

CEMEX SAB DE CV  
Form 20-F  
April 25, 2019  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**For the fiscal year ended December 31, 2018**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

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**Date of event requiring this shell company report**

**For the transition period from                      to**

**Commission file number 1-14946**

**CEMEX, S.A.B. de C.V.**

**(Exact name of Registrant as specified in its charter)**

**CEMEX PUBLICLY TRADED STOCK CORPORATION WITH VARIABLE CAPITAL**

**(Translation of Registrant's name into English)**

**United Mexican States**

**(Jurisdiction of incorporation or organization)**

**Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, San Pedro Garza García,**

**Nuevo León, 66265, México**

**(Address of principal executive offices)**

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**Nuevo León, 66265, México**

**(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act.**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>Ordinary Participation Certificates (<i>Certificados de Participación Ordinarios</i>), or CPOs, each CPO representing two Series A shares and one Series B share, traded in the form of American Depositary</b>	<b>New York Stock Exchange</b>

**Shares, or ADSs, each ADS representing ten CPOs.**

**Securities registered or to be registered pursuant to Section 12(g) of the Act.**

None

(Title of Class)

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

14,983,856,154 CPOs

30,002,628,318 Series A shares (including Series A shares underlying CPOs)

15,001,314,159 Series B shares (including Series B shares underlying CPOs)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer  
Non-accelerated filer

Accelerated filer  
Emerging growth company

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If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S.  
GAAP

International Financial Reporting Standards as issued

Other

by the International Accounting Standards Board

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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**INTRODUCTION**

CEMEX, S.A.B. de C.V. is incorporated as a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of the United Mexican States ( Mexico ). Except as the context otherwise may require, references in this annual report to CEMEX, we, us or our refer to CEMEX, S.A.B. de C.V. and its consolidated entities. See note 1 to our 2018 audited consolidated financial statements included elsewhere in this annual report.

**PRESENTATION OF FINANCIAL INFORMATION**

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with International Financial Reporting Standards ( IFRS ), as issued by the International Accounting Standards Board ( IASB ).

The regulations of the United States Securities and Exchange Commission (the SEC ) do not require foreign private issuers that prepare their financial statements based on IFRS (as published by the IASB) to reconcile such financial statements to United States Generally Accepted Accounting Principles ( U.S. GAAP ).

References in this annual report to U.S.\$ and Dollars are to U.S. Dollars, references to are to Euros, references to Pounds Sterling and Pounds are to British Pounds, and, unless otherwise indicated, references to Ps, Mexican Pesos and Pesos are to Mexican Pesos. References to billion mean one thousand million. References in this annual report to CPOs are to CEMEX, S.A.B. de C.V.'s *Certificados de Participación Ordinarios*. References to ADSs are to American Depositary Shares that represent the CPOs. The Dollar amounts provided below, unless otherwise indicated elsewhere in this annual report, are translations of Peso amounts at an exchange rate of Ps19.65 to U.S.\$1.00, the CEMEX accounting rate (as defined below) as of December 31, 2018. However, in the case of transactions conducted in Dollars, we have presented the U.S. Dollar amount of the transaction and in most cases, when such amounts are presented in our consolidated financial statements, the corresponding Peso amount is presented in our consolidated financial statements. These translations have been prepared solely for the convenience of the reader and should not be construed as representations that the Mexican Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated.

References in this annual report to total debt plus other financial obligations (which include debt under the 2017 Credit Agreement (as defined below)) do not include debt and other financial obligations of ours held by us. See notes 2.6 and 16.2 to our 2018 audited consolidated financial statements included elsewhere in this annual report for a detailed description of our other financial obligations. Total debt plus other financial obligations differs from the calculation of debt under the 2017 Credit Agreement.

We also refer in various places within this annual report to non-IFRS measures, including Operating EBITDA.

Operating EBITDA equals operating earnings before other expenses, net, plus amortization and depreciation expenses, as more fully explained in Item 3 Key Information Selected Consolidated Financial Information. The presentation of these non-IFRS measures is not meant to be considered in isolation or as a substitute for our 2018 audited consolidated financial results prepared in accordance with IFRS as issued by the IASB.

We have approximated certain numbers in this annual report to their closest round numbers or a given number of decimal places. Due to rounding, figures shown as totals in tables may not be arithmetic aggregations of the figures preceding them.





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**CERTAIN TECHNICAL TERMS**

When used in this annual report, the terms set forth below mean the following:

**Aggregates** are inert granular materials, such as stone, sand and gravel, which are mined from quarries. They give ready-mix concrete its necessary volume and add to its overall strength. Under normal circumstances, one cubic meter of fresh concrete contains two metric tons of gravel and sand.

**Clinker** is an intermediate cement product made by sintering limestone, clay, and iron oxide in a kiln at around 1,450 degrees Celsius. One metric ton of clinker is used to make approximately 1.1 metric tons of gray portland cement.

**Gray portland cement**, used for construction purposes, is a hydraulic binding agent with a composition by weight of at least approximately 95% clinker and up to 5% of a minor component (usually calcium sulfate) which, when mixed with sand, stone or other aggregates and water, produces either concrete or mortar.

**Petroleum coke (pet coke)** is a by-product of the oil refining coking process.

**Ready-mix concrete** is a mixture of cement, aggregates, and water.

**Tons** means metric tons. One metric ton equals 1.102 short tons.

**White cement** is a specialty cement used primarily for decorative purposes.

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**PART I**

**Item 1 Identity of Directors, Senior Management and Advisors**

Not applicable.

**Item 2 Offer Statistics and Expected Timetable**

Not applicable.

**Item 3 Key Information**

**Financial Evolution Since 2009**

As of December 31, 2008, we had Ps258,094 million (U.S.\$18,784 million) of total debt, not including Ps41,495 million (U.S.\$3,020 million) of Perpetual Debentures (as defined below). Most of our outstanding debt as of December 31, 2008 had been incurred to finance our acquisitions, including the acquisition of Rinker Group Limited ( Rinker ) in 2007, and our capital expenditure programs. The acquisition of Rinker substantially increased our exposure in the United States, which experienced a sharp downturn in the housing and construction sectors caused by the 2007-2008 financial crisis. This downturn had adverse effects on our United States operations, making it more difficult for us to achieve our goal of decreasing our acquisition-related leverage and, given extremely tight credit markets during the height of the financial crisis, making it increasingly difficult for us to refinance our acquisition-related debt.

On August 14, 2009, we reached a comprehensive financing agreement with our major creditors (as subsequently amended, the 2009 Financing Agreement ). The 2009 Financing Agreement extended the maturities of approximately U.S.\$15 billion in syndicated and bilateral bank facilities and private placement obligations. As part of the 2009 Financing Agreement, we pledged or transferred to trustees under security trusts substantially all the shares of CEMEX México, S.A. de C.V. ( CEMEX México ), Cemex Operaciones México, S.A. de C.V. ( Cemex Operaciones México ), CEMEX TRADEMARKS HOLDING Ltd. ( CTH ), New Sunward Holding B.V. ( New Sunward ) and CEMEX España, S.A. ( CEMEX España ), as collateral (together, the Collateral ) and all proceeds of such Collateral, to secure our payment obligations under the 2009 Financing Agreement and under several other financing arrangements for the benefit of the participating creditors and holders of debt and other obligations that benefit from provisions in their instruments requiring that their obligations be equally and ratably secured. These subsidiaries whose shares were pledged or transferred as part of the Collateral collectively own, directly or indirectly, substantially all our operations worldwide.

Since the signing of the 2009 Financing Agreement, we have completed a number of capital markets transactions, debt transactions and asset disposals, the majority of the proceeds of which have been used to reduce the amounts outstanding under the 2009 Financing Agreement, to pay other debt not subject to the 2009 Financing Agreement, to improve our liquidity position and for general corporate purposes.

As of December 31, 2018, we had Ps207,724 million (U.S.\$10,571 million) (principal amount Ps209,153 million (U.S.\$10,644 million), excluding deferred issuance costs) of total debt plus other financial obligations in our statement of financial position, which does not include Ps8,729 million (U.S.\$444 million) of Perpetual Debentures. Of our total debt plus other financial obligations, 7% was short-term (including current maturities of long-term debt) and 93% was long-term. As of December 31, 2018, 64% of our total debt plus other financial obligations was Dollar-denominated, 26% was Euro-denominated, 5% was Pound Sterling-denominated, 2% was Philippine Peso-denominated and

immaterial amounts were denominated in other currencies. See notes 16.1, 16.2 and 20.4 to our 2018 audited consolidated financial statements included elsewhere in this annual report.

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In 2018, we embarked on a strategic plan to build A Stronger CEMEX. This transformational plan is designed to fortify CEMEX's position as a leading global heavy building materials company, accelerate our path to investment grade, enhance CEMEX, S.A.B. de C.V.'s total shareholder return and generate long-term value for all of our stakeholders. Specifically, we believe that through this strategic plan, we can rebalance and streamline our existing portfolio in order to better position ourselves to deliver higher growth and greater stakeholder value over the mid-to-long-term by divesting between U.S.\$1.5 billion and U.S.\$2 billion in assets by 2020; achieve recurring operational improvements of U.S.\$230 million by 2020; accelerate our path to investment grade by further deleveraging CEMEX by reducing our debt by U.S.\$3.5 billion between the launch of the A Stronger CEMEX plan and 2020; and, subject to the approvals of CEMEX, S.A.B. de C.V.'s shareholders at each corresponding ordinary general shareholders' meeting, to return value to CEMEX, S.A.B. de C.V.'s shareholders through dividends and stock repurchase programs.

### **Risk Factors**

We are subject to various risks mainly resulting from changing economic, environmental, political, industry, business, regulatory, financial and climate conditions, as well as risks related to ongoing legal proceedings and investigations. The following risk factors are not the only risks we face, and any of the risk factors described below could significantly and adversely affect our business, liquidity, results of operations or financial condition, as well as, in certain instances, our reputation.

#### ***Risks Relating to Our Business***

***Economic conditions in some of the countries where we operate and in other regions or countries may adversely affect our business, financial condition, liquidity and results of operations.***

The economic conditions in some of the countries where we operate have had and may continue to have a material adverse effect on our business, financial condition, liquidity and results of operations. Our results of operations are highly dependent on the results of our operating subsidiaries worldwide, including those in the United States, Mexico, South, Central America and the Caribbean ( SCA&C ), Europe, Asia, the Middle East and Africa. Accordingly, the economic conditions in some of the countries where we operate have had and may continue to have a material adverse effect on our business, financial condition, liquidity and results of operations worldwide.

As of December 31, 2018, our operations were mostly in Mexico, the United States, certain countries in Europe, SCA&C, Asia, the Middle East and Africa (as described in Item 4 Information on the Company Business Overview ).

For a geographic breakdown of our revenues for the year ended December 31, 2018, see Item 4 Information on the Company Geographic Breakdown of Revenues for the Year Ended December 31, 2018.

While upside and downside risks to the short-term global economic growth outlook seem to be broadly balanced, we believe the scenario is not risk free. We believe that as of the date of this annual report, the possible main downside concerns include risks of slowing global economic growth, particularly due to a shift toward protectionist policies in the context of growing trade tensions between the United States and China; a possibly sharp tightening of financial conditions and its potential impact on the global economy, highly indebted European countries, emerging markets, risk aversion, foreign exchange markets, volatility and financial markets; economic vulnerability of emerging market economies; elections in some Latin American countries and the newly formed governments in some of the countries in which we operate; economic and political uncertainties in Europe; China's economic performance; political uncertainty in the United States; and geopolitical risks in the Middle East and other regions experiencing political turmoil, including the current situation in Syria. The materialization of any of these concerns may have a material adverse

effect on our business, financial condition, liquidity and results of operations.

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Furthermore, while a general agreement on trade between the United States and China has not been reached, the cycle of trade restrictions and retaliation between the United States and China has the potential to further weaken global trade and create global economic uncertainty and financial volatility. A worsening of trade conditions resulting from negotiations between the United States and China and the imposition of broader barriers to cross-border trade could not only have a direct impact on trade and investment but also on global economic growth and financial conditions.

The equity market correction in March 2018 following the United States tariff announcement on steel, aluminum and a range of Chinese products, as well as the announcement by China of retaliatory tariffs on imports from the United States, are examples showing that asset prices can correct rapidly and trigger potentially disruptive portfolio adjustments. Financial conditions that exist as of the date of this annual report could tighten sharply and expose vulnerabilities that have accumulated over the years, with potential adverse repercussions for economic growth. High asset valuations, both in emerging and advanced economies, and very compressed term premiums raise the possibility of a financial market correction, which could dampen growth and confidence.

The United States Federal Reserve System has increased short-term interest rates at a measured pace since December 2015. There is a risk that further interest rate hikes could cause Dollar appreciation, a manufacturing slowdown and economic deceleration on the back of slower housing investment. However, a slower than warranted pace of increase in interest rates could result in inflation acceleration and the disanchoring of inflation expectations, possibly leading to swift monetary policy tightening and a potential recession in the United States. The tax code overhaul could further increase the persistent fiscal deficits and unsustainable debt dynamics over the next four years. Also, the current account deficit could increase given the projected impact of the fiscal stimulus on domestic demand in the United States. High fiscal and current account deficits could affect both economic activity and exchange rates. The United States housing sector supply constraints, associated in part with labor shortages, could result in a slower pace of growth in housing starts in the United States.

In the United States, renewed federal budget disputes could lead to lesser than Fast Act-authorization spending levels for highways and streets. Global market volatility and uncertainty surrounding United States trade, such as imposing tariffs on Chinese products coming into the United States, geopolitical concerns and immigration policy, could undermine consumer confidence and investment prospects in the United States. Combined, these uncertainties could have a material adverse impact not only on our financial condition, business and results of operations in the United States, but also on our operations worldwide.

