(d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgments used when applying accounting principles

Relevant accounting estimates and judgments and other estimates and assumptions have to be made when applying the Company's accounting principles to prepare the annual accounts. A summary of the items requiring a greater degree of judgment or which are more complex, or where the assumptions and estimates made are significant to the preparation of the annual accounts, is as follows:

The annual accounts of the Company for the years ended December 31, 2018 and 2017 reflect the estimates calculated by Company management and the Cemex Group to measure certain assets, liabilities and commitments disclosed therein. Estimates affecting the most significant items relate to impairment of equity investments in Group companies and associates, and the projections supporting recognition of tax credits for tax loss carryforwards.

The Company tests equity investments in Group companies and associates for impairment on an annual basis when there are indications of impairment. Calculating the recoverable amount of these equity investments requires the Cemex Group to use estimates. The recoverable amount is the higher of fair value less costs to sell and value in use. The Cemex Group determines value in use by applying discounted cash flow methods, which are generally based on the future projections in the budgets approved by the Cemex Group.

The flows take into consideration past experience and represent the Cemex Group's best estimate of future market performance. From the final year cash flows are extrapolated using perpetual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.

Tax projections are determined based on the budgets approved by the Board of Directors and other estimates prepared by the Company's different departments. These projections, which encompass a maximum period of 10 years, take into consideration past experience and represent management's best estimate of future market performance.

Although the estimates made by the Company's Board of Directors were based on the best information available at December 31, 2018, future events may require changes to these estimates in future reporting periods. Any effect on the annual accounts of adjustments to be made in subsequent years would be recognized prospectively.

(e) Going concern

The Company had negative working capital amounting to Euros 21,689 thousand at December 31, 2018, including current payables to Cemex Group companies of Euros 18,417 thousand. However, the Board of Directors have prepared these annual accounts on a going concern basis inasmuch as the parent of the Group to which the Company belongs has expressed in writing its commitment to provide any necessary financial support in the short term to enable the Company to honor all of its commitments, and thereby maintain the financial equilibrium required for it to continue operating as a going concern.

(3) Distribution of Profit

The distribution of the Euros 13,773,636.33 profit for the year ended December 31, 2017, proposed by the Board of Directors and approved by the shareholders at their annual general meeting on June 15, 2018, was as follows:

Distribution	Euros
Legal reserve	1,377,363.63
Voluntary reserves	12,396,272.70
	13,773,636.33

The Board of Directors will propose to the shareholders at their annual general meeting that the Euros 1,397,574.59 profit for the year ended December 31, 2018 be distributed as follows:

Distribution	Euros
Legal reserve	139,757.46
Voluntary reserves	1,257,817.13
	1,397,574.59

The Company's freely distributable reserves are nonetheless subject to the legal limits. Dividends may not be distributed if equity would be less than share capital as a result. Moreover, the distribution of dividends by the Company with a charge to reserves is subject to the limits set out in the Framework Agreement, as explained in note 16.

(4) Significant Accounting Policies

(a) Leases

The Company has rights to use certain assets through lease contracts.

Leases in which, upon inception, the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(b) Financial instruments

The Company recognizes financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

Debt instruments are recognized from the date on which the legal right to receive or legal obligation to pay cash arises. Financial liabilities are recognized at the trade date.

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and the Company's intentions on initial recognition.

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(i) Loans and receivables

These assets mainly include receivables from Group companies and are initially recognized at fair value, including transaction costs, and subsequently measured at amortized cost using the effective interest method. Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(ii) Investments in Group companies and associates

Group companies are those over which the Company, either directly, or indirectly through subsidiaries, exercises control as defined in article 42 of the Spanish Code of Commerce, or when the companies are controlled by one or more individuals or entities acting jointly or under the same management through contractual agreements or statutory clauses.