)
Allowance for expected credit losses at end of the period	$	9,340	8,304

(Thousands of U.S. Dollars)

9) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Current accounts receivable		2019	2018
Balboa Investments B.V. [1]	$	17,842	–
Torino RE Limited		14,165	14,165
CEMEX España, S.A.		915	3,735
CEMEX, S.A.B. de C.V.		457	509
Materiales Express Colombia S.A.S.		206	–
CEMEX Operaciones México, S.A. de C.V. [2]		200	2,149
CEMEX Research Group AG		176	199
Trinidad Cement Limited		156	214
CEMEX Dominicana, S.A.		127	–
Others		106	167
Total assets with related parties	$	34,350	21,138

Current accounts payable		2019	2018
CEMEX Holdings Inc. and subsidiaries [3]	$	9,037	22,441
CEMEX Operaciones México, S.A. de C.V. [2,4]		5,215	3,425
CEMEX, S.A.B. de C.V. [4]		3,237	727
CEMEX Internacional, S.A. de C.V.		855	830
CEMEX Research Group AG		535	14,340
Beijing Import & Export Co., Ltd.		276	234
Torino RE Limited		241	–
Macoris Investment Ltd y Subs		148	–
CEMEX España, S.A. [5]		137	618
Pro Ambiente, S.A. de C.V.		106	99
CEMEX Denmark ApS		62	–
Others		172	156
	$	20,021	42,870

Non-current accounts payable		2019	2018
Lomez International B.V. [6]	$	586,914	641,092
CEMEX España, S.A. [5]		142,176	194,010
		729,090	835,102
Total liabilities with related parties	$	749,111	877,972

1 On November 15, 2019, as described in note 16B, Cemento Bayano, S.A. ("Cemento Bayano") and Balboa Investments B.V. ("Balboa") entered into an indemnity agreement generating this account receivable from Balboa of $17,842 as well as deferred revenue with related parties of $49,686.

2 On August 1, 2019, CEMEX Central, S.A. merged with CEMEX Operaciones México, S.A. of C.V., the latter entity prevailing.

3 Balances generated by imports of clinker and grey cement.

4 Balances related to royalties resulting from technical assistance agreements, use of licenses and brands, software and administrative processes.

5 The balance corresponds to a loan negotiated by CEMEX Colombia with CEMEX España originally in October 2010, subsequently renegotiated on several occasions which was set to expire on December 28, 2020. On December 20, 2019, CEMEX Colombia renegotiated this loan with CEMEX España until December 2024 bearing variable market rate plus 277 basis points that as of December 31, 2019 represented 4.69%.

6 On March 1, 2018, New Sunward Holding B.V. ("NSH") assigned to Lomez International, B.V., both Dutch entities subsidiaries 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. On December 20, 2019, Cemento Bayano renegotiated its revolving line of credit with Lomez with a new maturity in December 2022 at a variable market rate plus 360 basis points which as of December 31, 2019 represented 7.55%. Balances as of December 31, 2019 and 2018, include: a) loan agreement and accrued interest negotiated by CCL of $285,517 in 2019 and $344,110 in 2018; b) loan agreement and accrued interest negotiated by the Parent Company of $100,402 in 2019 and $94,131 in 2018, as well as a revolving credit of $116,867 in 2019 and $72,656 in 2018; and c) loan agreement and accrued interest negotiated by Cemento Bayano of $84,128 in 2019 and $130,195 in 2018.

The maturities of non-current accounts payable to related parties as of December 31, 2019 are as follows:

Debtor		2022	2023	2024	Total
Cemento Bayano (6M Libor +360 bps) [1]	$	84,128	–	–	84,128
CEMEX Latam Holdings, S.A. (5.65% annual)		–	217,269	–	217,269
Corporación Cementera Latinoamericana, S.L.U. (5.65% annual)		–	285,517	–	285,516
CEMEX Colombia S.A (6M Libor +277 bps) [1]		–	–	142,176	142,176
	$	84,128	502,786	142,176	729,090

1 The *London Inter-Bank Offered Rate*, or LIBOR, is the variable rate used in international markets for debt denominated in Dollars. As of December 31, 2019, 6-month LIBOR rates was 1.9121%. The contraction "bps" means basis points. One hundred bps equals 1%.

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(Thousands of U.S. Dollars)

Balances and transactions with related parties – continued

The Company's main transactions entered into with related parties for the years ended December 31, 2019 and 2018 are shown below:

Indemnity revenue and others		**2019**	**2018**
Balboa Investments B.V. [1]		1,082	–
Others		54	–
		1,136	–

Purchases of raw materials		**2019**	**2018**
CEMEX Holdings Inc and subsidiaries	$	31,238	48,941
CEMEX Internacional, S.A. de C.V.		6,785	6,151
Beijing Import & Export Co., Ltd.		89	53
Others		2	11
	$	38,114	55,156

Administrative and selling expenses		**2019**	**2018**
CEMEX Operaciones México, S.A. de C.V. [2]	$	–	30
Neoris de México, S.A. de C.V.		4	4
	$	4	34

Royalties and technical assistance (note 22B)		**2019**	**2018**
CEMEX Research Group, AG.	$	32,752	35,788
CEMEX Operaciones México, S.A. de C.V. [2]		12,459	15,114
CEMEX, S.A.B. de C.V.		4,222	4,514
	$	49,433	55,416

Financial expense		**2019**	**2018**
Lomez International B.V.	$	35,952	34,386
CEMEX España, S.A.		9,477	9,419
Balboa Investments B.V. [1]		530	–
New Sunward Holding B.V.		–	7,646
	$	45,959	51,451

1 The indemnity revenue of Cemento Bayano with Balboa is accrued from the date of the indemnity agreement and for a period of 10 years as the conditions set forth in the clinker supply agreement with Cemento Interoceánico, S.A. are fulfilled (note 22B).

2 On August 1, 2019, CEMEX Central, S.A. merged with CEMEX Operaciones México, S.A. of C.V., the latter entity prevailing.

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 Operaciones México, 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, 2019 and 2018, the independent directors and the chairman of the Parent Company's Board of Directors, in fulfillment of their functions, accrued compensation including remuneration and annual allowances, for a total of approximately $430 and $407, respectively. The Parent Company's independent directors have not received advances or loans and the Company has not provided guarantees or assumed any pension obligations on behalf of such independent directors and except for the civil liability insurance contracted by CEMEX, S.A.B. de C.V., the Company has not provided insurance for such independent directors. In addition, the Parent Company's proprietary directors, in their capacity as members of its Board of Directors do not receive compensation for their services. The Parent Company has no members of the Company's senior management among its employees.

In addition, for the years ended December 31, 2019 and 2018, the aggregate compensation amounts accrued by members of the top management, which was recognized in the Company's subsidiaries, were approximately $5,080 and $6,025, respectively, out of which, $4,480 in 2019 and $5,139 in 2018, corresponded to base remuneration plus performance bonuses including pensions and other postretirement benefits. In addition, approximately $600 in 2019 and $886 in 2018 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 for the period ended on December 31, 2019, the Company carried out transactions with Cemento Interoceánico, S.A. ("Cemento Interoceánico"), customer, competitor and local producer of cement, which were incurred under market conditions and for amounts not deemed significant. Until November 15, 2019, Balboa held a non-controlling interest of 25% in the common stock of Cemento Interoceánico, S.A. which was sold to a third party on the aforementioned date (note 16B).

(Thousands of U.S. Dollars)

10) OTHER ACCOUNTS RECEIVABLE

10A) OTHER CURRENT ACCOUNTS RECEIVABLE

Consolidated other accounts receivable as of December 31, 2019 and 2018 consisted of:

		2019	2018
Non-trade accounts receivable [1]	$	12,790	12,867
Loans to employees and others		1,038	1,140
	$	13,828	14,007

1 Includes in both periods CEMEX Colombia's residual interest in a trust oriented to promote housing projects, which only asset is land in the municipality of Zipaquirá, Colombia and its only liability is a bank credit of $4,703 in 2019 and $6,589 in 2018, obtained for the purchase of such land and which is guaranteed by CEMEX Colombia. In connection with this structure, on July 25, 2019, CEMEX Colombia and the other partner in the project agreed with a Colombian construction firm ("the Acquirer") the transfer of the aforementioned land to a new trust incorporated by the Acquirer, by means of the repayment of the credit guaranteed by CEMEX Colombia. During 2019, according to the agreements, the Acquirer amortized a portion of the credit for an aggregate amount in Pesos equivalent to approximately $1.8 million. The Acquirer's next payments are due on February 28, 2020 for approximately $2.5 million and on November 30, 2020 for approximately $2.3 million. The Acquirer signed promissory notes to CEMEX Colombia securing its obligations until such debt has been fully repaid.