Many emerging market economies have gone through bouts of financial volatility over the past few years. Some large commodity exporters and other stressed economies also weathered substantial exchange rate movements. Though it proved short-lived for most countries, many countries in this group remain vulnerable to sudden shifts in global market sentiment. There is a risk of new episodes of market volatility, increased risk aversion and capital outflows from emerging markets, which could cause emerging markets currencies to further depreciate. The high level of U.S. Dollar denominated corporate indebtedness in emerging markets constitutes an additional source of instability. Also, emerging markets would face higher global risk premiums and substantial capital outflows, putting particular pressure on economies with domestic debt imbalances. The risk of contagion effect across emerging markets could be significant and have an adverse effect on our business and also on our financial condition, liquidity and results of operations.

In February 2019, the Central Bank of Mexico reduced Mexico's 2019 and 2020 economic growth forecast due to a slowing world economy, weakness in domestic demand and a downward trend in the country's oil production. Slower economic growth in Mexico is likely to have an adverse effect on demand for our products. In addition, any deterioration in the growth perspectives of the United States or in the global economic and financial conditions and risk perception could negatively affect Mexico's economy and therefore our results of operations. On November 30,

2018, the United States, Mexico and Canada signed the United States-Mexico-Canada Agreement (the USMCA ), which is the result of the renegotiation of the North American Free Trade Agreement ( NAFTA ). The USMCA is intended to supersede NAFTA, but has not yet been ratified by all



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signatories and is therefore not in full force and effect. A failure to ratify the USMCA has the potential to erode Mexico's access to the United States' domestic market and could negatively affect investment, development, growth and confidence in Mexico, as well as foreign exchange rates. Other risks that could negatively affect Mexico include the inflation rate not decelerating towards the Central Bank of Mexico's target range, continued decline in oil production in Mexico, manufacturing production not reacting positively to a global manufacturing boost, a contraction of the construction industry and larger than expected domestic demand deceleration for products in our industry.

A fraction of our business is dependent on the unobstructed flow of raw materials, products and equipment between the United States and Mexico. The current United States administration has indicated its intention to enhance control at the border between the United States and Mexico. To the extent implemented, such measures may result in reduction or deterioration of road, rail, air and water services between the two countries, which could increase costs and impact the quality of the services we offer to our clients, thus having an adverse effect on our business and also on our financial condition, liquidity and results of operations.

As a result of a general election in Mexico that took place in 2018, a new federal government and chambers of the Mexican National Congress have been installed. As is the case with most changes in administration, there is uncertainty regarding the impact of this new government's economic and public policies and the impact any policies could have on the economy of Mexico, including on the Mexican Peso, on the foreign exchange markets and in attracting or maintaining foreign investment in Mexico, which could affect our financial condition, business, liquidity and results of operations, particularly in Mexico.

In China, the reliance on stimulus measures to maintain high rates of growth continues. External triggers, such as a shift toward protectionism in advanced economies or domestic shocks, could lead to a broader tightening of financial conditions in China, possibly exacerbated by capital outflow pressures, with an adverse impact on demand and output. Regulators in China have also taken important measures to reduce shadow banking and bring financial activity back onto bank balance sheets. However, when taking into consideration that total credit growth, particularly in the private sector, remains high, efforts to reform the financial sector are likely to stagnate until trade disputes are resolved. The consequences for emerging market economies of weaker economic performance and increased policy uncertainty in China could be significant and could affect our financial condition, business, liquidity and results of operations.

In Colombia, the correction of macroeconomic imbalances, such as inflation, is making progress, but still needs to advance further and could be pressured by recent minimum wage increases. Consumer and producer expectations are gradually recovering. Supported by increased oil prices, economic activity is expected to improve slightly from the low levels seen in recent years. However, a reduction may affect future growth, which in turn could affect our results of operations in Colombia. Civil works investment, mainly with private financing, could be lower than anticipated, especially if additional sources of financing are not secured. The new government has also passed a fiscal reform plan that is expected to reduce the fiscal deficit. However, this too could be affected if oil prices fall. Migrant inflows coming from Venezuela are also likely to present challenges for the government. If any of these risks materialize, it could affect our financial condition, business, liquidity and results of operations, particularly in Colombia.

In Nicaragua, what started as protests against social security reform in April 2018 has turned into calls for President Daniel Ortega's ousting. Continued anti-government protests have resulted in regular outbreaks of violence, which have had and may continue to have a major negative impact on the economic activity of Nicaragua. In December of 2018, the President of the United States signed the Nicaragua Investment Conditionality Act (NICA), which could place conditions on foreign aid and financing to Nicaragua. In the same month, the Organization of American States (the OAS) activated a legal proceeding that may lead to sanctions being imposed on Nicaragua or Nicaragua being suspended from the OAS. Prolonged social instability and political crisis in Nicaragua could cause a severe economic downturn, which could negatively affect our operations and results of operations in Nicaragua.



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In Europe, the environment of negative deposit rates is distorting financial markets and creating uncertain consequences for the banking sector. There is a risk that negative rates would erode bank profitability and curb lending across Eurozone borders, creating other systemic risks to European economies. The economic activity in the Eurozone is expected to continue decelerating after its peak in 2017. There is a risk that the European Central Bank (the ECB) will finish its easing policy too early. Uncertainty about the Euro's performance remains, which could affect our operations in European Union (EU) member states, which could adversely affect our results of operations, liquidity and financial position, particularly in Europe.

The Eurozone's economic growth and European integration are challenged by a number of uncertainties, including, but not limited to, delays in implementing the needed structural reforms in some European countries; uncertainty regarding the profitability of the European banking system in general and the Italian banking sector in particular; the process of United Kingdom's exit from the EU; and Poland's conflict with EU institutions due to its judicial reform. Further, the renewed popularity of nationalistic policies in Europe is another aftereffect of the financial crisis and its prolonged aftermath. All these factors could impact market confidence and could limit the benefit of the economic tailwinds and monetary policy stimulus for Europe and possibly worldwide, which in turn could adversely affect our results of operations, business, liquidity and financial position, particularly in Europe.

The result of the June 2016 referendum in the United Kingdom to exit the European Union (Brexit), and the subsequent commencement of the official withdrawal process by the government of the United Kingdom, has created a certain level of uncertainty regarding the final terms of that withdrawal and the future of the relationship between the EU and the United Kingdom. Brexit is already having an impact on economic activity and financial conditions. At the end of 2018, declines in business investment, consumer confidence and fixed investment growth signaled investor pessimism. On April 11, 2019, with no withdrawal agreement in place, the EU granted the United Kingdom a further extension to the Brexit date until October 31, 2019, subject to certain conditions. It is unclear how and in what timeframe Brexit withdrawal negotiations will proceed and what the potential consequences may be. If there are no negotiated terms of withdrawal reached by the parties, barrier-free access between the United Kingdom, the European Union and the rest of the world could be diminished or eliminated. These border and customs controls could increase costs of materials imported into the United Kingdom and finished goods exported from the United Kingdom. In addition, it is possible that logistical delays created by those controls could delay shipments of materials and supplies. A United Kingdom departure from the EU without a clear agreement governing their economic relationship not only has the potential to significantly disrupt trade relations and border management but also to affect the operations of broad sectors of the United Kingdom economy, such as financial services companies, manufacturing and supply chains and aviation. The overall economic impact of the process surrounding the United Kingdom's departure from the EU, including, if it occurs, a no-deal Brexit, may contribute to greater instability in the global financial markets and could reduce consumer spending in the United Kingdom and the EU, which could result in decreased demand for our products and has the potential to have a material adverse effect on our financial condition, business, liquidity and results of operations, particularly with regards to our operations in the United Kingdom.

In Spain, the Catalan region conflict resulted in social unrest, and although it seems to have a transitory impact on the local economy, an escalation of the conflict could affect the Spanish economy and performance of the construction sector. Given that the Spanish national government is led by a minority in the parliament, depending on smaller parties, policy stagnation is likely to continue until the next election is held. Early elections, however, cannot be ruled out. These factors could adversely affect our operations and results of operations in Spain.

Significant trade links with Western Europe render some of the Eastern European countries susceptible to economic and political pressures from Western Europe. Labor shortages in Central European countries are expected to become more acute, which could undercut competitiveness in the region. Additionally, Central European countries might experience a reduction in the proceeds they receive from the EU's structural funds over the coming years, which could

hinder infrastructure investment in such countries and adversely affect our

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financial condition, business, liquidity and results of operations, particularly with regards to our operations in Europe.

In the Middle East, political risk could impact economic growth and adversely affect construction investments. The United States' recognition of Jerusalem as Israel's capital has increased tensions between Israelis and Palestinians. The conflict between Israel and Palestine continues to generate instability and the overall situation in Syria could worsen. Any escalation of this conflict or social unrest in this region may affect our financial condition, business, liquidity and results of operations, particularly in this region.

In Egypt, we cannot be certain if the new government that was elected in 2018 will continue to successfully implement the reforms needed to bring political and economic stability to the country. Any premature easing of monetary policy before inflation expectations are fully anchored, or opposition to reforms by vested interests, could undermine stabilization efforts in Egypt. External risks relate to a worsening of the security situation that could slow the recovery of tourism, a sustained rise of global oil prices, lower growth in Egypt's main trading partners and unexpected tightening of global financial conditions. If any of these risks materialize, it could adversely affect our operations and results of operations in Egypt.

In the Philippines, factors such as increased inflation over the past year, interest rate increases and a potential worsening of the security situation in Mindanao, could adversely affect the country's economy. The current government's foreign policy and the potential change in the constitution towards federalism could have a negative political effect on the country. Such a change could jeopardize the country's infrastructure development plan and eventually affect its economic growth, which would adversely affect our financial condition, business, liquidity and results of operations, particularly with regards to our operations in the Philippines.

In general, demand for our products and services is strongly related to construction levels and depends, in large part, on residential and commercial construction activity, as well as private and public infrastructure spending in almost all of the countries where we operate. Public and private infrastructure spending in countries dependent on revenue generated by the energy sector is exposed to decreases in energy prices. Therefore, decreases in energy prices could affect public and private infrastructure spending which, in turn, could affect the construction industry. This could ultimately affect our financial condition, business, liquidity and results of operations.

Declines in the construction industry are usually correlated with declines in general economic conditions. As a result, deterioration of economic conditions in the countries where we operate could have a material adverse effect on our business, financial condition, liquidity and results of operations. In addition, we cannot assure you that growth in the gross domestic product of the countries where we operate will translate into a correlated increase in demand for our products.

We are subject to effects of general global economic and market conditions that are beyond our control. If these conditions remain challenging or deteriorate, our business, financial condition, liquidity and results of operations could be adversely affected. Possible consequences from macroeconomic global challenges could have an adverse impact on our business, financial condition, liquidity and results of operations.

***Political and social events and possible changes in governmental policies in some of the countries where we operate could have a material adverse effect on our business, financial condition, liquidity and results of operations.***

In recent years, some of the governments in the countries where we operate, such as the United States, have implemented and may continue to implement significant changes in laws, public policy or regulations that could affect the political, economic and social conditions in the countries where we operate, as well as in other countries. Any such

changes may have a material adverse effect on our business, financial condition, liquidity and results of operations.

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Furthermore, presidential, legislative, state and local elections have taken place, or are scheduled to take place, in 2019 in several of the countries where we operate, including El Salvador, Panama, the Philippines, Guatemala, Israel and Poland, as well as the elections for the European Parliament. For these countries, as is usually the case when there is a change in governments, a change in federal government and the political party in control of the legislature could result in sharp changes to the countries' economic, political or social conditions, and in changes to laws, regulations and public policies, which may contribute to economic uncertainty and could also materially impact our business, financial condition, liquidity and results of operations. Similarly, if no political party wins a clear majority in the legislative bodies of these countries, legislative gridlock and political and economic uncertainty may result.

We cannot assure you that political or social developments in the countries where we operate or elsewhere, such as the election of new administrations, changes in laws, public policy or regulations, political disagreements, civil disturbances and the rise in violence and perception of violence, is not expected to have a material adverse effect on global financial markets, or on our business, financial condition, liquidity and results of operations.

***Difficulties in relationships with local communities may adversely affect our business, reputation, liquidity, and results of operations.***

Although we make significant efforts to maintain good long-term relationships and continuous communication with local and neighboring communities where we operate, there can be no assurance that such communities may have or may develop interests or objectives which are different from or even in conflict with our objectives, which could result in legal or administrative proceedings, civil unrest, protests, negative media coverage, direct action or campaigns, including, but not limited to, requests for the government to revoke or deny our concessions, licenses or other permits. Any such occurrences could cause delays or disruptions in our operations or result in operational restrictions, which could materially and adversely affect our business, reputation, liquidity and results of operations.

***The 2017 Credit Agreement contains several restrictions and covenants. Our failure to comply with such restrictions and covenants could have a material adverse effect on our business and financial conditions.***

The 2017 Credit Agreement requires us to comply with several financial ratios and tests, including (i) a minimum consolidated coverage ratio of EBITDA to interest expense (including interest accrued on Perpetual Debentures and cash payments on preferred stock) and (ii) a maximum consolidated leverage ratio of net debt (including Perpetual Debentures, guarantees and certain leases, excluding convertible/exchangeable obligations, the principal amount of subordinated optional convertible securities and plus or minus the mark-to-market amount of derivative financial instruments, among other adjustments) to EBITDA (in each case, as described in the 2017 Credit Agreement). The calculation and formulation of EBITDA, interest expense, net debt, the consolidated coverage ratio and the consolidated leverage ratio are set out in the 2017 Credit Agreement and may differ from the calculation and/or formulation of analogous terms in this annual report. Our ability to comply with these ratios may be affected by our results of operations, economic conditions and volatility in foreign exchange rates, by overall conditions in the financial and capital markets and the construction sector, and by any monetary penalties or fines we may have to pay as a result of any administrative or legal proceedings to which we may be exposed to. See Item 4 Information on the Company Regulatory Matters and Legal Proceedings for more information on our regulatory matters and legal proceedings.

