

CEMEX LATAM HOLDINGS, S.A.

Notes to the Annual Accounts
December 31, 2019

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

maximum period of 10 years, take into consideration past experience and represent management's best estimate of future market performance.

Although the estimates approved by the Company's Board of Directors were based on the best information available at December 31, 2019, 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.

(3) Distribution of Profit/Application of Loss

The distribution of the Euros 1,397,574.59 profit for the year ended December 31, 2018, proposed by the Board of Directors and approved by the shareholders at their annual general meeting on June 28, 2019, was as follows:

<u>Distribution</u>	<u>Euros</u>
Legal reserve.....	139,757.46
Voluntary reserves	<u>1,257,817.13</u>
	<u>1,397,574.59</u>

The Board of Directors will propose to the shareholders at their annual general meeting that the entire Euros 9,400,614.53 loss for the year ended December 31, 2019 be carried forward as prior years' losses and subsequently offset against voluntary reserves.

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