10B) OTHER INVESTMENTS AND NON-CURRENT ACCOUNTS RECEIVABLE

Consolidated balances of other assets and non-current accounts receivable as of December 31, 2019 and 2018 are detailed as follows:

		2019	2018
Loans and notes receivable [1]	$	3,666	3,780
Other non-current assets		441	526
	$	4,107	4,306

1 Includes a fund of Cemento Bayano to secure seniority premium payments for $2,885 in 2019 and $3,041 in 2018.

11) INVENTORIES

Consolidated balances of inventories as of December 31, 2019 and 2018 are summarized as follows:

		2019	2018
Materials	$	22,738	23,786
Finished goods		11,918	10,552
Work-in-process		15,308	17,742
Raw materials		23,143	19,563
Inventory in transit		4,608	9,295
Other inventories		258	234
	$	77,973	81,172

12) OTHER CURRENT ASSETS

As of December 31, 2019 and 2018 consolidated other current assets consisted of:

		2019	2018
Advance payments [1]	$	19,922	21,898
Assets held for sale [2]		2,438	4,354
Restricted cash [3]		244	12,315
	$	22,604	38,567

1 As of December 31, 2019 and 2018, advance payments include $19,912 and $19,083, 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.

3 Refers to cash balances of CEMEX Colombia that as of December 31, 2019 were restricted by the municipality of San Luis and as of December 31, 2018, were subject to a seizure order within a legal proceeding initiated by a supplier in connection with a commercial dispute over an amount in Pesos being claimed equivalent to approximately $2 million. On July 8, 2019, in relation to such cash seizure, CEMEX Colombia released all restricted funds during the length of the commercial dispute process, by means of granting a bank guarantee.

(Thousands of U.S. Dollars)

13) PROPERTY, MACHINERY AND EQUIPMENT AND ASSETS FOR THE RIGHT-OF-USE, NET

As of December 31, 2019 and 2018, the consolidated balances of this caption consisted of:

		2019	2018
Property, machinery and equipment, net	$	1,113,858	1,162,672
Assets for the right-of-use, net [1]		17,582	14,951
	$	1,131,440	1,177,623

1 The Company adopted IFRS 16 using the full retrospective approach as of January 1, 2018 (note 2A). The previously reported amounts for 2018 were re-presented.

13A) PROPERTY, MACHINERY AND EQUIPMENT

As of December 31, 2019 and 2018 the consolidated balances of property, machinery and equipment, net as well as the changes of the period in 2019 and 2018, are as follows:

2019		Land and mineral reserves	Buildings	Machinery and equipment	Construction in progress	Total
Cost at beginning of the period	$	226,387	200,316	744,868	268,563	1,440,134
Capital expenditures and stripping costs		–	248	1,129	37,188	38,565
Disposals		(12,043)	(5,086)	(67,833)	–	(84,962)
Reclassifications		6,432	6,189	30,582	(43,203)	–
Impairment		(308)	(197)	(4,181)	–	(4,686)
Depreciation and depletion for the period		(9,679)	(6,636)	(43,536)	–	(59,851)
Foreign currency translation effects		(1,167)	270	(897)	(2,038)	(3,832)
Cost at end of the period		219,301	201,740	703,668	260,510	1,385,219
Accumulated depreciation and depletion		(41,498)	(48,416)	(181,447)	–	(271,361)
Net book value at end of the period	$	177,803	153,324	522,221	260,510	1,113,858

2018		Land and mineral reserves	Buildings	Machinery and equipment	Construction in progress	Total
Cost at beginning of the period	$	235,870	212,375	768,621	289,747	1,506,613
Capital expenditures and stripping costs		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		–	(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

In 2017, CEMEX Colombia concluded almost entirely the construction of a cement plant in the Colombian municipality of Maceo in the Antioquia department with an annual capacity of approximately 1.3 million tons. The plant has not initiated 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 for the use of the plant's assets and other legal proceedings (note 23B). As of December 31, 2019 and 2018, the aggregate book value of the plant, net of impairment adjustments of certain advance payments recognized in 2016 of $23 million is for amounts in Pesos equivalent to approximately $278 million and $280 million, respectively. The portion of cement milling assets of the plant was reclassified in 2017 from investments in progress to the specific items of buildings and machinery and equipment. Changes in the plant's book value expressed in Dollars in 2019 in relation to 2018 was mainly due to the variation in exchange rates. Out of the aforementioned book value of $278 million, a portion equivalent to approximately $79 million is recognized in the books of the entity Zona Franca Especial Cementera del Magdalena Medio S.A.S. ("Zomam"), subsidiary of CEMEX Colombia and holder of the free zone declaration. Of these $79 million, approximately $49 million correspond to equipments contributed to Zomam by CEMEX Colombia as equity contribution and the complement of $30 million corresponded to investments made directly by Zomam, mainly through a loan granted by CCL amounting to approximately $41 million including capitalized interest. The rest of Maceo's carrying amount is held directly in the books of CEMEX Colombia. These amounts translated at the exchange rate as of December 31, 2019. As mentioned in note 23B, the shares of Zomam and Maceo's land are subject to an expiration of property process carried by the Colombian authorities. For the years of 2019 and 2018, with the advisory of external appraisers, the Company analyzed for impairment its investment in the Maceo plant by determining the fair value of the assets, less estimated costs to sell, which exceeded the corresponding net book value (note 2J).

(Thousands of U.S. Dollars)

Property, machinery and equipment – continued

		2019	2018
Colombia	$	2,872	2,323
Nicaragua		748	–
Costa Rica		584	–
Panama		482	433
	$	4,686	2,756

Impairment losses of property, machinery and equipment recognized in 2019 and 2018 refer to impairment tests carried out considering certain events or impairment indicators, mainly: a) the rationalization or the temporary or permanent closure of facilities to adjust the offer to current demand conditions; b) change in the business model of certain assets resulting from the transfer of installed capacity to more efficient plants; as well as c) in certain equipment for remaining idle for a long time. These impairment losses, recognized in the line of other (expenses) income, net in the income statement, result from the excess of the net book value of the related assets against their respective value in use or estimated realizable value, whichever is higher.

13B) ASSETS FOR THE RIGHT-OF-USE

As of December 31, 2019 and 2018, the consolidated balances of the assets for the right-of-use associated with the recognition of IFRS 16 refer to the following underlying concepts in the contracts:

		2019		
		Land and buildings	Machinery and equipment	Total
Cost at beginning of the period	$	17,665	15,603	33,268
Capital expenditures (new leases)		4,504	2,814	7,318
Disposals		(225)	(8)	(233)
Depreciation and depletion for the period		(1,973)	(2,172)	(4,145)
Foreign currency translation effects		(46)	(606)	(652)
Cost at end of the period		21,898	17,803	39,701
Accumulated depreciation		(10,716)	(11,403)	(22,119)
Net book value at end of the period	$	11,182	6,400	17,582

		2018		
		Land and buildings	Machinery and equipment	Total
Cost from initial adoption of IFRS 16	$	14,813	16,276	31,089
Capital expenditures (new leases)		3,649	124	3,773
Disposals		(364)	–	(364)
Depreciation and depletion for the period		(2,398)	(1,567)	(3,965)
Foreign currency translation effects		(433)	(797)	(1,230)
Cost at end of the period		17,665	15,603	33,268
Accumulated depreciation		(9,543)	(8,774)	(18,317)
Net book value at end of the period	$	8,122	6,829	14,951

For the years 2019 and 2018, rental expenses related to short-term leases, low-value assets and variable lease payments were $2,317 and $1,745, respectively, recognized in the cost of sales and operating expenses, as applicable.

14) GOODWILL AND INTANGIBLE ASSETS

14A) BALANCES AND CHANGES DURING THE PERIOD

As of December 31, 2019, and 2018, consolidated goodwill, intangible assets and deferred assets is summarized as follows:

		2019			2018		
		Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Intangible assets of indefinite useful life							
Goodwill	$	1,503,970	–	1,503,970	1,488,216	–	1,488,216
Intangible assets of definite useful life							
Customer relations		191,851	(144,484)	47,367	191,343	(125,301)	66,042
Industrial property and trademarks		600	(600)	–	706	(703)	3
Mining projects		1,797	(323)	1,474	1,386	(326)	1,060
Other intangibles and deferred assets		92	–	92	92	–	92
	$	1,698,310	(145,407)	1,552,903	1,681,743	(126,330)	1,555,413

(Thousands of U.S. Dollars)

Goodwill and intangible assets – continued

Changes in intangible assets during the year ended December 31, 2019 and 2018 are as follows:

		2019			
		Goodwill	Customer relations	Others	Total
Net book value at beginning of the period	$	1,488,216	66,042	1,155	1,555,413
Amortization during the period		–	(19,290)	105	(19,185)
Foreign currency translation effects		15,754	615	306	16,675
Net book value at end of the period	$	1,503,970	47,367	1,566	1,552,903

		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

14B) ANALYSIS OF GOODWILL IMPAIRMENT

For purposes of goodwill impairment tests, all cash-generating units within a country are aggregated, as goodwill was allocated at the reportable operating segment. CEMEX Latam performs its annual goodwill impairment test during the last quarter of each year. For the years 2019 and 2018, based on its models of projected discounted cash flows, 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.