The 2017 Credit Agreement requires us to comply with a minimum consolidated coverage ratio of EBITDA to interest expense (including interest accrued on Perpetual Debentures and cash payments on preferred stock), for the following periods, measured quarterly, of not less than (i) 2.50:1 for each 12-month period ending on December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 and (ii) 2.75:1 for the 12-month period ending on June 30, 2020 and on each subsequent quarterly date. In addition, the 2017 Credit

Agreement requires us to comply with a maximum consolidated leverage ratio of net



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debt (including Perpetual Debentures, guarantees and certain leases, excluding convertible/exchangeable obligations, the principal amount of subordinated optional convertible securities and plus or minus the fair value of derivative financial instruments, among other adjustments) to EBITDA for the following periods, measured quarterly, not to exceed (i) 4.75:1 for each 12-month period ending December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020, (ii) 4.50:1 for each 12-month period ending June 30, 2020, September 30, 2020, December 31, 2020 and March 31, 2021 and (iii) 4.25:1 for the 12-month period ending June 30, 2021 and on each subsequent quarterly date. For the period ended December 31, 2018, we reported to the lenders under the 2017 Credit Agreement a consolidated coverage ratio of 4.41 and a consolidated leverage ratio of 3.84, each as calculated pursuant to the 2017 Credit Agreement based on the definitions prior to the 2019 Credit Agreement Amendments (as defined below). See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Our Indebtedness.

Pursuant to the 2017 Credit Agreement, we are restricted when it comes to making aggregate annual capital expenditures in excess of U.S.\$1.5 billion in any financial year (excluding certain capital expenditures, joint venture investments and acquisitions to be made by each of CEMEX Latam Holdings, S.A. ( CLH ) and/or CEMEX Holdings Philippines, Inc. ( CHP ) and their respective subsidiaries, and those funded by Relevant Proceeds (as defined in the 2017 Credit Agreement)), which capital expenditures, joint venture investments and acquisitions at any time then incurred are subject to a separate aggregate limit of (i) U.S.\$500 million (or its equivalent) for CLH and its subsidiaries and (ii) U.S. \$500 million (or its equivalent) for CHP and its subsidiaries. In addition, in each case, the amounts of which we and our subsidiaries are allowed for permitted acquisitions and investments in joint ventures cannot exceed certain thresholds as set out in the 2017 Credit Agreement.

We are also subject to a number of negative covenants under the 2017 Credit Agreement that, among other things, restrict or limit (subject to certain exceptions) our ability and the ability of each obligor (as defined in the 2017 Credit Agreement) to: (i) create liens, (ii) incur additional debt, (iii) change our business or the business of any obligor (as defined in the 2017 Credit Agreement, taken as a whole), (iv) enter into mergers, (v) enter into agreements that restrict our subsidiaries' ability to pay dividends or repay intercompany debt, (vi) acquire certain assets, (vii) enter into or invest in joint venture agreements, (viii) dispose of certain assets, (ix) grant additional guarantees or indemnities, (x) declare or pay cash dividends or make share redemptions, and (xi) enter into certain derivatives transactions.

The 2017 Credit Agreement also contains a number of affirmative covenants that, among other things, require us to provide periodic financial information to our creditors. Pursuant to the 2017 Credit Agreement, a number of covenants and restrictions will, if CEMEX so elects, cease to apply (including the capital expenditure limitations mentioned above) or become less restrictive if (i) our consolidated leverage ratio for the two most recently completed quarterly testing periods is less than 3.75:1; or, for the three most recently completed quarterly testing periods, our consolidated leverage ratio for the first and third of those quarterly testing periods is 3.75:1 or less and in the second quarterly testing period would have been 3.75:1 or less but for the proceeds of certain permitted financial indebtedness being included in the calculation of debt and (ii) no default under the 2017 Credit Agreement is continuing. At that point, the existing consolidated coverage ratio and consolidated leverage ratio tests will be replaced by a requirement that the consolidated leverage ratio must not exceed 4.25:1 and the consolidated coverage ratio must not be less than 2.75:1. However, we cannot assure you that we will be able to meet the conditions for these restrictions to cease to apply prior to the final maturity date under the 2017 Credit Agreement.

The 2017 Credit Agreement contains events of default, some of which may occur and are outside of our control. Such events of default include but are not limited to defaults (subject to certain exceptions) and grace periods, based on (i) non-payment, (ii) material inaccuracy of representations and warranties, (iii) breach of covenants, (iv) bankruptcy (*quiebra*) or insolvency (*concurso mercantil*) of CEMEX, S.A.B. de C.V., any other obligor under the 2017 Credit Agreement or any other of our material subsidiaries (as defined in the 2017 Credit Agreement), (v) inability to pay

debts as they fall due or by reason of actual financial difficulties, suspension or threatened suspension of payments on debts exceeding U.S.\$50 million or commencement of negotiations to reschedule debt exceeding U.S.\$50 million, (vi) a cross-default in relation to financial indebtedness in excess of U.S.\$50 million, (vii) certain changes to the ownership of any of the obligors under the 2017 Credit Agreement,

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(viii) enforcement of any security against an obligor or material subsidiary, (ix) any attachment, distress or execution affects any asset of an obligor or material subsidiary which is reasonably likely to cause a material adverse effect, (x) expropriation and sequestration of assets of certain of our subsidiaries that causes a material adverse effect, (xi) restrictions not in effect on July 19, 2017 are imposed that limit the ability of obligors to transfer foreign exchange for purposes of performing material obligations under the 2017 Credit Agreement, (xii) any material adverse change arising in the financial condition of CEMEX, which creditors representing two thirds or more of the total commitments under the 2017 Credit Agreement determine would result in our failure, taken as a whole, to perform payment obligations under the 2017 Credit Agreement, and (xiii) it becomes unlawful for us to comply with our obligations under the 2017 Credit Agreement where non-performance is reasonably likely to cause a material adverse effect. If an event of default occurs and is continuing, upon the authorization of creditors representing two thirds or more of the total commitments under the 2017 Credit Agreement, the 2017 Credit Agreement's agent has the ability to accelerate all outstanding amounts due under the 2017 Credit Agreement. Acceleration is automatic in the case of insolvency.

We cannot assure you that in the future we will be able to comply with the restrictive covenants and limitations contained in the 2017 Credit Agreement. Our failure to comply with such covenants and limitations could result in an event of default, which could materially and adversely affect our business, financial condition, liquidity and results of operations.

***Changes to, or replacement of the LIBOR Benchmark Interest Rate, could adversely affect our business, financial condition, liquidity and results of operations.***

In July 2017, the United Kingdom's Financial Conduct Authority ( FCA ), a regulator of financial services firms and financial markets in the United Kingdom, stated that they will plan for a phase out of regulatory oversight of the London InterBank Offered Rate ( LIBOR ) interest rate indices. The FCA has indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate. LIBOR indices, in particular the U.S. Dollar LIBOR, are commonly used as a benchmark for our financing agreements and derivatives, which systematically catalogue relevant LIBOR provisions, including uniform trigger provisions intended to identify a test for when LIBOR no longer governs the agreement and/or uniform fallback provisions intended to identify an alternative reference rate, or there may be vast, or slight, differences in those provisions. It is uncertain at this time whether LIBOR will change or cease to exist or the extent to which those entering into financial agreements will transition to any other particular benchmark. Other benchmarks may perform differently than LIBOR or have other consequences that cannot currently be anticipated. As of December 31, 2018, 37% of our foreign currency-denominated long-term debt bears floating rates at a weighted average interest rate of LIBOR plus 241 basis points. A transition away from and/or changes to the LIBOR benchmark interest rate could adversely affect our business, financial condition, liquidity and results of operations.

***We pledged the capital stock of some of our subsidiaries that represent substantially all of our business as collateral to secure our payment obligations under the 2017 Credit Agreement, the indentures governing our outstanding Senior Secured Notes and other financing arrangements.***

In connection with the 2017 Credit Agreement, we pledged or transferred to trustees under a security trust, the Collateral and all proceeds of the Collateral, to secure our obligations under the 2017 Credit Agreement, our Senior Secured Notes (as defined below) and under a number of other financing arrangements for the benefit of the creditors and holders of debt and other obligations that benefit from provisions in their agreements or instruments requiring that their obligations be equally and ratably secured.

As of December 31, 2018, the Collateral and all proceeds of such Collateral secured were (i) Ps172,617 million (U.S.\$8,785 million) (principal amount Ps173,948 million (U.S.\$8,852 million)) aggregate principal amount of debt under the 2017 Credit Agreement, our Senior Secured Notes and other financing arrangements and (ii) Ps8,729 million (U.S.\$444 million) aggregate principal amount of Perpetual Debentures. The subsidiaries whose shares are part of the Collateral collectively own, directly or indirectly, substantially all of our operations worldwide. Provided that no default has occurred which is continuing under the 2017 Credit Agreement, the Collateral will be released automatically if we meet specified financial covenant targets in accordance with the terms of the Intercreditor Agreement (as defined below).

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***We have a substantial amount of debt and other financial obligations maturing in the next several years. If we are unable to secure refinancing on favorable terms or at all, we may not be able to comply with our upcoming payment obligations. Our ability to comply with our principal maturities and financial covenants may depend on us implementing certain initiatives, which may include making asset sales, and there is no assurance that we will be able to implement any such initiatives or execute such sales, if needed, on terms favorable to us or at all.***

As of December 31, 2018, which does not give effect to the 2019 Credit Agreement Amendments, our total debt plus other financial obligations were Ps207,724 million (U.S.\$10,571 million) (principal amount Ps209,153 million (U.S.\$10,644 million)), which does not include Ps8,729 million (U.S.\$444 million), which represents the nominal amount of Perpetual Debentures. Of such total debt plus other financial obligations amount, Ps13,622 million (U.S.\$693 million) (principal amount Ps13,605 million (U.S.\$692 million)) matures during 2019; Ps22,530 million (U.S.\$1,147 million) (principal amount Ps22,672 million (U.S.\$1,154 million)) matures during 2020; Ps24,254 million (U.S.\$1,234 million) (principal amount Ps24,254 million (U.S.\$1,234 million)) matures during 2021; Ps30,524 million (U.S.\$1,553 million) (principal amount Ps31,104 million (U.S.\$1,583 million)) matures during 2022; and Ps116,794 million (U.S.\$5,944 million) (principal amount Ps117,518 million (U.S.\$5,981 million)) matures after 2022. As a result of the 2019 Credit Agreement Amendments, U.S.\$530 million and U.S.\$530 million, payable under the 2017 Credit Agreement in July 2020 and January 2021, respectively, will now mature in July 2023 and January 2024, respectively, and U.S.\$48 million and U.S.\$48 million remains payable under the 2017 Credit Agreement in July 2020 and January 2021, respectively.

If we are unable to comply with our principal maturities under certain of our indebtedness, or refinance or extend maturities of certain of our indebtedness, substantially all of our debt could be accelerated. Acceleration of our debt would have a material adverse effect on our business, financial condition, liquidity and results of operations. As a result of the restrictions under the 2017 Credit Agreement, the indentures that govern our outstanding Senior Secured Notes and other debt instruments, the current global economic environment and uncertain market conditions, we may not be able to, if we need to do so to repay our indebtedness, complete asset sales on terms that we find economically attractive or at all. Volatility in the credit and capital markets could significantly affect us due to its effect on the availability of funds to potential acquiring parties, including industry peers. In addition, high levels of consolidation in our industry in some jurisdictions may further limit potential assets sales to interested parties due to antitrust considerations. If we need to sell assets to repay our indebtedness but are unable to complete asset sales and our cash flow or capital resources prove inadequate, we could face liquidity problems and may not be able to comply with financial covenants and payment obligations under our indebtedness, which would have a material adverse effect on our business, financial condition, liquidity and results of operations.

In addition, our levels of debt, contractual restrictions and our need to deleverage may limit our planning flexibility and our ability to react to changes in our business and the industry and may place us at a competitive disadvantage compared to competitors who may have no need to deleverage or who may have lower leverage ratios and fewer contractual restrictions. There can also be no assurance that, because of our leverage ratio and contractual restrictions, we will be able to improve or maintain our operating margins and deliver financial results comparable to the results obtained in the past under similar economic conditions. Also, there can be no assurance that we will be able to implement our business strategy and improve our results and sales, which could affect our ability to comply with our payment obligations under our debt agreements and instruments.

***We may not be able to generate sufficient cash to service all of our indebtedness or satisfy our short-term liquidity needs, and we may be forced to take other actions to satisfy our obligations under our indebtedness and our short-term liquidity needs, which may not be successful.***

Historically, we have addressed our liquidity needs, including funds required to make scheduled principal and interest payments, refinance debt, and fund working capital and planned capital expenditures, with operating cash flow, borrowings under credit facilities and receivables and inventory financing facilities, proceeds of debt and equity offerings and proceeds from asset sales.

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As of December 31, 2018, we had U.S.\$599 million funded under our securitization programs in Mexico, the United States, France and the United Kingdom. We cannot assure you that, going forward, we will be able to, if needed, roll over or renew these programs, which could adversely affect our liquidity.

The weakness of the global economic environment and its adverse effects on our operating results may negatively affect our credit rating and the market value of CEMEX, S.A.B. de C.V.'s CPOs and ADSs. If current economic pressures continue or worsen, we may be dependent on the issuance of equity as a source to repay our existing or future indebtedness. Although we have been able to raise debt, equity and equity-linked capital in the recent past, conditions in the capital markets could be such that traditional sources of capital may not be available to us on reasonable terms or at all. As a result, we cannot assure you that we will be able to successfully raise additional debt and/or equity capital on terms that are favorable to us or at all.

We have historically, when needed, sought and obtained waivers and amendments to several of our debt instruments relating to a number of financial ratios. Our ability to comply with these ratios could be affected by global economic conditions and volatility in foreign exchange rates and the financial and capital markets, among other factors. If necessary, we may need to seek waivers or amendments to one or more of our debt agreements or debt instruments in the future. However, we cannot assure you that any future waivers or amendments, if requested, will be obtained. If we are unable to comply with the provisions of our debt agreements or debt instruments, and are unable to obtain a waiver or amendment, the indebtedness outstanding under such debt agreements and/or instruments could be accelerated. Acceleration of these debt agreements and/or instruments would have a material adverse effect on our business, liquidity and financial condition.

If the global economic environment deteriorates and our operating results worsen significantly, if we are unable to complete debt or equity offerings or, if needed, any divestitures, and/or our cash flow or capital resources prove inadequate, we could face liquidity problems and may not be able to comply with our principal payments under our indebtedness or refinance our indebtedness.

***The indentures governing our outstanding Senior Secured Notes and the terms of our other indebtedness impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and may impede our ability to refinance our debt and the debt of our subsidiaries.***

As of December 31, 2018, there were U.S.\$3,811 million and 1,600 million aggregate principal amount of then-outstanding Senior Secured Notes under the indentures governing such notes. Mostly all of the indentures governing our outstanding Senior Secured Notes and the other instruments governing our consolidated indebtedness impose significant operating and financial restrictions on us. These restrictions will limit our ability, among other things, to: (i) incur debt, including restrictions on incurring debt at our subsidiaries, which are not parties to the indentures governing the Senior Secured Notes; (ii) pay dividends on stock; (iii) redeem stock or redeem subordinated debt; (iv) make investments; (v) sell assets, including capital stock of subsidiaries; (vi) guarantee indebtedness; (vii) enter into agreements that restrict dividends or other distributions from restricted subsidiaries; (viii) enter into transactions with affiliates; (ix) create or assume liens; (x) engage in mergers or consolidations; and (xi) enter into a sale of all or substantially all of our assets.

These restrictions could limit our ability to seize attractive growth opportunities for our businesses that are currently unforeseeable, particularly if we are unable to incur financing or make investments to take advantage of these opportunities.

These restrictions may significantly impede our ability to develop and implement refinancing plans with respect to our debt.

Most of the covenants are subject to a number of important exceptions and qualifications. The breach of any of these covenants could result in a default under the indentures governing our outstanding Senior Secured Notes, as well as certain other existing debt obligations, as a result of the cross-default provisions contained in the instruments governing such debt obligations. In the event of a default under any of the indentures governing our



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outstanding Senior Secured Notes, holders of our outstanding Senior Secured Notes could seek to declare all amounts outstanding under such Senior Secured Notes, together with accrued and unpaid interest, if any, to be immediately due and payable. If the indebtedness under our outstanding Senior Secured Notes, or certain other existing debt obligations were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full such accelerated indebtedness or our other indebtedness.

Furthermore, upon the occurrence of any event of default under the 2017 Credit Agreement, the indentures governing our outstanding Senior Secured Notes or any of our other debt, the lenders could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If the lenders accelerate payment of those amounts, we cannot assure you that our assets would be sufficient to repay those amounts in full or to satisfy our other liabilities.

In addition, in connection with the entry into new financings or amendments to existing financing arrangements while our debt rating remains below investment grade, our financial and operational flexibility may be further reduced as a result of more restrictive covenants, requirements for security and other terms that are often imposed on sub-investment grade entities.

***CEMEX, S.A.B. de C.V. s ability to repay debt and pay dividends depends on our subsidiaries ability to transfer income and dividends to us.***

Aside from operating certain assets in Mexico, CEMEX, S.A.B. de C.V. is a holding company that owns the stock of its direct subsidiaries and is the beneficial owner of the equity interests of its indirect subsidiaries and has holdings of cash and marketable securities. In general, CEMEX, S.A.B. de C.V. s ability to repay debt and pay dividends, as well as to generally make other payments, depends on the continued transfer to it of dividends and other income and funds from its wholly-owned and non-wholly-owned subsidiaries. Even though our debt agreements and instruments restrict us from entering into any agreement or arrangement that limits the ability of any subsidiary of CEMEX, S.A.B. de C.V. to declare or pay dividends or repay or capitalize intercompany indebtedness, the ability of CEMEX, S.A.B. de C.V. s subsidiaries to pay dividends and make other transfers to CEMEX, S.A.B. de C.V. is subject to various regulatory, contractual and legal constraints of the countries in which we operate, including the need to create legal reserves prior to transferring funds. The 2017 Credit Agreement restricts CEMEX, S.A.B. de C.V. s and its subsidiaries ability to declare or pay cash dividends (subject to certain exceptions). In addition, the indentures governing our outstanding Senior Secured Notes also limit CEMEX, S.A.B. de C.V. s and its subsidiaries ability to pay dividends.

The ability of CEMEX, S.A.B. de C.V. s direct and indirect subsidiaries to pay dividends and make loans and other transfers to it is generally subject to various regulatory, legal and economic limitations. Depending on the jurisdiction of organization of the relevant subsidiary, such limitations may include solvency and legal reserve requirements, dividend payment restrictions based on interim financial results or minimum net worth and withholding taxes on loan interest payments. For example, our subsidiaries in Mexico are subject to Mexican legal requirements, which provide that a corporation may declare and pay dividends only out of the profits reflected in the year-end financial statements that are or have been approved by its stockholders. In addition, such payment can be approved by a subsidiary s stockholders only after the creation of a required legal reserve (equal to one fifth of the relevant company s capital) and compensation or absorption of losses, if any, incurred by such subsidiary in previous fiscal years.

CEMEX, S.A.B. de C.V. may also be subject to exchange controls on remittances by its subsidiaries from time to time in a number of jurisdictions. In addition, CEMEX, S.A.B. de C.V. s ability to receive funds from these subsidiaries may be restricted by covenants in the debt instruments and other contractual obligations of those entities.

As of the date of this annual report, CEMEX, S.A.B. de C.V. does not expect that existing regulatory, legal and economic restrictions on its existing direct and indirect subsidiaries' ability to pay dividends and make loans and other transfers to it will negatively affect its ability to meet its cash obligations. However, the jurisdictions of organization of CEMEX, S.A.B. de C.V.'s current direct or indirect subsidiaries, or of any future subsidiary, may

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impose additional and more restrictive regulatory, legal and/or economic limitations. In addition, CEMEX, S.A.B. de C.V.'s subsidiaries may not be able to generate sufficient income to pay dividends or make loans or other transfers to it in the future, or may not have access to Dollars in their respective countries, which, as of the date of this annual report, would be the preferred currency to be received by CEMEX, S.A.B. de C.V. to service the majority of its debt payments. Also, because not all of CEMEX, S.A.B. de C.V.'s subsidiaries are wholly-owned, any decision to have any of CEMEX, S.A.B. de C.V.'s subsidiaries declare and pay dividends or make loans or other transfers to us is subject to any minority rights that shareholders may have in the CEMEX, S.A.B. de C.V. subsidiary that is not wholly-owned. Any material additional future limitations on our subsidiaries could adversely affect CEMEX, S.A.B. de C.V.'s ability to service our debt and meet its other cash obligations.

***We are subject to restrictions and reputational risks resulting from non-controlling interests held by third parties in our consolidated subsidiaries.***

We conduct our business through subsidiaries. In some cases, third-party shareholders hold non-controlling interests in these subsidiaries, such as in the case of CLH, CHP, Trinidad Cement Limited ( TCL ) and Caribbean Cement Company Limited ( CCCL ), among others. Various disadvantages may result from the participation of non-controlling shareholders whose interests may not always be aligned with ours. Some of these disadvantages may, among other things, result in our inability to implement organizational efficiencies, divest or acquire assets and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively. In addition, we are also exposed to third-party shareholders initiating different actions or proceedings against us as controlling shareholders on corporate and corporate governance related matters, which could also harm our reputation and have an adverse effect on our business, liquidity, financial condition and results of operations.

***We have to service our debt and other financial obligations denominated in Dollars with revenues generated in Mexican Pesos or other currencies, as we do not generate sufficient revenue in Dollars from our operations to service all our debt and other financial obligations denominated in Dollars. This could adversely affect our ability to service our obligations in the event of a devaluation or depreciation in the value of the Mexican Peso, or any of the other currencies of the countries in which we operate, compared to the U.S. Dollar. In addition, our consolidated reported results and outstanding indebtedness are significantly affected by fluctuations in exchange rates between the Mexican Peso and other currencies.***

A substantial portion of our total debt plus other financial obligations is denominated in Dollars. As of December 31, 2018, our debt plus other financial obligations denominated in Dollars represented 64% of our total debt plus other financial obligations, which does not include U.S.\$371 million of Dollar-denominated Perpetual Debentures. Our Dollar-denominated debt must be serviced with funds generated by CEMEX, S.A.B. de C.V.'s direct and indirect subsidiaries. Although we have substantial operations in the U.S., we continue to strongly rely on our non-U.S. assets to generate revenues to service our Dollar-denominated debt. Consequently, we have to use revenues generated in Mexican Pesos, Euros or other currencies to service our Dollar-denominated obligations. See Item 5 Quantitative and Qualitative Market Disclosure Operating and Financial Review and Prospects Interest Rate Risk, Foreign Currency Risk and Equity Risk Foreign Currency Risk. A devaluation or depreciation in the value of the Mexican Peso, Euro, British Pound, Colombian Peso, Philippine Peso or any of the other currencies of the countries in which we operate, compared to the U.S. Dollar, could adversely affect our ability to service our Dollar-denominated debt. In 2018, our operations in Mexico, the United Kingdom, France, Germany, Spain, Poland, the Czech Republic, the Rest of Europe (as described in Item 4 Information on the Company Business Overview ), Colombia, Costa Rica, Caribbean TCL, the Dominican Republic, Rest of South, Central America and the Caribbean, the Philippines, Egypt, Israel and the Rest of Asia, Middle East and Africa (as described in Item 4 Information on the Company Business Overview ), which are our main non-Dollar-denominated operations, together generated 66% of our total revenues in Mexican Peso terms (21%, 7%, 6%, 4%, 3%, 2%, 1%, 2%, 3%, 1%, 2%, 1%, 3%, 3%, 2%, 4% and 1%, respectively) before eliminations

resulting from consolidation. In 2018, 24% of our revenues in Mexican Peso terms were generated from our operations in the United States before eliminations resulting from consolidation.

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During 2018, the Mexican Peso remained flat against the U.S. Dollar, the Euro depreciated 4.5% against the U.S. Dollar and the British Pound depreciated 5.6% against the U.S. Dollar. Currency hedges that we may be a party to or may enter in the future may not be effective in covering all our currency-related risks. Our consolidated reported results for any period and our outstanding indebtedness as of any date are significantly affected by fluctuations in exchange rates between the Mexican Peso and other currencies, as those fluctuations influence the amount of our indebtedness when translated into Mexican Pesos and also result in foreign exchange gains and losses as well as gains and losses on derivative contracts, including those entered into to hedge our exchange rate exposure. For a description of these impacts, see [Our use of derivative instruments has negatively affected, and any new derivative financial instruments could negatively affect, our operations, especially in volatile and uncertain markets.](#)

In addition, as of December 31, 2018, our Euro-denominated total debt plus other financial obligations represented 26% of our total debt plus other financial obligations, which does not include the 64 million aggregate principal amount of Euro-denominated Perpetual Debentures.

***Our use of derivative financial instruments has negatively affected, and any new derivative financial instruments could negatively affect, our operations, especially in volatile and uncertain markets.***

We have used, and may continue to use, derivative financial instruments to manage the risk profile associated with interest rates and currency exposure of our debt, to reduce our financing costs, to access alternative sources of financing and to hedge some of our financial and operating risks. However, we cannot assure you that our use of such instruments will allow us to achieve these objectives due to the inherent risks in any derivatives transaction.

As of December 31, 2018, our derivative financial instruments consisted of equity forwards on third-party shares, foreign exchange forward contracts, interest rate derivatives related to energy projects fuel price hedging and interest-rate swap instruments related to bank loans, which had an impact on our financial position. The fair value changes of our derivative financial instruments are reflected in our income statement, which could introduce volatility in our controlling interest net income and our related ratios. For the years ended December 31, 2017 and 2018, the recognition of changes in the fair value of derivative financial instruments during the applicable period represented net gains of Ps161 million (U.S.\$9 million) and net gains of Ps692 million (U.S.\$38 million), respectively.

For the majority of the last ten years, CEMEX has significantly decreased its use of both currency and interest rate derivatives related to debt, thereby reducing the risk of cash margin calls. However, with respect to our existing financial derivatives, we may incur net losses and be subject to margin calls that do not require a substantial amount of cash to cover such margin calls. If we enter into new derivative financial instruments, we may incur net losses and be subject to margin calls in which the cash required to cover margin calls may be substantial and may reduce the funds available to us for our operations or other capital needs. In addition, as with any derivative position, CEMEX assumes the creditworthiness risk of the counterparty, including the risk that the counterparty may not honor its obligations to us.

***We are subject to the laws and regulations of the countries where we operate and do business and any material changes in such laws and regulations and/or any significant delays in assessing the impact and/or adapting to such changes may have an adverse effect on our business, financial condition, liquidity and results of operations.***

Our operations are subject to the laws and regulations of the countries where we operate and do business, and such laws and regulations, and/or governmental interpretations of such laws and regulations, may change. Because CEMEX, S.A.B. de C.V. is organized under Mexican laws, and because of the considerable size of CEMEX, S.A.B. de C.V.'s operations in the United States and the fact that our ADSs trade on the NYSE, we have to comply with the laws and regulations, and/or governmental interpretations of such laws and regulations, of Mexico and the United

States, whether or not we operate and do business through a subsidiary located in Mexico or the United States.