Impairment analyses consider long-term economic assumptions. Discounted cash flow projections are very sensitive, among other factors, to the estimation of future product prices, increases or decreases in volumes, the evolution of operating expenses, domestic and international economic trends in the construction industry, long-term growth expectations in the different markets, and the discount rates and perpetual growth rates used. The Company considers that its discounted cash flows and the discount rates used reasonably reflect the economic conditions at the time of calculation.

As of December 31, 2019 and 2018 goodwill balances allocated by reportable operating segment are as follows:

		2019	2018
Costa Rica	$	425,363	400,846
Panama		344,703	344,703
Colombia		297,740	299,036
Guatemala		235,957	234,794
Nicaragua		185,119	193,749
El Salvador		15,088	15,088
	$	1,503,970	1,488,216

As of December 31, 2019 and 2018, 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	2019	2018	2019	2018
Costa Rica	10.7%	10.6%	3.5%	3.4%
Colombia	8.9%	9.5%	3.7%	3.6%
Panama	8.4%	9.1%	5.5%	5.5%
Nicaragua	11.3%	12.6%	1.5%	4.2%
Guatemala	9.4%	10.2%	3.5%	3.5%
El Salvador	10.8%	11.5%	2.2%	2.2%

As of December 31, 2019, 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 0.6% up to 1.3% as compared to the rates determined in 2018. This reduction in 2019 was mainly attributable to the funding cost observed in the industry that changed from 7.3% in 2018 to 5.4% in 2019. The risk free rate associated with CEMEX Latam remained flat in 2.9%. while the country specific risk rates decreased slightly in 2019 in most cases. These reductions were slightly offset by the debt weighting in the calculation of the discount rate that changed from 33.5% in 2018 to 31.7% in 2019.

Analysis of goodwill impairment – continued

As of December 31, 2018, the discount rates used decreased slightly in most cases in a range of 0.4% up to 1%, as compared to the rates determined in 2017. This reduction was mainly attributable to general decreases in the country specific risk 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 long-term growth rates obtained from data issued by the International Monetary Fund.

CEMEX Latam corroborates the reasonableness of its conclusions using 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 discount rate, an independent possible decrease of 1% in the long-term growth rate, as well as using multiples of Operating EBITDA, in which case, CEMEX Latam determined a weighted multiple of Operating EBITDA observed 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 country. CEMEX considered an industry average Operating EBITDA multiple of 11.5 times in 2019 and 11.1 times in 2018.

In certain sensitivity analyzes in Panama, Costa Rica and Nicaragua, the Company detected some impairment indicators. As a result, CEMEX Latam got assured that the assumptions used in its discounted cash flow projections in these countries were adequate. After this assurance the Company ratified its conclusions. CEMEX Latam continually monitors the evolution of the countries that have presented relative goodwill impairment risk in any of the reported periods and, in the event that the relevant economic assumptions and the related value in use would be negatively affected, it may result in a goodwill impairment loss in the future.

In relation to the assumptions used by the Company described above, the impairment losses that would have resulted from the sensitivity analyzes derived from independent changes in each of the relevant variables, as well as the result of the analysis by multiples, in those operating segments that presented relative risk of impairment in 2019, are as follows:

Operating segment (U.S. Dollar millions)		Effects of sensitivity analyzes to changes in the relevant assumptions as of December 31, 2019				
		Impairment losses recognized	Discount rate +1 Pt	Growth rate –1 Pt	Operating EBITDA –10%	Multiples of Operating EBITDA 11.5 times
Panama	$	–	–	–	–	19.8
Costa Rica		–	–	–	–	6.9
Nicaragua		–	10.4	4.9	12.5	–

The factors that could materialize the hypothetical scenarios of the sensitivity analyses above are, in relation to discount rates, and independent increase of 300 bps in the funding cost observed in the industry of 5.4% in 2019 or an increase in the risk free rate of each country of 150 bps over the rates of 3.8% in Panama, 7.1% in Costa Rica and 8.0% in Nicaragua. In the case of long-term growth rates, a reduction of 100 bps in the IMF's projections at year-end 2019 of 5.5% in Panama, 3.5% in Costa Rica and 1.5% in Nicaragua due to the deterioration of economic expectations for these countries. In the case of a 10% decrease in Operating EBITDA, it could be materialized due to a reduction in volume or prices, or an increase in operating costs, or a combination of these factors, due to deterioration of the local economy as well as due to competition or imports dynamics.

15) FINANCIAL INSTRUMENTS

15A) SHORT-TERM AND LONG-TERM DEBT AND OTHER FINANCIAL OBLIGATIONS

As of December 31, 2019 and 2018, consolidated debt by type of financial instruments is summarized as follows:

		2019	2018
Financial liabilities related to lease contracts (notes 2A and 13B) [1]	$	24,698	22,320
Trust guarantee for the development of housing projects[2]		4,703	6,589
Foreign currency-denominated promissory notes bearing variable rate		–	546
Total debt and other financial liabilities	$	29,401	29,455
Out of which			
Short-term debt		10,227	10,055
Long-term debt		19,174	19,400

1 As of December 31, 2019 and 2018, the aggregate financial liability from lease contracts of $24,698 and $22,320, respectively, includes $281 in 2019 and $334 in 2018 related to lease contracts with CEMEX companies. As of December 31, 2019, the resulting average discount rate was 5.24%.

2 The loan guaranteed by CEMEX Colombia that is described in note 10A, was renewed during 2019 with new maturity in November 2020 in order to align the amortization of this liability with the Acquirer's payments, whom assumes the payment of principal and interest. The loan accrues interest at DTF rate plus 4.60%.

Short-term and long-term debt and other financial obligations – continued

The Company has various assets under lease agreements (note 13B). IFRS 16 was adopted beginning January 1, 2019 re-presenting the amounts of previous years (note 2A). Changes in the lease financial liabilities during 2019 and 2018 were as follows:

		2019	2018
Lease financial liability at beginning of year	$	22,320	22,921
Additions from new leases		10,398	4,667
Reductions from payments		(7,035)	(4,399)
Cancellations and liability remeasurements		(15)	–
Foreign currency translation and accretion effects		(970)	(869)
Lease financial liability at end of year	$	24,698	22,320

As of December 31, 2019, the maturities of lease financial liabilities are as follows:

		Total
2021	$	3,824
2022		4,194
2023		2,924
2024		4,942
2025 and thereafter		3,290
	$	19,174

Payments under leases in 2019 and 2018 were $5,910 and $4,256, respectively. Future payments under lease contracts are presented in note 22A.

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, 2019 and 2018 are as follows:

Thousands of U.S. Dollars		2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Financial assets					
Other assets and non-current accounts receivable (note 10B)	$	4,107	4,107	4,306	4,306
Financial liabilities					
Long-term payables to related parties (note 9)	$	729,090	784,585	835,102	795,588
Long-term debt (note 15A)		19,174	25,790	19,400	30,298
Other non-current liabilities (note 16)		64,358	18,187	17,575	17,575
	$	812,622	828,562	872,077	843,461

(Thousands of U.S. Dollars)

16) OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES AND OTHER LIABILITIES

16A) CURRENT OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, 2019, and 2018 consolidated current other accounts payable and accrued expenses were detailed as follows:

		2019	2018
Others provisions and liabilities [1]	$	31,055	30,109
Accrued expenses		18,052	20,556
Contract liabilities with customers (note 3A) [2]		11,273	14,393
Deferred revenue [3]		3,517	–
Others		385	416
	$	64,282	65,474

1 Includes, among others, provisions for: a) insurance and services of $17,978 in 2019 and $17,907 in 2018; b) employee' compensation of $5,195 in 2019 and $4,075 in 2018, as well as legal expenses and other commitments of $3,815 in 2019 and $3,557 in 2018.

2 Includes advance payments from customers of $11,008 in 2019 and $14,126 in 2018.

3 Refers to the current portion of the indemnity agreement between Cemento Bayano and Balboa described in notes 9 and 16B.

The items included in the table above arise in the ordinary course of business, are of recurring nature and are expected to be settled and replaced for similar amounts within the next 12 months.