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Any change in such laws and regulations, and/or governmental interpretations of such laws and regulations, may have a material adverse effect on our business, financial condition, liquidity and results of operations. Furthermore, changes in laws and regulations, and/or governmental interpretations of such laws and regulations, may require us to devote a significant amount of time and resources to assess and, if required, to adjust our operations to any such changes, which could have a material adverse effect on our business, financial condition, liquidity and results of operations. In addition, any significant delays in assessing the impact and/or, if required, in adapting to changes in laws and regulations and/or governmental interpretations of such laws and regulations may also have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

***We or our third-party providers may fail to maintain, obtain or renew or may experience material delays in obtaining requisite governmental or other approvals, licenses and permits for the conduct of our business.***

We or our third-party providers of goods and services, as applicable, require various approvals, licenses, permits, concessions and certificates in the conduct of our business. We cannot assure you that we, or our third-party providers of goods and services, will not encounter significant problems in obtaining new or renewing existing approvals, licenses, permits, concessions and certificates required in the conduct of our business, or that we, or our third-party providers of good and services, will continue to satisfy the conditions to such approvals, licenses, permits, concessions and certificates that we currently have or may be granted in the future. There may also be delays on the part of regulatory and administrative bodies in reviewing our applications and granting approvals. If previously obtained approvals, licenses, permits and certificates are revoked and/or if we, or our third-party providers of goods and services, fail to obtain and/or maintain the necessary approvals, licenses, permits, concessions and certificates required for the conduct of our business, we may be required to incur substantial costs or temporarily suspend or alter the operation of one or more of our operating units, production facilities, mineral extraction locations or of any relevant component of them, which could affect the general production of these units, facilities or locations, which in turn could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

***We may fail to secure certain materials required to run our business.***

We increasingly use in most of our business certain by-products of industrial processes produced by third parties, such as pet coke, fly ash, slag and synthetic gypsum, among others. While we are not dependent on our suppliers and we try to secure the supply of the required materials through long-term renewable contracts and framework agreements, which allow us to better manage supplies, short-term contracts are entered into in certain countries where we operate. Should existing suppliers cease operations or reduce or eliminate production of these by-products, or should for any reason any suppliers not be able to deliver to us the contractual quantities, or should laws and/or regulations in any region or country limit the access to these materials, sourcing costs for these materials could increase significantly or require us to find alternative sources for these materials, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. Additionally, scarcity and quality of natural resources (such as water and aggregates reserves) in some of the countries where we operate could have a material adverse effect on our operations, costs and results of operations.

***We may not be able to realize the expected benefits from acquisitions or joint ventures, some of which may have a material impact on our business, financial condition, liquidity and results of operations.***

Even though we have not made any major acquisitions in recent years or entered into significant joint ventures, our ability to realize the expected benefits from acquisitions or joint ventures depends, in large part, on our ability to integrate acquired operations with our existing operations in a timely and effective manner. These efforts may not be successful. Although we have disposed of assets in the past and may continue to do so to reduce our overall leverage and rebalance our portfolio, the 2017 Credit Agreement and other debt instruments restrict our ability to acquire assets

and enter into joint ventures. We may in the future acquire new operations or



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enter into joint ventures and integrate such operations into our existing operations, and some of such acquisitions may have a material impact on our business, financial condition, liquidity and results of operations. We cannot assure you that we will be successful in identifying or acquiring suitable assets in the future, or that the terms under which we may acquire any assets or enter into joint ventures in the future would be favorable to us. If we fail to achieve any anticipated cost savings from any acquisitions or joint ventures, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

### ***High energy and fuel costs may have a material adverse effect on our operating results.***

Electric energy and fuel costs represent an important part of our overall cost structure. The price and availability of electric energy and fuel are generally subject to market volatility and, therefore, may have an adverse impact on our costs and operating results. Furthermore, if third-party suppliers fail to provide to us the required amounts of energy or fuel under existing agreements, we may need to acquire energy or fuel at an increased cost from other suppliers, without being reimbursed for the increased costs by the committed supplier, to fulfill certain contractual commitments with third parties or for use in our operations. In addition, governments in several of the countries in which we operate are working to reduce energy subsidies, introduce clean energy obligations or impose new excise taxes, which could further increase energy costs and have a material adverse effect on our business, financial condition, liquidity and results of operations.

Furthermore, if our efforts to increase our use of alternative fuels are unsuccessful, due to their limited availability, price volatility or otherwise, we would be required to use traditional fuels, which may increase our energy and fuel costs and could have a material adverse effect on our business, financial condition, liquidity and results of operations.

### ***The introduction of substitutes for cement, ready-mix concrete or aggregates into the market and the development of new construction techniques and technologies could have a material adverse effect on our business, financial condition, liquidity and results of operations.***

Materials such as plastic, aluminum, ceramics, glass, wood and steel can be used in construction as a substitute for cement, ready-mix concrete or aggregates. In addition, other construction techniques, such as the use of dry wall, and the integration of new technologies in the construction industry, such as 3-D printing, mini-mills and mobile plants, and changes in housing preferences could adversely impact the demand and price for cement, ready-mix concrete and/or aggregates. Furthermore, research aimed at developing new construction techniques and modern materials and digitalizing the construction industry may introduce new products and technologies in the future that could reduce the demand for and prices of our products.

### ***We operate in highly competitive markets and if we do not compete effectively, our results of operations may be harmed.***

The markets in which we operate are highly competitive and are served by a variety of established companies with recognized brand names, as well as new market entrants and increasing imports. Companies in these markets compete based on a variety of factors, often employing aggressive pricing strategies to gain market share. Our ability to increase our revenues depends, in part, on our ability to compete effectively. We compete with different types of companies based on different factors in each market. For example, in the relatively consolidated cement and ready-mix concrete industries, we generally compete based on quality and value proposition available to our clients. In the more fragmented market for aggregates, we generally compete based on capacity and price for our products. In certain areas of the markets in which we compete, some of our competitors may be more established, benefit from greater brand recognition or have greater manufacturing and distribution channels and other resources than we do. In addition, if our competitors were to combine, they may be able to compete more effectively with us. They may also

dispose of assets, which could lead to new market entrants, creating increased competition in our markets. For example, Lafarge, S.A. ( Lafarge ) and Holcim Ltd. ( Holcim ) finalized their merger in 2015, and Ireland s CRH plc ( CRH ) acquired the vast majority of the

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assets disposed by Lafarge and Holcim pursuant to the requirements of regulators. Another example is HeidelbergCement AG's (Heidelberg) acquisition of Italcementi S.p.A., which was completed in July 2016. In addition, as of the date of this annual report, some of our major competitors have announced they intend to divest assets in different parts of the world (Southeast Asia for example), which may lead to increased competition in the markets in which we operate. It is unclear how competitors that could potentially acquire those assets will compete in the markets in which we operate. Some may use aggressive competitive strategies based on imports and pricing that could be damaging to the industry's profitability and, as a consequence, our results of operations. In addition, asset optimization by buyers of the disposed assets could result in an operational cost advantage.

If we are not able to compete effectively, we may lose substantial market share, our revenues could decline or grow at a slower rate and our business and results of operations would be harmed, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

***A substantial amount of our total assets consists of intangible assets, including goodwill. We have recognized charges for goodwill impairment in the past, and if market or industry conditions deteriorate further, additional impairment charges may be recognized.***

Our 2018 audited consolidated financial statements, included elsewhere in this annual report, have been prepared in accordance with IFRS as issued by the IASB, under which goodwill is not amortized and is tested for impairment when impairment indicators exist or at least once a year during the fourth quarter of each year, by determining the recoverable amount of the groups of cash-generating units to which goodwill balances have been allocated, which consists of the higher of such groups of cash-generating units' fair value, less cost to sell, and their corresponding value in use, represented by the discounted amount of estimated future cash flows expected to be generated by such groups of cash-generating units to which goodwill has been allocated. An impairment loss is recognized under IFRS if the recoverable amount is lower than the net book value of the groups of cash-generating units to which goodwill has been allocated within other expenses, net. We determine the discounted amount of estimated future cash flows over periods of five years. In specific circumstances, when, according to our experience, actual results for a given cash-generating unit do not fairly reflect historical performance and most external economic variables provide us with confidence that a reasonably determinable improvement in the mid-term is expected in their operating results, management uses cash flow projections over a period of up to ten years, to the point at which future expected average performance resembles the historical average performance and to the extent we have detailed, explicit and reliable financial forecasts and we are confident and can demonstrate its ability, based on past experience, to forecast cash flows accurately over that longer period. If the value in use of a group of cash-generating units to which goodwill has been allocated is lower than its corresponding carrying amount, we determine its corresponding fair value using methodologies generally accepted in the markets to determine the value of entities, such as multiples of Operating EBITDA and/or by reference to other market transactions, among other methodologies. Impairment tests are significantly sensitive to, among other factors, the estimation of future prices of our products, trends in 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. We use specific pre-tax discount rates for each group of cash-generating units to which goodwill is allocated, which are applied to pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rates in perpetuity applied. Likewise, the amounts of discounted future cash flows are significantly sensitive to the weighted average cost of capital (discount rate) applied. The higher the growth rate in perpetuity applied, the higher the amount of undiscounted future cash flows by group of cash-generating units obtained. Conversely, the higher the discount rate applied, the lower the amount of discounted estimated future cash flows by group of cash-generating units obtained. During the last quarters of each of 2016, 2017 and 2018, we performed our annual goodwill impairment test. For the years ended as of December 31, 2016 and December 31, 2018, we did not determine any goodwill impairments. During 2017, in connection with our operating segment in Spain and considering the uncertainty over the

improvement indicators affecting the country's construction industry (and consequently the expected consumption of cement, ready-mix concrete and aggregates), partially a result of the country's complex prevailing political environment, which resulted in limited expenditure in infrastructure

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projects, as well as the uncertainty in the expected price recovery and the effects of increased competition and imports, our management determined that the net book value of our operating segment in Spain exceeded the amount of the net present value of projected cash flows by Ps1,920 million (U.S.\$98 million). As a result, we recognized a goodwill impairment in the aforementioned amount as part of Other expenses, net in the income statement against the related goodwill balance. For the year ended as of December 31, 2018, we did not determine any goodwill impairments. See note 15.2 to our 2018 audited consolidated financial statements included elsewhere in this annual report.

Considering the important role that economic factors play in testing goodwill for impairment, we cannot assure that any downturn in the economies where we operate will not necessitate further impairment tests and a possible downward readjustment of our goodwill for impairment under IFRS. Such an impairment test could result in impairment charges which could be material to our financial statements, which could have a material adverse effect on our financial condition.

***We are subject to litigation proceedings, including a federal securities class action, government investigations relating to corruption and antitrust proceedings, that could harm our business and our reputation.***

From time to time, we are and may become involved in litigation, investigations and other legal or administrative proceedings relating to claims arising from our operations, either in the normal course of business or not, or arising from violations or alleged violations of laws, regulations or acts. As described in, but not limited to, Item 4 Information on the Company Regulatory Matters and Legal Proceedings, we are currently subject to a number of significant legal proceedings, including, but not limited to, a federal securities class action alleging false and misleading statements in connection with alleged misconduct relating to the Maceo Project (as defined below) and the potential regulatory or criminal actions that might arise as a result, an SEC investigation concerning a new cement plant being built by CEMEX Colombia S.A. ( CEMEX Colombia ) in the Antioquia department of the Municipality of Maceo, Colombia, as well as an investigation from the U.S. Department of Justice (the DOJ ) mainly relating to our operations in Colombia and other jurisdictions, and antitrust investigations in countries in which we operate, including by the DOJ in the territorial United States. In addition, our main operating subsidiary in Egypt, Assiut Cement Company ( ACC ), is involved in certain Egyptian legal proceedings relating to the acquisition of ACC. Investigations and litigation, and in general any legal or administrative proceeding, are subject to inherent uncertainties and unfavorable rulings may occur. We cannot assure you that these or any of our other regulatory matters and legal proceedings, including any that may arise in the future, will not harm our reputation or materially affect our ability to conduct our business in the manner that we expect or otherwise materially adversely affect us should an unfavorable ruling occur, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

***Failure to maintain effective internal control over financial reporting could result in material misstatements in our financial statements which could negatively impact the market price of our stock.***

We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that our internal control over financial reporting was effective. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Internal control over financial reporting refers to a process designed by, or under the supervision of, the CEO and CFO and effected by CEMEX, S.A.B. de C.V.'s board of directors and our management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. As discussed in Item 15 of this annual report, in 2016 and 2017, our management concluded that our internal control over financial reporting was not operating effectively, and our independent registered public accounting firm issued an adverse opinion on our internal controls of financial

reporting. As of December 31, 2018, our management and

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our independent registered public accounting firm concluded our internal controls over financial reporting were operating effectively. However, we cannot assure you that additional material weaknesses will not be identified in the future, which could result in material misstatements in our financial statements or a failure to meet our reporting obligations. This, in turn, could negatively impact our business and operating results, access to capital markets, the market price of our shares and our ability to remain listed on the New York Stock Exchange (the NYSE ).

***Our operations are subject to environmental laws and regulations.***

Our operations are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate. These laws and regulations impose stringent environmental protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental damage or contamination. These laws and regulations expose us to the risk of substantial environmental costs and liabilities, including fines and other sanctions, the payment of compensation to third parties, remediation costs and damage to reputation. Moreover, the enactment of stricter laws and regulations, stricter interpretation of existing laws or regulations or new enforcement initiatives, may impose new risks or costs on us or result in the need for additional investments in pollution control equipment, which could result in a material decline in our profitability.