For the years ended December 31, 2019 and 2018, the changes in the line item other provisions and liabilities presented in the table above were as follows:

		2019	2018
Balance at beginning of period	$	30,109	44,274
Additions of the period for new obligations or increases in estimates		60,948	69,390
Reductions of the period due to payments or decrease in estimates		(59,710)	(81,262)
Foreign currency translation adjustment		(292)	(2,293)
Balance at end of period	$	31,055	30,109

16B) NON-CURRENT OTHER LIABILITIES

As of December 31, 2019 and 2018, consolidated non-current other liabilities were detailed as follows:

		2019	2018
Deferred revenue [1]	$	54,107	5,734
Provisions for asset retirement obligations [2]		4,371	4,463
Other provisions and liabilities		3,838	3,922
Other tax payables		2,042	3,456
	$	64,358	17,575

1 On November 15, 2019, through its subsidiary Balboa, CEMEX sold its 25% equity interest in Cemento Interoceánico to a subsidiary of Cementos Progreso, S.A. (the "Purchaser") for approximately $44 million, plus an additional consideration ("earn-out") for up to $20 million to be collected in 2020. As condition precedent for the acquisition of such 25% equity interest of Balboa in Cemento Interoceánico, the Purchaser required Balboa's intermediation with Cemento Bayano, with the purpose of negotiating a new clinker supply agreement between Cemento Bayano and Cemento Interoceánico including certain commercial conditions as well as a guaranteed installed capacity reserve of its plant in Panama for a period of 10 years beginning on November 15, 2019 (note 22B). Cemento Bayano accepted these conditions in exchange of a compensation from Balboa for an amount of up to $52 million during the aforementioned period of 10 years in order to compensate Cemento Bayano's decrease in operating earnings resulting from the new clinker supply agreement (the "Indemnity Contract"). As of December 31, 2019, the Company's statement of financial position includes deferred revenue of $3,517 and $46,169 within current other accounts payable and non-current other liabilities, respectively, related to the best estimate of the amounts that will be generated under the Indemnity Contract, as well as an account receivable from Balboa of $17,842 (note 9). Out of this aggregate compensation, on November 15, 2019, Balboa made an advance payment to the Company of $32,398. This deferred revenue will be recognized in CEMEX Latam's income statement over the 10 years term of the new clinker supply agreement with Cemento Interoceánico as conditions agreed upon are fulfilled by Cemento Bayano, considering an implicit financing cost of 8.4% equivalent to the stand-alone borrowing rate that Cemento Bayano would obtain as of the date of the agreements from a bank for a similar amount and term.

2 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.

(Thousands of U.S. Dollars)

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 CEMEX, SAB de C.V., the Company's management has determined the strategies against the aforementioned risks. Each particular risk segment is discussed as follows.

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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 $9,340 and $8,304, respectively.

The aging of trade accounts receivable as of December 31, 2019 and 2018 are as follows:

		2019	2018
Neither past due, nor impaired portfolio	$	52,463	61,554
Less than 90 days past due portfolio		12,902	18,509
More than 90 days past due portfolio		14,625	15,706
	$	79,990	95,769

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, 2019 and 2018, 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.

(Thousands of U.S. Dollars)

Interest rate risk – continued

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, 2019 and 2018, 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, 2019 and 2018 would have decreased by approximately $447 and $6,262, respectively, as a result of higher foreign exchange losses on the Company´s Dollar-denominated net monetary liabilities held in consolidated entities with other functional currencies. Conversely, a hypothetic 10% weakening of the U.S. Dollar against the Colombian Peso would have the opposite effect.

Equity risk

As of December 31, 2019 and 2018, 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, 2019, current liabilities exceeded current assets in $23,077. In order to reduce its liquidity risk, on December 20,2019, the Company renegotiated with new maturity in December 2022 the loan granted by LOMEZ International B.V to Cemento Bayano of $84,148. In addition, also on December 20, 2019, CEMEX Colombia renewed its credit line with CEMEX España with new maturity in December 2024. 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 $99,979 in 2019 and $135,423 in 2018. 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, 2019 and 2018 were approximately $12 and $12, 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 pension plan in Colombia, which is closed to new participants and whose beneficiaries are all retirees. For the years ended December 31, 2019 and 2018, the net periodic cost was recognized as follows:

		2019	2018
Recorded in financial income and other items, net			
Financial cost	$	2,167	2,421
Recorded in other comprehensive income, net			
Actuarial losses		2,692	815
Net periodic cost	$	4,859	3,236

(Thousands of U.S. Dollars)

Defined benefit pension plans - continued

The reconciliation of the actuarial benefits obligation as of December 31, 2019 and 2018 are presented as follows:

		2019	2018
Change in benefits obligation			
Projected benefits obligation at beginning of period	$	36,661	40,415
Financial cost		2,167	2,421
Benefits paid		(3,358)	(3,727)
Actuarial losses		2,692	815
Foreign currency translation		(307)	(3,263)
Projected benefits obligation at end of period	$	37,855	36,661

As of December 31, 2019, estimated payments for postretirement benefits over the next ten years are as follows:

		Estimated payments
2020	$	3,381
2021		3,376
2022		3,347
2023		3,313
2024		3,265
2025–2029		15,128
	$	31,810

As of December 31, 2019 and 2018, the most significant assumptions used in the determination of the net periodic cost were as follows:

	2019	2018
Discount rate	5.50%	6.25%
Pension growth rate	3.00%	3.00%

Sensitivity analysis of pensions and other postretirement benefits

For the year ended December 31, 2019, 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, 2019 is shown below:

Variables:	+50pbs	-50pbs
Discount rate	(1,512)	1,661
Pension growth rate	1,750	(1,635)

19) INCOME TAXES

19A) INCOME TAXES FOR THE PERIOD

For the years ended December 31, 2019 and 2018, income tax expense recognized in the consolidated income statements was as follows:

		2019	2018
Current income taxes	$	37,002	54,923
Deferred income taxes		(7,559)	(18,391)
	$	29,443	36,532
Out of which:			
Colombia [1, 2]	$	13,629	(625)
Costa Rica [3]		3,127	15,948
Panama		(2,159)	1,200
Rest of CLH and others [4]		14,846	20,009
	$	29,443	36,532

1 Effective January 1, 2017, as part of a package of tax modifications, the aggregate estimated consolidated tax rates of 40% in 2017 and 37% in 2018 including income tax and its surtax were established.

(Thousands of U.S. Dollars)

Income taxes for the period - continued

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

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

4 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, 2019, the Company has unamortized tax loss carryforwards and other tax credits of $198,234, which have 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 was as follows:

		Unamortized tax loss carryforwards
2029	$	2,260
2030		7,061
2031		8,619
With no expiration date		180,294
	$	198,234

19B) DEFERRED INCOME TAXES

As of December 31, 2019 and 2018, the main temporary differences that generated the consolidated deferred income tax assets and liabilities are presented below:

		2019	2018
Deferred tax assets:			
Tax loss carryforwards and other tax credits	$	90	267
Accounts payable and accrued expenses		21,299	17,873
Others		415	457
Total deferred tax assets		21,804	18,597
Deferred tax liabilities:			
Property, machinery and equipment		133,849	139,366
Goodwill		203,788	205,475
Others		1,411	1,771
Total deferred tax liabilities		339,048	346,612
Net deferred tax liabilities	$	317,244	328,015

The breakdown of changes in consolidated deferred income taxes during 2019 and 2018 were as follows:

		2019	2018
Deferred income tax benefit credited to the income statement	$	(7,559)	(18,391)
Reduction of the deferred tax liability from business' disposals (note 3B)		–	(21,309)
Deferred income tax benefit credited to stockholders' equity [1]		(3,211)	(48,804)
Change in deferred income tax during the period	$	(10,770)	(88,504)

1 In 2018, includes a deferred income tax benefit of $2,081 resulting from the adoption of IFRS 9 and IFRS 16 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.

(Thousands of U.S. Dollars)

Effective tax rate - continued

For the years ended December 31, 2019 and 2018 these differences were as follows:

	2019	2018
	%	%
Statutory tax rate in Spain	25.0	25.0
Other non-taxable income	(0.1)	(7.5)
Expenses and other non-deductible items	11.2	13.0
Other taxable non-accounting benefits	(5.3)	(0.5)
Differences in income tax rates [1]	7.9	(2.3)
Others [2]	48.2	5.9
Effective consolidated tax rate	86.9	33.6

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

2 Refers to definitive withholdings and non-recoverable tax losses. In 2019, increases in proportion due to the reduction in earnings before income taxes.

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, 2019, 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 Pesos equivalent to approximately $38 million of income tax and $38 million of penalty. On December 28, 2018, CEMEX Colombia received an official review settlement ratifying the rejected deductible items and amounts. CEMEX Colombia filed an appeal for reconsideration on February 21, 2019 and the Tax Authority has one year from this date to resolve the appeal. 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, 2019, in this stage of the proceeding, CEMEX Latam considers that it is not probable an adverse resolution in this proceeding after conclusion of all available defense procedures, however, it is difficult to assess with certainty the likelihood of an adverse resolution in the proceeding; but if adversely resolved, CEMEX Latam considers that this proceeding could have a material adverse impact on its operating results, liquidity or financial position. See note 24 for Subsequent Events regarding this proceeding.