In late 2010, the U.S. Environmental Protection Agency ( EPA ) issued the final Portland Cement National Emission Standard ( Portland Cement NESHAP ) for Hazardous Air Pollutants under the federal Clean Air Act ( CAA ). This rule required Portland cement plants to limit mercury emissions, total hydrocarbons, hydrochloric acid and particulate matter by September 2013. The rule was challenged in federal court, and in December 2011, the D.C. Circuit Court of Appeals remanded the Portland Cement NESHAP to EPA and directed the agency to recompute the standards. In February 2013, EPA issued a revised final Portland Cement NESHAP rule that relaxed emissions limits for particulate matter and moved the compliance deadline to September 2015. In April 2013, environmental groups again challenged the revised Portland Cement NESHAP rule in federal court. In April 2014, the D.C. Circuit issued a ruling upholding both the revised particulate matter emission limits and the September 2015 compliance deadline. As of the day of this annual report, Portland Cement NESHAP compliance-related work continues in several of our plants. While we expect to meet all emissions standards imposed by the Portland Cement NESHAP, failure to do so could have a material adverse impact on our business operations, liquidity and financial condition; however, we expect that such impact would be consistent with the impact on the cement industry as a whole.

In February 2013, EPA issued revised final emissions standards under the CAA for commercial and industrial solid waste incinerators ( CISWI ). Under the CISWI rule, if a material being used in a cement kiln as an alternative fuel is classified as a solid waste, the plant must comply with CISWI standards. The CISWI rule covers nine pollutants and imposes potentially more stringent emissions limits on certain pollutants that also are regulated under the Portland Cement NESHAP. EPA received petitions to further reconsider certain provisions of the 2013 CISWI rule. EPA granted reconsideration on four specific issues and finalized the reconsideration of the CISWI rule in June 2016. The 2013 CISWI rule was also challenged by both industrial and environmental groups in federal court. In July 2016, the D.C. Circuit issued a ruling upholding most of the rule and remanding several portions to EPA for further consideration. EPA has not issued a revised final rule after remand but the portions of the rule upheld on appeal are final and in effect. The final CISWI rule established a compliance date of February 2018, which was not impacted by the appeal. If kilns at CEMEX plants in the U.S. are determined to be CISWI kilns due to the use of certain alternative fuels, the emissions standards imposed by the CISWI rule could have a material impact on our business operations.

Under certain environmental laws and regulations, liability associated with investigation or remediation of hazardous substances can arise at a broad range of properties, including properties currently or formerly owned or operated by CEMEX, as well as facilities to which we sent hazardous substances or wastes for treatment, storage or disposal, or

any areas affected while we transported any hazardous substances or wastes. Such laws



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and regulations may apply without regard to causation or knowledge of contamination. We occasionally evaluate various alternatives with respect to our facilities, including possible dispositions or closures. Investigations undertaken in connection with these activities (or ongoing operational or construction activities) may lead to hazardous substance releases or discoveries of historical contamination that must be remediated, and closures of facilities may trigger compliance requirements that are not applicable to operating facilities. While compliance with these laws and regulations has not materially adversely affected our operations in the past, we cannot assure you that these requirements will not change and that compliance will not adversely affect our operations in the future. Furthermore, we cannot assure you that existing or future circumstances or developments with respect to contamination will not require us to make significant remediation or restoration expenditures, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

The cement manufacturing process requires the combustion of large amounts of fuel and creates carbon dioxide ( CO<sub>2</sub> ) as a by-product of the calcination process. Therefore, efforts to address climate change through federal, state, regional, EU and international laws and regulations requiring reductions in emissions of greenhouse gases ( GHGs ) can create economic risks and uncertainties for our business. Such risks could include the cost of purchasing allowances or credits to meet GHG emission caps, the cost of installing equipment to reduce emissions to comply with GHG limits or required technological standards, decreased profits or losses arising from decreased demand for our goods and higher production costs resulting directly or indirectly from the imposition of legislative or regulatory controls. To the extent that financial markets view climate change and GHG emissions as a financial risk, this could have a material adverse effect on our cost of and access to capital. Given the uncertain nature of the actual or potential statutory and regulatory requirements for GHG emissions at the federal, state, regional, EU and international levels, we cannot predict the impact on our operations or financial condition or make a reasonable estimate of the potential costs to us that may result from such requirements. However, the impact of any such requirements, whether individually or cumulatively, could have a material economic impact on our operations in the United States and in other countries. For more information on certain laws and regulations addressing climate change that we are, or could become, subject to, and the impacts to our operations arising therefrom, see Item 4 Information on the Company Regulatory Matters and Legal Proceedings Environmental Matters.

As part of our insurance-risk governance approach, from time to time we evaluate the need to address the financial consequences of environmental laws and regulations through the purchase of insurance. As a result, we do arrange certain types of environmental impairment insurance policies for both site-specific, as well as multi-site locations. We also organize non-specific environmental impairment insurance as part of the provision of a broader corporate insurance strategy. These latter insurance policies are designed to offer some assistance to our financial flexibility to the extent that the specifics of an environmental incident could give rise to a financial liability. However, we cannot assure you that a given environmental incident will be covered by the environmental insurance we have in place, or that the amount of such insurance will be sufficient to offset the liability arising from the incident. Any such liability may be deemed to be material to us and could have a material adverse effect on our business, financial condition, liquidity, results of operations and reputation.

***We are an international company and are exposed to risks in the countries in which we have operations or interests.***

We are dependent, in large part, on the economies of the countries in which we market our products and services. The economies of these countries are in different stages of socioeconomic and political development. Consequently, like many other companies with significant international operations, we are exposed to risks from, among other things, changes in economic growth, foreign currency exchange rates, interest rates, inflation, trade policy, government spending, regulatory framework, social instability and other political, economic or social developments that may materially affect our business, financial condition, liquidity and results of operations.

As of December 31, 2018, our operations were mostly in Mexico, the United States, certain countries in Europe, SCA&C, Asia and the Middle East and Africa (as described in Item 4 Information on the Company Business Overview ).

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For a geographic breakdown of our revenues for the year ended December 31, 2018, see Item 4 Information on the Company Geographic Breakdown of Revenues for the Year Ended December 31, 2018.

In recent years, concerns over global economic conditions, protectionist trade policies, energy costs, geopolitical issues, political uncertainty, social instability, the availability and cost of credit and the international financial markets have contributed to economic uncertainty and reduced expectations for the global economy.

Our operations in Egypt, the United Arab Emirates (the UAE) and Israel have experienced instability as a result of, among other things, civil unrest, terrorism, extremism, deterioration of general diplomatic relations and changes in the geopolitical dynamics in the region. There can be no assurances that political turbulence in Egypt, Iran, Iraq, Syria, Libya, Yemen and other countries in Africa, the Middle East and Asia will abate in the near future or that neighboring countries will not be drawn into conflict or experience instability. In addition, some of our operations are or may be subject to political risks, such as confiscation, expropriation and/or nationalization, as for example was the case of our past operations in Venezuela and is currently the case in Egypt. See Item 4 Information on the Company Regulatory Matters and Legal Proceedings Other Legal Proceedings Egypt Share Purchase Agreement.

Since 2011, our operations in Egypt have been exposed to political and social turmoil in the country. In March 2018, Egypt held a new presidential election and President Abdel Fattah el-Sisi was re-elected for a second term (2018-2022). CEMEX's operations in Egypt have been adversely affected by the turbulence in Egypt and CEMEX continues with its cement production, dispatch and sales activities as of the date of this annual report. We cannot assure you that the re-elected regime will be able to avoid further political and social turbulence. Risks to CEMEX's operations in Egypt include a potential reduction in overall economic activity, exchange rate volatility, increased cost of energy, cement oversupply and the threat of terrorist attacks, which could have a material adverse effect on our operations in the country.

Our operations are also exposed to the Israeli-Palestinian conflict. Confrontations between the Israeli Defense Force and Palestinians in the Gaza Strip have continued generating sporadic events of violence in the region. Progress on peace is stalled, as neither side has shown intentions for making concessions. If the conflict escalates, it could have a negative impact on the geopolitics and economy in the region, which in turn could adversely affect our operations, financial condition, liquidity and results of operations.

Military activities in Ukraine and on its borders, including Russia effectively taking control of Crimea, followed by Crimea's independence vote and absorption by Russia, have combined with Ukraine's weak economic conditions to create uncertainty in Ukraine and the global markets. In response to the annexation of the Crimean region of Ukraine by Russia and Russia's intervention in the conflicts in Syria, Russia has been subject to sanctions from other countries, including the U.S., which may continue to impose economic sanctions on Russia. While not directly impacting territories in which we had operations as of December 31, 2018, this dispute could negatively affect the economies of the countries in which we operate and their access to Russian energy supplies. In addition, the dispute could negatively impact the global economy as a whole. Furthermore, potential responses by Russia to those sanctions could adversely affect European economic conditions, which could have a material adverse effect on our operations mainly in Europe. If conflicts with Russia escalate to military conflict, it could also have a material adverse effect on our business, financial condition, liquidity and results of operations.

In the Middle East region, during 2017, the Gulf Cooperation Council split in a way not seen since its foundation in 1981, after Saudi Arabia, the UAE and Bahrain launched a boycott of Qatar in June 2017, alleging Qatar's support to Islamist groups. The end of the conflict does not appear to be imminent, as Qatar refuses to accept demands from Gulf Cooperation Council countries. The Qatar-Gulf crisis may have a negative economic impact on the region. Additionally, as previously mentioned, the civil war in Syria could escalate tensions between the U.S. and Russia,

Israel and Iran, and their corresponding allies. Increased tensions among these countries could lead to a risk of a military action that could potentially have a material adverse effect on our business, financial condition, liquidity and results of operations.

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In Asia, there is geopolitical tension related to Taiwan's status in relation to China, South Korea's disputes with North Korea and disputes between the United States and North Korea. Similarly, mutually exclusive territorial disputes among several Southeast Asian countries in the South China Sea amplify the potential for an outbreak of hostilities. A major outbreak of hostilities or political upheaval in China, Taiwan, North Korea or South Korea could adversely affect the global economy, which could have a material adverse effect on our business, financial condition, liquidity or results of operations. A potential sharp and unexpected reduction of economic growth in China, or an economic contraction of this country, could affect the global economy to an extent that could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Other regions are also exposed to political turmoil, including the continued political unrest in Venezuela and Nicaragua, which may similarly affect the results of our operations in those regions.

There have been terrorist attacks and ongoing threats of future terrorist attacks in countries in which we maintain operations. We cannot assure you that there will not be other attacks or threats that will cause any damage to our operating units and facilities or locations, or harm any of our employees, including members of CEMEX, S.A.B. de C.V.'s board of directors or senior management, or lead to an economic contraction or erection of material barriers to trade in any of our markets. An economic contraction in any of our major markets could affect domestic demand for our products, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

As part of our risk governance approach, from time to time we evaluate the need to address the financial consequences of political or social risk through the purchase of insurance. As a result, we purchase certain types of political risk insurance policies for selected countries where we operate and which are exposed to political turmoil, geopolitical issues or political uncertainty. These insurance policies are designed to offer some assistance to our financial flexibility to the extent that the specifics of a political incident could give rise to a financial liability. However, we cannot assure you that a given social or political event and possible changes in government policies will be covered by the political risk insurance policies we have in place, or that the amount of such insurance will be sufficient to offset the liability arising from such applicable events. Any such liability could have a material adverse effect on our business, financial condition, liquidity and results of operations.

***Our operations can be affected by adverse weather conditions and natural disasters.***

Construction activity, and thus demand for our products, decreases substantially during periods of cold weather, when it snows or when heavy or sustained rainfalls occur, or generally, in any rainy and snowy weather. Consequently, demand for our products is significantly lower during the winter or raining and snowing seasons in the countries in which we operate and do business. Generally, winter weather in our European and North American operations significantly reduces our first quarter sales volumes, and to a lesser extent our fourth quarter sales volumes. Sales volumes in these and similar markets generally increase during the second and third quarters because of normally better weather conditions. However, high levels of rainfall and/or snow can adversely affect our operations during these periods as well, such as was the case in 2018 for our operations in the Philippines, which was enhanced by a natural landslide that affected our operations in the country. Natural disasters, like the earthquake in Mexico and Hurricanes Harvey and Irma in the United States in 2017, could also have a negative impact on our sales volumes, which could also have a material adverse effect on our results of operations. Our operations in the states of Florida and Texas in the United States, in the Caribbean and in the certain parts of the Gulf of Mexico are particularly exposed to hurricanes and similar weather events. This decrease in sales volumes is usually compensated for by the increase in the demand for our products during the reconstruction phase, unless any of our operating units or facilities are impacted by the natural disaster. Such adverse weather conditions and natural disasters can have a material adverse effect on our business, financial condition, liquidity and results of operations if they occur with unusual intensity,

during abnormal periods, last longer than usual in our major markets, or if they cause scarcity and increases in the cost of the products we need to run our business, especially during peak construction periods.

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**Table of Contents*****We will be adversely affected by any significant or prolonged disruption to our production facilities.***

Any prolonged and/or significant disruption to our production facilities, whether due to repair, maintenance or servicing, governmental actions, regulatory issues, industrial accidents, unavailability or excessive high cost of raw materials such as energy to the point of making it inefficient to run our production facilities, mechanical equipment failure, human error, natural disaster or otherwise, will disrupt and adversely affect our operations. Additionally, any major or sustained disruptions in the supply of utilities such as water or electricity or any fire, flood or other natural calamities or communal unrest or acts of terrorism may disrupt our operations or damage our production facilities or inventories and could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We typically shut down our facilities to undertake maintenance and repair work at scheduled intervals. Although we schedule shut downs such that not all our facilities are shut down at the same time, the unexpected shut down or closure of any facility may nevertheless materially affect our business, financial condition, liquidity and results of operations from one period to another.

***We are increasingly dependent on information technology and our systems and infrastructure, as well as those provided by third-party service providers, face certain risks, including cyber-security risks.***

We increasingly rely on a variety of information technology, on a fully digital customer integration platform, such as CEMEX Go, and on automated operating systems to manage and support our operations, as well as to offer our products to our customers. The proper functioning of this technology and these systems is critical to the efficient operation and management of our business, as well as for the sales generated by our business. Our systems and technologies may require modifications or upgrades as a result of technological changes, growth in our business and to enhance our business security. These changes may be costly and disruptive to our operations, and could impose substantial demands on our systems and increase system outage time. Our systems and technology, as well as those provided by our third-party service providers, such as IBM, one of our main information technology and service providers, may be vulnerable to damage, disruption or intrusion caused by circumstances beyond our control, such as physical or electronic break-ins, catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, unauthorized access and cyber-attacks. For example, our digital solutions to improve sales, customer experience, enhance our operations and increase our business efficiencies could be impeded by such damages, disruptions or intrusions. To try to minimize such risks, we safeguard our systems and electronic information through a set of cyber-security controls, processes and a proactive monitoring service to attend to potential breaches. In addition, we also have disaster recovery plans in case of incidents that could cause major disruptions to our business. However, these measures may not be sufficient, and our systems have in the past been subject to certain minor intrusions. In relation to our overall operations, particularly due to our digital transformation initiatives and the implementation of CEMEX Go, CEMEX, S.A.B. de C.V.'s audit committee is informed of the cyber-security threats we face and is involved in approving general steps to try to mitigate any such cyber-security threats. CEMEX Go has more than 30,000 users across the countries in which we do business, and through CEMEX Go we receive approximately 45% of our main products orders. As of December 31, 2018, we have not detected, and our third-party service providers have not informed us of, any relevant event that has materially damaged, disrupted or resulted in an intrusion of our systems. Any significant information leakages or theft of information, or any unlawful processing of personal data, could affect our compliance with data privacy laws and make us subject to regulatory action, including substantial fines and private litigation with potentially large costs, and could damage our relationship with our employees, customers and suppliers, which could have a material adverse impact on our business, financial condition, liquidity and results of operations. As of December 31, 2018, our insurance did not cover any risk associated with cyber-security risks. Nevertheless, our insurance has limited coverage for physical loss or damage to insured property, data or equipment such as: introduction of malware to destroy data, Distributed Denial of Service

(DDOS) attack against network and attacks on an industrial control system resulting in damage to equipment and/or property. In addition, any significant disruption to our systems could have a material adverse effect on our business, financial condition, liquidity and results of operations, and could also harm our reputation.



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### ***Activities in our business can be hazardous and can cause injury to people or damage to property in certain circumstances.***

Most of our production facilities and units, as well as mineral extraction locations, require individuals to work with chemicals, equipment and other materials that have the potential to cause fatalities, harm and injury when used without due care. An accident or injury that occurs at our facilities could result in disruptions to our business and operations and could have legal and regulatory consequences. As a result, we may be required to compensate such individuals or incur other costs and liabilities, any and all of which could have a material adverse impact on our reputation, business, financial condition, liquidity, results of operations and prospects.

Additionally, cement production raises a number of health and safety issues. As is the case with other companies in our industry, some of our aggregate products contain varying amounts of crystalline silica, a common mineral. Also, some of our construction and material processing operations release, as dust, crystalline silica that is in the materials being handled. Excessive, prolonged inhalation of very small-sized particles of crystalline silica has allegedly been associated with respiratory disease (including silicosis). As part of our annual due diligence, we work with our stakeholders to verify that certain health and safety protocols are in place with regards to the management of silica and its health effects, as well as in relation to other substances and products. Nonetheless, any health issues related to cement and aggregates production can result in future claims related to exposure to these products or substances, which could have a material adverse impact on our reputation, business, financial condition, liquidity, results of operations.

Other health and safety issues related to our business include: burns arising from contact with hot cement kiln dust or dust on preheater systems; air borne hazards related to our aggregates mining activities; noise, including from chutes and hoppers, milling plants, exhaust fans and blowers; the potential for dioxin formation if chlorine-containing alternative fuels are introduced into kilns; plant cleaning and maintenance activities involving working at height or in confined or other awkward locations, and the storage and handling of coal, pet coke and certain alternative fuels, which, in their finely ground state, can pose a risk of fire or explosion; and health hazards associated with operating ready-mix concrete trucks. We may also be exposed to liability resulting from injuries or fatalities involving third-party service providers, such as drivers for our suppliers when delivering products or services to us. While we actively seek to minimize the risk posed by these issues, personal injury claims may be made, and substantial damages awarded, against us, which could have a material adverse impact on our reputation, business, financial condition, liquidity, results of operations. Additionally, we may also be required to change our operational practices, involving material capital expenditure.

### ***Labor activism and unrest, or failure to maintain satisfactory labor relations, could adversely affect our results of operations.***

Labor activism and unrest may adversely affect our operations and thereby adversely affect our business, financial condition, liquidity, results of operations and prospects. Although most of our significant operations have not been affected by any significant labor disputes in the past, we cannot assure you that we will not experience labor unrest, activism, disputes or actions in the future, some of which may be significant and could adversely affect our business, financial condition, liquidity, results of operations and prospects. The activity of labor unions in Mexico is expected to increase, as a result of law that permits unions to actively seek sponsorship of collective bargaining agreements. For a description of our most relevant collective bargaining agreements, see Item 6 Directors, Senior Management and Employees Employees.

### ***Increases in liabilities related to our pension plans could adversely affect our results of operations.***

We have obligations under defined benefit pension and other benefit plans in certain countries in which we operate, mainly in North America and Europe. Our actual funding obligations will depend on benefit plan changes, government regulations and other factors, including changes in longevity and mortality statistics. Due to the large number of variables and assumptions that determine pension liabilities and funding requirements, which are difficult to predict because they change continuously as demographics evolve, despite the fact that we support

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our projections with studies by external actuaries, our net projected liability recognized in the statement of financial position of Ps18,937 million (U.S.\$964 million) as of December 31, 2018. The future cash funding requirements for our defined benefit pension plans and other postemployment benefit plans could significantly differ from the amounts estimated as of December 31, 2018. If so, these funding requirements, as well as our possible inability to properly fund such pension plans if we are unable to deliver the cash or equivalent funding requirements, could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

***Our insurance coverage may not cover all the risks to which we may be exposed.***

Among others, we face the risks of fatalities and injury of our employees and contractors, loss and damage to our products, property and machinery due to, among other things, fire, theft and natural disasters such as floods, and also face risks related to cyber-security related matters. Such events may cause a disruption to, or cessation of, our operations and business. While we believe that we have adequate and sufficient coverage, in line with industry practices, in some instances our insurance coverage may not be sufficient to cover all of our potential unforeseen losses and liabilities. In addition, our insurance coverage may not cover all the risks to which we may be exposed, such as cyber-security risks. If our losses exceed our insurance coverage, or if we are not covered by the insurance policies we have taken up, we may be liable to cover any shortfall or losses. Our insurance premiums may also increase substantially because of such claims. Such circumstances could have a material adverse effect on our business, liquidity, financial condition and results of operations.

***Our success depends on the leadership of CEMEX, S.A.B. de C.V. s board of directors and on key members of our management.***

Our success depends largely on the efforts and strategic vision of CEMEX, S.A.B. de C.V. s board of directors and of our executive management team. The loss of the services of some or all of the members of CEMEX, S.A.B. de C.V. s board of directors or our senior management could have a material adverse effect on our business, financial condition, liquidity and results of operations, as well as on our reputation.

The execution of our business strategy also depends on our ongoing ability to attract and retain additional qualified employees. For a variety of reasons, particularly with respect to the competitive environment and the availability of skilled labor, we may not be successful in attracting and retaining the personnel we require. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to successfully operate our business or capitalize on growth opportunities and, as a result, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

***We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in the countries in which we operate. Any violation of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.***

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of the countries in which we operate. In addition, we are subject to regulations on economic sanctions that restrict dealings with certain sanctioned countries, individuals and entities. Given the large number of contracts that we are a party to around the world, the geographic distribution of our operations and the great variety of actors that we interact with in the course of business, we are subject to the risk that our affiliates, employees, directors, officers, partners, agents and service providers may misappropriate our assets, manipulate our assets or information, make improper payments or engage in corruption, bribery, money laundering or other illegal activity, for such person s personal or business advantage.

There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents

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and service providers or that any such persons will not take actions in violation of our policies and procedures. If we fail to fully comply with applicable laws and sanctions regulations, the relevant government authorities of the countries where we operate have the power and authority to investigate us and, if it is the case, impose fines, penalties and remedies, which could cause us to lose clients, suppliers and access to debt and capital markets. Any violations by us of anti-bribery and anti-corruption laws or regulations could have a material adverse effect on our business, liquidity, reputation, results of operations and financial condition.

For further information regarding our ongoing proceedings with respect to anti-corruption laws, see Item 3 Key Information Risk Factors Risks Relating to Our Business We are subject to litigation proceedings, including a federal securities class action, government investigations relating to corruption related matters and antitrust proceedings, that could harm our business and our reputation and Item 4 Information on the Company Regulatory Matters and Legal Proceedings.

***Certain tax matters may have a material adverse effect on our cash flow, financial condition and net income, as well as on our reputation.***

We are subject to certain tax matters, mainly in Mexico, Colombia and Spain, that, if adversely resolved, may have a material adverse effect on our cash flow, financial condition and net income, as well as on our reputation. See notes 2.13 and 19.4 to our 2018 audited consolidated financial statements included elsewhere in this annual report, Item 4 Information on the Company Regulatory Matters and Legal Proceedings Tax Matters Mexico, Item 4 Information on the Company Regulatory Matters and Legal Proceedings Tax Matters Colombia, and Item 4 Information on the Company Regulatory Matters and Legal Proceedings Tax Matters Spain for a description of the legal proceedings regarding these Mexican, Colombian and Spanish tax matters, all included elsewhere in this annual report.

***It may be difficult to enforce civil liabilities against us or the members of CEMEX, S.A.B. de C.V.'s board of directors, our senior management and controlling persons.***

CEMEX, S.A.B. de C.V. is a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Substantially all members of CEMEX, S.A.B. de C.V.'s board of directors and the majority of the members of our senior management reside in Mexico, and all or a significant portion of the assets of those persons may be, and the majority of our assets are, located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our General Counsel, Roger Saldaña Madero, that there is doubt as to the enforceability in Mexico, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

***The protections afforded to non-controlling shareholders in Mexico are different from those in the United States and may be more difficult to enforce.***

Under Mexican law, the protections afforded to non-controlling shareholders are different from those in the United States and countries in continental Europe. In particular, the legal framework and case law pertaining to directors duties and disputes between shareholders and us, the members of CEMEX, S.A.B. de C.V.'s board of directors, our officers or CEMEX, S.A.B. de C.V.'s controlling shareholders, are less developed under Mexican law than under U.S. and continental European law. Mexican law only permits shareholder derivative suits (i.e., suits for our benefit as opposed to the direct benefit of our shareholders) and there are procedural requirements for bringing shareholder derivative lawsuits, such as minimum holdings, which differ from those in effect in other jurisdictions. There is also a substantially less active plaintiffs bar dedicated to the enforcement of shareholders' rights in Mexico than in the United

States. As a result, in practice it may be more difficult for our non-controlling shareholders to initiate an action against us or our directors or controlling shareholders or obtain direct remedies than it would be for shareholders of a U.S. company.

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***ADS holders may only vote the Series B shares represented by the CPOs deposited with the ADS depositary through the ADS depositary and are not entitled to vote the Series A shares represented by the CPOs deposited with the ADS depositary or to attend shareholders' meetings.***

Any person acquiring CEMEX, S.A.B. de C.V.'s ADSs should be aware of the terms of the ADSs, the corresponding deposit agreement pursuant to which CEMEX, S.A.B. de C.V.'s ADSs are issued (the Deposit Agreement), the CPO Trust (as defined in the Deposit Agreement) and CEMEX, S.A.B. de C.V.'s by-laws. Under such terms, a holder of an ADS has the right to instruct the ADS depositary to exercise voting rights only with respect to Series B shares (as defined below) represented by the CPOs deposited with the depositary, but not with respect to the Series A shares (as defined below) represented by the CPOs deposited with the depositary. ADS holders will not be able to directly exercise their right to vote unless they withdraw the CPOs underlying their ADSs (and, in the case of non-Mexican holders, even if they do so, they may not vote the Series A shares represented by the CPOs) and may not receive voting materials in time to ensure that they are able to instruct the depositary to vote the CPOs underlying their ADSs or receive sufficient notice of a shareholders' meeting to permit them to withdraw their CPOs to allow them to cast their vote with respect to any specific matter. Holders of ADSs will not have the right to instruct the ADS depositary as to the exercise of voting rights in respect of Series A shares underlying CPOs held in the CPO Trust. Under the terms of the CPO Trust, Series A shares underlying CPOs held by non-Mexican nationals, including all Series A shares underlying CPOs represented by ADSs, will be voted by the Trustee (as defined in the Deposit Agreement), according to the majority of all Series A shares held by Mexican nationals and Series B shares voted at the meeting. In addition, the depositary and its agents may not be able to send out voting instructions on time or carry them out in the manner an ADS holder has instructed. As a result, ADS holders may not be able to exercise their right to vote and they may lack recourse if the CPOs underlying their ADSs are not voted as they requested. In addition, ADS holders are not entitled to attend shareholders' meetings. ADS holders will also not be permitted to vote the CPOs underlying the ADSs directly at a shareholders' meeting or to appoint a proxy to do so without withdrawing the CPOs. If the ADS depositary does not receive voting instructions from a holder of ADSs in a timely manner such holder will nevertheless be treated as having instructed the ADS depositary to give a proxy to a person we designate, or at our request, the corresponding CPO trust's technical committee designates, to vote the Series B shares underlying the CPOs represented by the ADSs in his/her discretion. The ADS depositary or the custodian for the CPOs on deposit may represent the CPOs at any meeting of holders of CPOs even if no voting instructions have been received. The CPO trustee may represent the Series A shares and the Series B shares represented by the CPOs at any meeting of holders of Series A shares or Series B shares even if no voting instructions have been received. By so attending, the ADS depositary, the custodian or the CPO trustee, as applicable, may contribute to the establishment of a quorum at a meeting of holders of CPOs, Series A shares or Series B shares, as appropriate.