- 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 filed a motion requesting the case to be closed. The tax return was under audit by the Tax Authority from August 2013 until September, 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 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 and the tax authority notified the official review liquidation on May 15, 2019, maintaining the claims of the special requirement and CEMEX Colombia filed the appeal for reconsideration within the legal term on July 11, 2019. 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, 2019, in this stage of the proceeding, CEMEX Latam considers that it is not probable an adverse resolution in this proceeding after conclusion of all available defense procedures, however, it is difficult to assess with certainty the likelihood of an adverse result in the proceeding; but if adversely resolved, CEMEX Latam considers that 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 included in the 2009 tax return considering they were not linked to direct revenues recorded in the same tax year, and assessed an increase in the income tax payable by CEMEX Colombia and imposed a penalty for amounts in Pesos equivalent to approximately $27 million of income tax and approximately $27 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 over the years in the applicable courts in which CEMEX Colombia obtained negative resolutions in each case, 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, 2019, in this stage of the proceeding, CEMEX Latam considers that it is not probable an adverse resolution in this proceeding after conclusion of all available defense procedures, however, it is difficult to assess with certainty the likelihood of an adverse resolution in the proceeding; but if adversely resolved, CEMEX Latam considers that this proceeding could have a material adverse impact on its operating results, liquidity or financial position.

Significant tax proceedings – Colombia - continued

- 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 tax years from 1999 to 2013 and 2016. 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 tax year 2013, there is a requirement from the Municipality, appealed by CEMEX Colombia, for amounts in Pesos equivalent to approximately $5 million of purported tax and $8 million of penalties, and in connection with this requirement. With respect to the 2016 tax year, on October 24, 2019, the Municipality notified CEMEX Colombia the official settlement for amounts in Pesos equivalent to approximately $5 million of tax and $9 million of penalties. CEMEX Colombia actively defends its position in these proceedings. If these proceedings 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 December 31, 2019, in this stage of the proceedings, CEMEX Latam considers that it is not probable an adverse resolution in this proceeding after conclusion of all available defense procedures. See note 24 for Subsequent Events regarding this proceeding.

Costa Rica

- In August 2013, the Costa Rican Tax Department (*Dirección General de Tributación* or the "Tax Department") submitted to CEMEX Costa Rica, S.A. ("CEMEX Costa Rica") a provisional regularization proposal related to income tax in connection with the 2008 tax year. After several resolutions and appeals thereof, motions 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 and required amounts in Colons equivalent to approximately $6 million of income tax plus accrued interest and approximately $0.8 million of penalty. In April, 2018, the Administrative Tax Court issued an adverse resolution to the appeal filed by CEMEX Costa Rica in all its aspects. In September, 2018, the Tax Department notified a request for payment for amounts in Colons equivalent to approximately $3 million of purported tax, allowing CEMEX Costa Rica to decide regarding the settlement of accrued interest. In November 2018, CEMEX Costa Rica proceeded with the payments of the income tax adjustment plus accrued interest for an amount in Colons equivalent to approximately $6 million. In respect to the penalty, CEMEX Costa Rica has not received a payment request. In December, 2018, CEMEX Costa Rica filed a claim against the Costa Rican State before the Administrative Contentious Court (the "Court"). On March 15, 2019, the Court notified CEMEX Costa Rica that the Attorney General Office (the "Attorney General") did not agree with its defense arguments. The hearing was held on November 12, 2019 and subsequently the proceeding was remitted to receive sentence. As of December 31, 2019, at this stage of the proceeding, CEMEX Latam considers that it is not probable an adverse resolution in this proceeding after conclusion of all available defense procedures. Nonetheless, it is difficult to assess with certainty the likelihood of an adverse result in the proceeding; but if adversely resolved, CEMEX Latam considers this proceeding could not have a material adverse impact on its operating results, liquidity or financial position.

Nicaragua

- On July 26, 2019, the Nicaraguan Tax Authority notified CEMEX Nicaragua S.A. of an Act of Charges in connection with the review of the income tax of the taxable year 2015, in which mainly the deductibility of royalty payments and administrative services is rejected, and determined an increase in the income tax payable and a penalty for amounts in Cordobas equivalent to approximately $3.5 million of income tax plus $0.9 million of penalty. On August 16, 2019, CEMEX Nicaragua S.A. submitted its response to the Act of Charges including its rebuttal evidence. On September 18, 2019, the Nicaraguan Tax Authority issued a determinative resolution confirming the proposed adjustments. On September 30, 2019, CEMEX Nicaragua S.A. filed the corresponding appeal. On November 5, 2019, CEMEX Nicaragua received a resolution to the appeal from the Nicaraguan Tax Authority maintaining the same adjustments. On November 18, 2019, CEMEX Nicaragua filed an Appeal for Review before the General Director of Revenue. The Nicaraguan Tax Authority has 55 business days to resolve. After this deadline the proceeding continues in the administrative instances and subsequently in the contentious instances. If the proceeding would be ultimately adversely resolved, CEMEX Nicaragua S.A. must pay the amounts determined in the Act of Charges plus interest accrued on the amount of the income tax adjustment until the payment date plus an adjustment for changes in the exchange rate against the Dollar. As of December 31, 2019, in this stage of the proceeding, CEMEX Latam considers that it is not probable an adverse resolution in this proceeding at the end of all instances. Nonetheless, it is difficult to assess with certainty the likelihood of an adverse result in the proceeding; but if adversely resolved, CEMEX Latam considers this proceeding could not have a material adverse impact on its operating results, liquidity or financial position. See note 24 for Subsequent event regarding this procedure.

(Thousands of U.S. Dollars)

20) STOCKHOLDERS' EQUITY

20A) COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

As of December 31, 2019 and 2018, the line item common stock and additional paid-in capital was detailed as follows:

		2019			2018		
		Authorized	Treasury shares	Total	Authorized	Treasury shares	Total
Common stock	$	718,124	–	718,124	718,124	–	718,124
Additional paid-in capital		894,701	(140,434)	754,267	894,701	(143,093)	751,608
	$	1,612,825	(140,434)	1,472,391	1,612,825	(143,093)	1,469,732

During the years ended December 31, 2019 and 2018 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 $2,659 and $1,745, respectively, as result of the decrease in treasury shares, which were delivered to these executives.

As of December 31, 2019 and 2018, the Parent Company's subscribed and paid shares by owner were as follows:

Shares	2019	2018
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	149,582,742	149,188,887
Total subscribed and paid shares	557,473,084	557,079,229

As of December 31, 2019 and 2018, 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 20,805,258 in 2019 and 21,199,113 shares in 2018 held in the Company's treasury (treasury shares).

As of December 31, 2019 and 2018, CEMEX España owned approximately 73.17% and 73.22%, respectively, of the Parent Company's common shares, excluding shares held in treasury.

20B) OTHER EQUITY RESERVES

As of December 31, 2019 and 2018, the items within other equity reserves are summarized as follows:

		2019	2018
Reorganization of entities under common control and other effects[1]	$	(300,422)	(300,422)
Currency translation effects of foreign subsidiaries [2]		(617,525)	(639,303)
Stock-based compensation [3]		14,232	11,574
	$	(903,715)	(928,151)

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, 2019 and 2018 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, 2019, and 2018, the legal reserve of the Parent Company amounted to $22,339 and $22,174, respectively.

20D) EXECUTIVE SHARE-BASED COMPENSATION

The Company sponsors a long-term incentives plan for certain executives, consisting of an annual compensation plan based on the delivery of shares of the Parent Company. The cost associated with the share-based 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 Parent Company's treasury, are delivered fully vested over a four-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 share-based long-term incentives program. In any such case, eligible executives of the share-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, 2019 and 2018, compensation expense related to the long-term incentive plans described above, which was recognized in the results of operations, amounted to $1,804 and $1,910, respectively.

Under the annual chare-based long-term incentives plan, the Parent Company granted rights on its own shares to the executives subject to the plan's benefits for 816,491 shares in 2019 and 622,145 shares in 2018, in connection with 100% of the potential benefits to be vested within each annual program. During 2019 and 2018, the Parent Company carried out the physical delivery of 393,855 shares and 258,511 shares, respectively, corresponding to the vested portion of prior period grants. Based on the aforementioned, as of December 31, 2019, there are approximately 1,584,822 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 1.31 Dollars per share in 2019 and 2.14 Dollars per share in 2018.

As of December 31, 2019 and 2018, 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, 2019, and 2018, non-controlling interest in stockholder's equity amounted to approximately $5,251 and $5,290, respectively.

21) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to ordinary shareholders 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, 2019 and 2018 were as follows:

Denominator (thousands of shares)		**2019**	**2018**
Weighted average number of shares outstanding – Basic EPS		557,212	556,905
Effect of dilutive instruments – share-based compensation		1,585	1,162
Weighted average number of shares outstanding – Diluted EPS		558,797	558,067
Numerator			
Consolidated net income from continuing operations	$	4,472	72,181
Less: non-controlling interest net income		(5)	(194)
Controlling interest net income from continuing operations		4,467	71,987
Net loss from discontinued operations		–	(9,556)
Controlling interest net income		4,467	62,431
Controlling interest basic earnings per share	$	0.01	0.11
Controlling interest basic earnings per share from continuing operations		0.01	0.13
Basic loss per share from discontinued operations		–	(0.02)
Controlling interest diluted earnings per share	$	0.01	0.11
Controlling interest diluted earnings per share from continuing operations		0.01	0.13
Diluted loss per share from discontinued operations		–	(0.02)

22) COMMITMENTS

22A) CONTRACTUAL OBLIGATIONS

As of December 31, 2019 and 2018, the Company had the following contractual obligations:

(Thousands of U.S. Dollars)		2019				
Obligations		Less than 1 year	1–3 years	3–5 years	More than 5 years	Total
Non-current accounts payable to related parties [1]	$	20,021	84,128	644,962	–	749,111
Interest payments on debt [2]		40,079	79,403	17,672	–	137,154
Operating leases [3]		6,888	10,717	7,842	3,860	29,307
Pension plans and other benefits [4]		3,381	6,724	6,579	15,126	31,810
Purchases of raw materials, fuel and energy [5]		39,700	64,397	18,612	43,000	165,709
Investments in property, plant and equipment		5,891	–	–	–	5,891
Total contractual obligations	$	115,960	245,369	695,667	61,986	1,118,982

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 and to related parties as well as lease contracts using the current interest rates on the contracts as of December 31, 2019.

3 The amounts of payments under leases are presented on the basis of nominal cash flows. This line item includes the lease contract with maturity in January 2026 with the Government of the Republic of Nicaragua covering the operative and administrative assets, trademark rights, quarry extraction rights and other assets of Compañía Nacional Productora de Cemento, S.A. In addition, includes leases negotiated by the Parent Company with CEMEX España and CEMEX Research Group A.G. for its corporate offices in Spain and the research and development offices in Switzerland.

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

5 Includes commitments of the Company for the purchase of raw materials, fuels and energy.

As of December 31, 2019, 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	Octubre 2017	4 years	10
Exxonmobil Colombia S.A.	CEMEX Colombia	Fuels	Junio 2017	4 years	9
Excavaciones y Proyectos de Colombia S.A.S.	CEMEX Colombia	Raw materials	May 2017	5 years	6
IBM	Various subsidiaries	Administrative services	July 2012	10 years	4
AES Panamá, S.R.L	Cemento Bayano, S.A.	Energy	January 2020	10 years	9
Wärtsilä Colombia S.A	CEMEX Colombia	Energy	December 2019	4 years	8

In connection with a long-term contract service with a provider for the processing of aggregates for the construction industry entered into by Cemento Bayano and a supplier, under which, the consumption was suspended by Cemento Bayano since October 2017, considering that the raw material did not comply with the quality characteristics agreed upon which are necessary for the operation, on July 22, 2019, Cemento Bayano and such supplier signed a termination and settlement agreement. As compensation for this termination and settlement, Cemento Bayano recognized a loss for an amount of approximately $5 million against the income statement for the year ended December 31, 2019 (note 5), of which, approximately $4.3 million related to the supplier's payment and the complement to other termination expenses.

Hedge of fuel prices

As of December 31, 2019 and 2018, CEMEX Colombia maintains call option contracts negotiated with CEMEX to hedge the price of diesel fuel for an aggregate nominal amount of $4,378 and 7,503, respectively, with an estimated fair value representing assets of $132 as of December 31, 2019 and $182 as of December 31, 2018. By means of these contracts, for own consumption, CEMEX Colombia fixed the price of this fuel over certain volume that represents a portion of the estimated consumption of this fuel in the applicable operations. The contracts have been designated as cash flow hedges of such diesel consumption; therefore, changes in fair value are recognized through other comprehensive income and are recycled to operating costs when the related fuel volumes are consumed. During the year ended December 31, 2019, changes in the fair value of these contracts recognized in comprehensive income represented losses of $51.

In addition, on November 15, 2019, as part of the agreements entered into simultaneously under the transaction in which Balboa sold its 25% of Cemento Interoceánico (note 16B), CEMEX Guatemala, S.A. ("CEMEX Guatemala") entered, as buyer, into a clinker supply agreement with Cementos Progreso, S.A. in order to acquire an estimated volume of 400 thousand metric tons of clinker for a period of ten years. The value of the contract will vary depending on the annual consumption of clinker by CEMEX Guatemala.

22B) OTHER COMMITMENTS

In addition, as of December 31, 2019, 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:

		(U.S. Dollar millions)			
Counterpart	**Contractor**	**Concept**	**Start date**	**Term**	**Annual approximate amount**
CEMEX, S.A.B de C.V.	Parent Company	Trademarks use	July 2017	5 years	$ 4.2
CEMEX Research Group, A.G.	Parent Company	Use, operation and enjoyment of assets	January 2019	5 years	32.7
CEMEX Operaciones México, S.A. de C.V.	Parent Company	Administrative services	July 2017	5 years	12.5

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).

On November 15, 2019, as part of the conditions precedent required by the Purchaser for the sale of the 25% equity interest in Cemento Interoceánico held by Balboa (notes 9 and 16B), Cemento Bayano and Cemento Interoceánico early terminated the clinker supply contract that expired in 2025 and entered into a new 10-year Clinker Supply Contract (the “New Supply Contract”) that guarantees to this competitor a reserve of installed capacity of approximately 2.4 million metric tons of clinker over the duration of the contract as well as certain commercial conditions. The compensation received by the Company from Balboa under the Indemnity Contract is linked to the fulfillment of the commitments agreed during the term of this New Supply Contract.

In addition, Cemento Bayano, as operator of the only kiln in the country, maintains contracts for the supply of clinker to its competitors in Panama. Considering the nature of the related supply, these agreements are renewed at maturity for similar terms and new volumes are adjusted to market conditions.

23) LEGAL PROCEEDINGS, CONTINGENCIES AND OTHER SIGNIFICANT PROCESSES

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, 2019, 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 started in 2013 against five cement companies and some executives of said companies, including two former executives of CEMEX Colombia for alleged practices against free competition, and after various arrangements over the years, the Colombian Superintendence of Industry and Commerce (the "SIC") imposed a final penalty on CEMEX Colombia for an amount in Pesos equivalent to approximately $25 million, amount that was accrued by CEMEX Colombia against "Other (expenses) income, net" as of December 31, 2017. The amount of the penalty was liquidated 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, with any adjustment indicated by Colombian law. This claim can take up to six years to be resolved. As of December 31, 2019, CEMEX Latam is not able to assess the likelihood for the recovery of the fine imposed by the SIC.

In addition, as of December 31, 2019, 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.

23B) CONTINGENCIES RESULTING FROM LEGAL PROCEEDINGS

As of December 31, 2019, 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

- In June 2018, the Consumer Protection and Defense of Competition Authority in Panama initiated an administrative investigation to Cemento Bayano and other local producers 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 considered the possible existence of absolute monopolistic practice, such as: (i) price fixing and/or restriction of production in the gray cement market sold to ready-mix concrete producers 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 and confirm if there were violations to the law. In December 2018, two executives of Cemento Bayano provided an affidavit. In February 2019, Cemento Bayano finalized the delivery to the Panamanian Authority of the required information and documentation. Cemento Bayano considers it did not committed improper acts and is fully cooperating with the Panamanian Authority. As of December 31, 2019, 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 its operating results, liquidity or financial position.

- On March 16, 2018, a putative securities class action complaint was filed against CEMEX, S.A.B de C.V. and one of its members of the board of directors whom is also CEMEX's officer (the CEO) and other CEMEX's officer (the CFO) in the U.S. District Court for the Southern District of New York, on behalf of investors who purchased or otherwise acquired CEMEX, S.A.B de C.V securities between August 14, 2014 to March 13, 2018. The complaint alleged violations are based in that press releases and filings to the United States Securities and Exchange Commission ("SEC") that included materially false and misleading statements in connection with alleged misconduct relating to the Maceo Project (note 23C) and the potential regulatory or criminal actions that might arise as a result of such deficiencies. On July 12, 2019, the Judge granted CEMEX's motion to dismiss the action but permitted plaintiffs an opportunity to re-plead. On August 1, 2019, plaintiffs filed an amended complaint, based on the same alleged violations, but changing the relevant class period in which shares of CEMEX, S.A.B. de C.V were bought that now starts on April 23, 2015 (before it was August 14, 2014) and in addition including the Parent Company as defendant in addition to CEMEX, S.A.B de C.V. All of the defendants moved to dismiss the action on September 5, 2019 and the plaintiffs filed an apposition brief on October 11, 2019 which was replied by the defendants on November 1, 2019. As of December 31, 2019, CEMEX, S.A.B de C.V. and the Parent Company are not able to assess the likelihood of an adverse result considering the current status and preliminary nature of this lawsuit, or if a final adverse result in this lawsuit would have a material adverse effect on the Company's results of operations, liquidity or financial position.

Environmental Contingencies

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.

Contingencies due to commercial demands

- In September 2018, CEMEX Colombia received an arbitrage claim filed by a constructor who seeks for the payment of damages caused by a purported breach of the contract for the supply of ready-mix concrete for the construction of the civil works called "Túnel de Crespo" located in the city of Cartagena, for an amount in Pesos equivalent to approximately $11 million. CEMEX Colombia considers that it has the legal and technical arguments that prove full compliance with the supply contract and will apply the corresponding actions at each stage of the process. In October 2018, simultaneously after responding the arbitrage claim, CEMEX Colombia filed a counterclaim against the aforementioned constructor seeking the recognition of amounts owed to CEMEX Colombia for an amount in Pesos equivalent to approximately $7 million related to repairs to such civil works paid by CEMEX Colombia during the years 2014 and 2015 by causes allegedly imputable to the constructor. The probationary period within the process began the last week of September 2019. As of December 31, 2019, at this stage of the proceeding, CEMEX Latam considers that with the judgment elements available it is necessary to move along the phases of this proceeding in order to measure the probability of an adverse resolution. Nonetheless, if the claim would be adversely resolved in the final stage, an adverse resolution in this case could have a material adverse impact on CEMEX Latam's results of operations, liquidity or financial position.

Contingencies due to commercial demands - continued

- As a result of the premature damages presented in the Transmilenio slabs - North Highway, six popular actions were filed against CEMEX Colombia. The Administrative Litigation Court decided to declare the nullity of five lawsuits and, currently, the lawsuit is filed by a citizen. On June 17, 2019, a judgment of first instance was issued, and CEMEX Colombia and other concrete suppliers were held liable for the violation of consumer rights, due to alleged technical deficiencies in the landfill fluid that was provided. In the aforementioned ruling, a publication was ordered in which the responsibility for deficiencies in the product was acknowledged and it was committed not to incur again in similar situations. The judgment of first instance had no economic implications for the Company. CEMEX Colombia jointly with thirteen of the defendants filed an appeal before the Administrative Tribunal of Cundinamarca**.** As of December 31, 2019, CEMEX Latam considers remote the probability of an adverse result in this proceeding after conclusion of all available defense procedures. Nonetheless, an adverse resolution in this case could have a material adverse impact on CEMEX Latam's results of operations, liquidity or financial condition**.**

In addition, as of December 31, 2019, 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) diverse civil, administrative, commercial or legal claims.

23C) OTHER SIGNIFICANT PROCESSES

In connection with the cement plant located in the municipality of Maceo in Colombia, as described in note 13A, as of December 31, 2019, the plant has not initiated commercial operations considering several significant processes for the profitability of the investment. The evolution and status of the main issues related to such plant are described as follows:

Memorandums of understanding

- In August 2012, in relation to the cement plant in the municipality of Maceo in Colombia (note 13), CEMEX Colombia signed a memorandum of understanding (the "MOU") with the representative of the entity CI Calizas y Minerales S.A. ("CI Calizas"), for the acquisition and transfer of assets mainly comprising land, the mining concession and the shares of Zomam (holder of the free trade zone concession). In addition, in December 2013, CEMEX Colombia engaged the same representative of CI Calizas to also represent in the name and on behalf of CEMEX Colombia in the acquisition of certain land adjacent to the plant, signing a new memorandum of understanding (the "Land MOU"). Under the MOU and the Land MOU, CEMEX Colombia made cash advances to this representative for amounts in Pesos equivalent to approximately $13.4 million of a total of approximately $22.5 million, and paid interest accrued over the unpaid committed amount for approximately $1.2 million. These amounts considering the Colombian Peso to U.S. Dollar exchange rate as of December 31, 2016 of 3,000.75 Pesos per U.S. Dollar. In September 2016, after confirming irregularities in the acquisition processes by means of investigations and internal audits initiated in response to complaints received, which were reported to Colombia's Attorney General (the "Attorney General"), providing the findings obtained, and considering that such payments were made in breach of CEMEX and CEMEX Latam policies, the Company decided to terminate the employment relationship with then those responsible for the Planning and Legal areas and accepted the resignation of the then Chief Executive Officer. Moreover, as a result of the findings and considering the available legal opinions as well as the low likelihood of recovering those advances, in December 2016, CEMEX Colombia write off such advances from its investments in progress (note 13A) and cancelled the remaining advance payable.

Expiration of property process and other related matters

- After the signing of the MOU, in December 2012, 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 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 fully cooperating with the Attorney General. As of December 31, 2019, it is estimated that a final resolution in the ongoing expiration of property process, under which is about to begin the evidentiary phase, may take between 10 and 15 years from its beginning. As of December 31, 2019, pursuant to the expiration of property process of the assets subject to the MOU and the failures to legally formalize the purchases under the Land MOU, CEMEX Colombia does not have the legal representation of Zomam, is not the rightful owner of the land and is not the assigned entity of the mining concession.

  In addition, there is an ongoing criminal investigation that resulted in a legal resolution by means of which an indictment was issued to two of the Company's former officers and to CI Calizas' representative. CEMEX Latam is not able to anticipate the actions that criminal judges may impose against these people.

Lease contract, mandate agreement and operation contract

- In July 2013, CEMEX Colombia signed with the provisional depository designated by the former Drugs National Department (then depository of the assets subject to the expiration of property process), which functions after its liquidation were assumed by the Administrator of Special Assets (*Sociedad de Activos Especiales S.A.S.* or the "SAE"), a lease contract for a period of five years 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 (the "Mandate") to CEMEX Colombia for an indefinite period for the same purpose of continuing the construction and operation of the plant. On July 15, 2018, the aforementioned Lease Contract expired.

Lease contract, mandate agreement and operation contract - continued

- On April 12, 2019, CEMEX Colombia, CCL and another of its subsidiaries reached a conciliatory agreement with the SAE and CI Calizas before the Attorney General's Office and signed a contract of Mining Operation, Manufacturing and Delivery Services and Leasing of Properties for Cement Production (the "Operation Contract"), which will allow CEMEX Colombia to continue using the assets subject to the aforementioned expiration of property process for an initial term of 21 years that can be renewed for 10 additional years, provided that the extension of the mining concession is obtained. The Operation Contract was signed by CI Calizas and Zomam with the authorization of the SAE as delegate of these last two companies, considering the following terms:

  - As consideration for entering into the agreement, CEMEX Colombia and/or a subsidiary will pay to CI Calizas and Zomam the following amounts in Pesos equivalent: a) an annual payment of approximately $15 to CI Calizas for the use of land that will be adjusted annually for changes in the Consumer Price Index; b) a single payment for the rental of the aforementioned land from July 2013 to the signing date, based on the agreed upon rental amounts, reducing the lease payments made by CEMEX Colombia prior to the signing of the Operation Contract; c) an additional single payment in Pesos equivalent to approximately $305 already paid for considerations not received during the negotiations of the Operation Contract; and d) a payment for the limestone extracted to date for an amount in Pesos equivalent to approximately $1 million payable in two installments, the first already paid and the second a year after the signing of the Operation Contract.

  - Once the Maceo Plant begins commercial operations, CEMEX Colombia and/or a subsidiary will pay on a quarterly basis: a) 0.9% of the net sales resulting from the cement produced in the plant as compensation to CI Calizas for the right of CEMEX Colombia to extract and use the mineral reserves; and b) 0.8% of the net sales resulting from the cement produced in the plant as payment to Zomam for cement manufacturing and delivery services, as long as Zomam maintains the Free Zone benefit, or,0.3% of the aforementioned net sales exclusively for the use of equipments, in case that Zomam losses the benefits as Free Trade Zone.

  - The Operation Contract will continue in force regardless of the result in the expiration of property process, except that the applicable criminal judge would recognize ownership rights of the assets under expiration of property to CEMEX Colombia and its subsidiary, in which case the Operation Contract would no longer be needed and would be early terminated.

- Under the presumption that CEMEX Colombia conducted itself in good faith, CEMEX Latam considers that it will be able to keep 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, provided a corresponding 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 its rights. In the event that the expiration of property over the assets subject to the MOU is ordered in favor of the State, if the assets were adjudicated to a third party in a public tender offer, considering the signing of the Operation Contract, such third party would have to subrogate to the Operation Contract. As of December 31, 2019, CEMEX Latam is not able to estimate whether the expiration of property over the assets subject to the MDE will be ordered in favor of the State, or, if applicable, if the assets would be adjudicated to a third party in a public tender offer.

Status in connection with the commissioning of the plant

- On September 3, 2019, CEMEX Colombia was notified of the resolution issued by Corantioquia's Directive Council, the regional environmental authority, regarding to the approval for the subtraction from the Integrated Management District ("IMD") of the Canyon of the Alicante River of 169.2 hectares corresponding to the surface of the Maceo Plant. As of December 31, 2019, after the signing of the Operation Contract and the subtraction of the plant's surface from the IMD, the commissioning of the Maceo plant and the conclusion of the access road remain suspended until favorable resolutions would be obtained in other significant ongoing procedures with the respective authorities to guarantee the start-up of the project, such as: a) modify the permitted land use where the project is located to harmonize it with industrial and mining use; b) modify the environmental license to expand production at least up to 990 thousand tons per year; and c) obtaining several permits for the conclusion of the access road. CEMEX Colombia continues to address these issues as soon as possible. Meanwhile, CEMEX Colombia will limit its activities to those on which it has the relevant authorizations. As of December 31, 2019, CEMEX Latam continues working intensively on t .

24) SUBSEQUENT EVENTS

On January 8, 2020, in connection with the tax proceeding related to the year 2012 in Colombia (note 19D), CEMEX Colombia was notified of the resolution that concludes the reconsideration request in which, the Tax Authority confirmed the official settlement in all respects. CEMEX Colombia has a period of fourth months to appeal this resolution before the administrative courts. Notwithstanding this resolution, in this stage of the proceeding, CEMEX Latam considers that 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 considers that this proceeding could have a material adverse impact on its operating results, liquidity or financial position.

(Thousands of U.S. Dollars)

Subsequent events- continued

On January 14, 2020, in connection with CEMEX Colombia's process for the industry and commerce tax return in the municipality of San Luis for the year 2016 (note 19D), CEMEX Colombia was notified of the resolution that resolves the reconsideration appeal, in which the Municipality confirms the claims of the official liquidation. CEMEX Colombia appealed the resolution before the Administrative Court of Tolima on January 16, 2020 within the legal term. At this stage of the proceeding, CEMEX Latam considers that is not probable an adverse resolution in this proceeding at the end of all available defense instances. Nonetheless, it is difficult to assess with certainty the probability of an adverse result; but if the claim would be adversely resolved in the final stage, an adverse resolution in this case could not have a material adverse impact on CEMEX Latam's results of operations, liquidity or financial position.

On January 30, 2020, in relation to the income tax proceeding of fiscal year 2015 in Nicaragua (note 19D), the Nicaraguan Tax Authority notified its resolution in which it confirms its claims and ignores the arguments and evidence provided by CEMEX Nicaragua, which has 15 business days to appeal said resolution to the head of the Tax Administration. CEMEX Latam considers that is not probable an adverse resolution in this proceeding at the end of all available defense instances. Nonetheless, it is difficult to assess with certainty the probability of an adverse result; but if adversely resolved, this proceeding could not have a material adverse impact on CEMEX Latam's results of operations, liquidity or financial position.

On February 10, 2020, in connection with the collective class action complaint described above, the U.S. District Court for the Southern District of New York issued a resolution in response to the request presented by CEMEX, S.A.B. de C.V. and the Parent Company to discard the amended claim. In such resolution, in the case of the Parent Company, the Court agreed with one of the arguments presented, in the respect that the action against CEMEX Latam Holdings, S.A. had already prescribed when the plaintiffs decided to include it in the aforementioned amended claim. The resolution is not final, the plaintiffs can still appeal within 30 days.

25) MAIN SUBSIDIARIES

The Parent Company's main direct and indirect subsidiaries as of December 31, 2019 and 2018 are as follows:

			% of interest	
Subsidiary	**Country**	**Activity**	**2019**	**2018**
Corporación Cementera Latinoamericana, S.L.U. [1]	Spain	Parent	100	100
CEMEX Colombia S.A.	Colombia	Operating	99.7	99.7
Zona Franca Especial Cementera del Magdalena Medio S.A.S. [2]	Colombia	Operating	100	100
CEMEX (Costa Rica), S.A.	Costa Rica	Operating	99.2	99.2
CEMEX Nicaragua, S.A.	Nicaragua	Operating	100	100
Cemento Bayano, S.A.	Panama	Operating	99.5	99.5
CEMEX Guatemala, S.A.	Guatemala	Operating	100	100
Cementos de Centroamérica, S.A.[3]	Guatemala	Operating	100	100
CEMEX Lan Trading Corporation	Barbados	Trading	100	100
CEMEX El Salvador, S.A.	El Salvador	Operating	100	100
Inversiones SECOYA, S.A.	Nicaragua	Operating	100	100
Apollo RE, Ltd.	Barbados	Reinsurance	100	100
CEMEX Finance Latam B.V.	Holland	Finance	100	100

1 CEMEX Latam Holdings, S.A. indirectly controls through CCL, the Parent Company's operations in Colombia, Costa Rica, Panama, Nicaragua, Guatemala and El Salvador.

2 The shares of this entity are included in the expiration of property process (note 23B).

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

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

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

Opinion

We have audited the consolidated financial statements of Cemex Latam Holdings, S.A. (the "Company") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at December 31, 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Key Audit Matters

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

Recoverable amount of goodwill
(See note 14B to the consolidated financial statements**)**

Key audit matter	*How the matter was addressed in our audit*
The Group's statement of financial position at December 31, 2019 reflects goodwill amounting to US Dollars 1,503,970 thousand, which must be tested for impairment at least annually, in accordance with the applicable financial reporting framework. We consider this to be a key audit matter due to the significance of the amount and because the valuation of goodwill requires the Directors and management to make complex judgments and to apply a high level of subjectivity in relation to matters such as long-term sales growth, costs and operating margins projected in the different countries in which the Group operates, and the rates used to discount future cash flows, as well as for comparisons with fair value benchmark parameters, such as EBITDA multiples used in comparable recent transactions estimated on the basis of publicly available information.	Our audit procedures included the following, among others: - Assessing the design and implementation of controls related to the valuation process. - Assessing the reasonableness of the methodology used to calculate the recoverable amounts and the main assumptions considered, with the involvement of our valuation specialists. - Contrasting the consistency of the estimated growth in future cash flows forecast in the calculation of the corresponding recoverable amounts with the business plans of the cash-generating units (CGUs) approved by the pertinent governing bodies, and with the information obtained from external sources. We also contrasted the forecast cash flows from operating activities estimated in prior years with the actual cash flows obtained. - Assessing the sensitivity of certain assumptions to changes that are considered reasonable. - Evaluating whether the disclosures in the consolidated financial statements meet the requirements of the financial reporting framework applicable to the Group.

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Legal and tax contingencies (See notes 19D and 23 to the consolidated financial statements)	
Key audit matter	*How the matter was addressed in our audit*
The Group is involved in certain significant tax and legal proceedings. Due to the different tax laws in the jurisdictions in which the Group operates and the complexity associated with their interpretation, this area requires the Group to use significant judgments and is therefore a key audit matter. Furthermore, in view of the diversity and complexity of the Group's operations, exposure to legal claims is a risk that needs to be addressed by the Directors. It could be several years before the tax and legal cases underway are resolved and the process could entail negotiations or further litigation. Therefore, making judgments as to the possible outcome is a complex matter for the Group. The Directors apply their judgment to estimate the probability of the future outcome in each case and recognize a provision to cover the tax and legal contingencies that they deem probable. We focused on this area due to its inherent complexity and judgment in estimating the amount and the probability for the purpose of recognizing the tax and legal provisions.	We reviewed the evaluation performed by the Directors and management of the Group of the risks associated with the different tax and legal proceedings in which the Group is involved, primarily with respect to cases in Colombia, Costa Rica, Nicaragua and Panama, as well the provision to be recognized and disclosures to be included in the financial statements subject to our audit, where applicable. We analyzed the status of each significant process together with management and the entity's internal legal counsel, and critically assessed their responses. We also obtained written replies from the Group's external legal counsel where necessary, expressing their opinions on significant exposures and their assessment of the proceedings, disputes and/or litigation in question. With regard to tax matters, we met with the managers of the tax department to review their evaluation of significant cases, their standpoints and strategies, as well as the technical grounds for their positions, based on applicable tax laws, and we involved our tax specialists to assist us in concluding on the reasonableness of these aspects. We reviewed whether the disclosures in the Group's financial statements on legal and tax contingencies meet the requirements of the applicable financial reporting framework.

Other Matter

As indicated in explanatory note 2A to the accompanying consolidated financial statements, these consolidated financial statements have not been prepared pursuant to a legal requirement in Spain, but for the purposes of compliance with reporting requirements vis-à-vis the stock market regulator in Colombia, inasmuch as the Company's shares are listed on the Colombian Stock Exchange. They have been audited applying International Standards on Auditing. Under no circumstances may this report be considered an audit report in the terms provided in legislation regulating the audit of accounts in Spain.

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Directors' and Audit Committee's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of the consolidated financial statements in such a way that they give a true and fair view in accordance with IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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- Conclude on the appropriateness of the Company's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors (“ROAC”) with No. S0702

(Signed on original in Spanish)

Miguel Ángel Faura Borruey

On the Spanish Official Register of Auditors (“ROAC”) with No. 20,429

February 24, 2020