***Non-Mexicans may not hold CEMEX, S.A.B. de C.V.'s Series A shares directly and must have them held in a trust at all times.***

Non-Mexican investors in CEMEX, S.A.B. de C.V.'s CPOs or ADSs may not directly hold the underlying Series A shares, but may hold them indirectly through CEMEX, S.A.B. de C.V.'s CPO trust. Upon the early termination or expiration of the term of CEMEX, S.A.B. de C.V.'s CPO trust on September 6, 2029, the Series A shares underlying CEMEX, S.A.B. de C.V.'s CPOs held by non-Mexican investors must be placed into a new trust similar to the current CPO trust for non-Mexican investors to continue to hold an economic interest in such shares. We cannot assure you that a new trust similar to the CPO trust will be created or that the relevant authorization for the creation of the new trust or the transfer of our Series A shares to such new trust will be obtained. In that event, since non-Mexican holders currently cannot hold Series A shares directly, they may be required to sell all of their Series A shares to a Mexican individual or corporation, which could expose shareholders to a loss in the sale of the corresponding Series A shares and which may cause the price of CEMEX, S.A.B. de C.V.'s CPOs and ADSs to decrease.





**Table of Contents*****Preemptive rights may be unavailable to ADS holders.***

ADS holders may be unable to exercise preemptive rights granted to CEMEX, S.A.B. de C.V.'s shareholders, in which case ADS holders could be substantially diluted following future equity or equity-linked offerings. Under Mexican law, whenever CEMEX, S.A.B. de C.V. issues new shares for payment in cash or in kind, CEMEX, S.A.B. de C.V. is generally required to grant preemptive rights to CEMEX, S.A.B. de C.V.'s shareholders, except if the shares are issued in respect of a public offering or if the relevant shares underlie convertible securities. However, ADS holders may not be able to exercise these preemptive rights to acquire new shares unless both the rights and the new shares are registered in the United States or an exemption from registration is available. We cannot assure you that we would file a registration statement in the United States at the time of any rights offering.

**Selected Consolidated Financial Information**

The financial data set forth below as of and for each of the five years ended December 31, 2018 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 2017 and 2018 and for each of the three years ended December 31, 2016, 2017 and 2018 have been derived from, and should be read in conjunction with, and are qualified in their entirety by reference to, our 2018 audited consolidated financial statements included elsewhere in this annual report. Our 2018 audited consolidated financial statements prepared under IFRS for the year ended December 31, 2018 were approved by our shareholders at the annual general ordinary shareholders' meeting held on March 28, 2019. See Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating to Our Shareholders Meeting.

The operating results of newly acquired businesses are consolidated in our financial statements beginning on the acquisition date. Therefore, all periods presented do not include operating results corresponding to newly acquired businesses before we assumed control. As a result, the financial data for the years ended December 31, 2016, 2017 and 2018 may not be comparable to that of prior periods.

Our 2018 audited consolidated financial statements included elsewhere in this annual report, have been prepared in accordance with IFRS, which differ in significant respects from U.S. GAAP. The regulations of the SEC do not require foreign private issuers that prepare their financial statements on the basis of IFRS (as published by the IASB) to reconcile such financial statements to U.S. GAAP.

Non-Mexican Peso amounts included in the consolidated financial statements are first translated into Dollar amounts, in each case at a commercially available or an official government exchange rate for the relevant period or date, as applicable, and those Dollar amounts are then translated into Mexican Peso amounts at the exchange rate that we use for accounting purposes (the CEMEX accounting rate). The CEMEX accounting rate on any given date is determined based on the closing exchange rate reported by certain sources, such as Reuters. For any given date, the CEMEX accounting rate may differ from the noon buying rate for Mexican Pesos in New York City published by the U.S. Federal Reserve Bank of New York.

The Dollar amounts provided below, unless otherwise indicated elsewhere in this annual report, are translations of Mexican Peso amounts at an exchange rate of Ps19.65 to U.S.\$1.00, the CEMEX accounting rate as of December 31, 2018. However, in the case of transactions conducted in Dollars, we have presented the U.S. Dollar amount of the transaction and the corresponding Mexican Peso amount that is presented in our 2018 audited consolidated financial statements included elsewhere in this annual report. These translations have been prepared solely for the convenience of the reader and should not be construed as representations that the Mexican Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated.



**Table of Contents****CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES****Selected Consolidated Financial Information**

	<b>As of and For the Year Ended December 31</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>(in millions of Mexican Pesos, except ratios and share and per share amounts)</b>				
<b>Income Statement Information:</b>					
Revenues	Ps 199,942	Ps 219,299	Ps 249,477	Ps 257,437	Ps 276,855
Cost of sales <sup>(1)</sup>	(134,742)	(144,513)	(159,946)	(168,858)	(182,965)
Gross profit	65,200	74,786	89,531	88,579	93,890
Operating expenses	(43,347)	(47,910)	(53,913)	(55,967)	(60,694)
Operating earnings before other expenses, net <sup>(2)</sup>	21,853	26,876	35,618	32,612	33,196
Other expenses, net	(5,045)	(3,032)	(1,670)	(3,815)	(5,837)
Operating earnings <sup>(2)</sup>	16,808	23,844	33,948	28,797	27,359
Financial items <sup>(3)</sup>	(18,952)	(21,117)	(17,020)	(15,685)	(12,501)
Share of profit of equity accounted investees	294	737	688	588	653
Earnings (loss) before income tax	(1,850)	3,464	17,616	13,700	15,511
Discontinued operations <sup>(4)(5)</sup>	90	1,028	713	3,461	212
Non-controlling interest net income	1,103	923	1,173	1,417	789
Controlling interest net income (loss)	(6,783)	1,201	14,031	15,224	10,467
Basic earnings (loss) per share <sup>(6)(7)</sup>	(0.16)	0.03	0.32	0.34	0.22
Diluted earnings (loss) per share <sup>(6)(7)</sup>	(0.16)	0.03	0.32	0.34	0.22
Basic earnings (loss) per share from continuing operations <sup>(6)(7)</sup>	(0.16)	0.01	0.30	0.26	0.22
Diluted earnings (loss) per share from continuing operations <sup>(6)(7)</sup>	(0.16)	0.01	0.30	0.26	0.22
Number of shares outstanding <sup>(6)(8)(9)</sup>	49,232	49,124	48,668	48,439	48,015
<b>Statement of Financial Position Information:</b>					
Cash and cash equivalents	12,589	15,322	11,616	13,741	6,068
Assets held for sale <sup>(4)(5)</sup>		1,945	21,029	1,378	2,100
Property, machinery and equipment, net	202,928	216,694	230,134	232,160	224,440
Total assets	514,961	542,264	599,728	567,691	552,628
Short-term debt	14,507	223	1,222	16,973	883
Long-term debt	191,327	229,125	235,016	177,022	182,074
Liabilities directly related to assets held for sale			815		314
Non-controlling interest and Perpetual Debentures <sup>(10)</sup>	17,068	20,289	28,951	30,879	30,883
Total controlling interest	131,103	143,479	167,774	179,540	188,650
<b>Other Financial Information:</b>					

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Net working capital <sup>(11)</sup>	20,757	16,806	7,920	3,012	650
Book value per share <sup>(6)(9)(12)</sup>	2.66	2.92	3.45	3.71	3.93
Operating margin before other expenses, net	10.9%	12.3%	14.3%	12.7%	12.0%
Operating EBITDA from continuing operations <sup>(13)</sup>	35,556	41,534	51,605	48,600	49,266
Ratio of Operating EBITDA to interest expense <sup>(13)</sup>	1.7	2.1	2.4	2.5	3.9
Capital expenditures	9,486	12,313	13,279	12,419	12,969
Depreciation and amortization	13,703	14,658	15,987	15,988	16,070
Net cash flow provided by operating activities from continuing operations before financial expense, coupons on Perpetual Debentures and income taxes	35,445	43,441	61,342	51,420	43,316
Basic earnings (loss) per CPO of continuing operations <sup>(6)(7)</sup>	(0.48)	0.03	0.90	0.78	0.66
Basic earnings (loss) per CPO <sup>(6)(7)</sup>	(0.48)	0.09	0.96	1.02	0.66
Total debt plus other financial obligations	244,429	268,203	273,868	226,216	207,724

- (1) Cost of sales includes depreciation, amortization and depletion of assets involved in production, expenses related to storage in production plants, freight expenses of raw materials in plants and delivery expenses of our ready-mix concrete business. Our cost of sales excludes (i) expenses related to personnel and equipment comprising our selling network and those expenses related to warehousing at the points of sale and (ii) freight expenses of finished products from our producing plants to our points of sale and from our points of sale to our customers' locations, which are all included as part of the line item titled "Operating expenses."
- (2) In the income statements, CEMEX includes the line item titled "Operating earnings before other expenses, net" considering that is a relevant measure for CEMEX's management as explained in note 2.1 to our 2018 audited consolidated financial statements included elsewhere in this annual report. Under IFRS, while there are line items that are customarily included in the income statements, such as revenues, operating costs and expenses and financial revenues

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and expenses, among others, the inclusion of certain subtotals such as Operating earnings before other expenses, net and the display of such income statements varies significantly by industry and company according to specific needs.

- (3) Financial items include financial expenses and our financial income (expenses) and other items, net, which includes our results in the sale of associates and remeasurement of previously held interest before change in control of associates, financial income, results from financial instruments, net (derivatives, fixed-income investments and other securities), foreign exchange results and effects of amortized cost on assets and liabilities and others, net. See notes 7 and 16 to our 2018 audited consolidated financial statements included elsewhere in this annual report.
- (4) On October 31, 2015, after all agreed upon conditions precedent were satisfied, we completed the sale of our operations in Austria and Hungary to the Rohrdorfer Group ( Rohrdorfer ) for 165 million (U.S.\$179 million or Ps3,090 million) after final adjustments for changes in cash and working capital balances as of the transfer date. Our combined operations in Austria and Hungary at that time consisted of 29 aggregates quarries and 68 ready-mix concrete plants. The operations in Austria and Hungary for the ten-month period ended October 31, 2015 and the year ended December 31, 2014, included in our consolidated income statements, were reclassified to the single line item Discontinued operations. As per IFRS, our statement of financial position as of December 31, 2014 was not restated as a result of the sale of our operations in Austria and Hungary. On May 26, 2016, we closed the sale of our operations in Bangladesh and Thailand to Siam City Cement Public Company Ltd. ( SIAM Cement ) for U.S.\$70 million. As per IFRS, our statement of financial position as of December 31, 2015 was not restated as a result of the sale of our operations in Thailand and Bangladesh. The operations in Bangladesh and Thailand for the period from January 1, 2016 to May 26, 2016 and the year 2015, included in our consolidated income statements, were reclassified to the single line item Discontinued operations. In addition, as of December 31, 2016, the balance sheet of the Concrete Pipe Business was reclassified to assets held for sale and liabilities directly related to assets held for sale on our consolidated statement of financial position, including U.S.\$260 million (Ps5,369 million) of goodwill associated with the reporting segment in the United States that was proportionally allocated to these net assets based on their relative fair values. On January 31, 2017, one of CEMEX, S.A.B. de C.V.'s subsidiaries in the U.S. closed the sale of our U.S. Reinforced Concrete Pipe Manufacturing Business (the Concrete Pipe Business ) to Quikrete Holdings, Inc. ( Quikrete ) for U.S.\$500 million plus an additional U.S.\$40 million contingent consideration based on future performance. Considering that we disposed of our entire concrete pipe division, the operations of the Concrete Pipe Business, as included in our consolidated income statements for the years ended December 31, 2015 and 2016 and for the one-month period ended January 31, 2017, were reclassified to the single line item Discontinued Operations. On June 30, 2017, one of our subsidiaries in the United States closed the divestment of its Pacific Northwest Materials Business (the Pacific Northwest Materials Business ), consisting of aggregates, asphalt and ready-mix concrete operations in Oregon and Washington to Cadman Materials, Inc. ( Cadman Materials ), a Lehigh Hanson Inc. company and a subsidiary of Heidelberg Cement Group, for U.S.\$150 million. Considering the disposal of our Pacific Northwest Materials Business, these operations, as included in our consolidated income statements for the years ended December 31, 2015, 2016 and for the six-month period ended June 30, 2017 were reclassified to the single line item Discontinued Operations. On September 27, 2018, we concluded the sale of our construction materials operations in Brazil (the Brazilian Operations ) through the sale to Votorantim Cimentos N/NE S.A. of all shares of our Brazilian subsidiary Cimento Vencemos Do Amazonas Ltda ( Cimento Vencemos ), consisting of a fluvial cement distribution terminal located in Manaus, Amazonas province, as well as the related operating license. The sale price was U.S.\$31 million (Ps580 million). Our Brazilian Operations for the period from January 1 to September 27, 2018 and the years 2017 and 2016 were reclassified to the single line item Discontinued Operations. The information related to our consolidated income statement for the year ended December 31, 2015 has not been reclassified to present the financial result of that year of our Brazilian Operations in a single line item as discontinued operations. Also, the information related to our consolidated income statement for the year ended December 31, 2014 has not been reclassified to present the financial result of that year of our Brazilian Operations

and the Pacific Northwest Materials Business in a single line item as discontinued operations. See Item 4 Information on the Company Business Overview and note 4.2 to our 2018 audited consolidated financial statements included elsewhere in this annual report.

- (5) On August 12, 2015, we entered into an agreement for the sale of our operations in Croatia, including assets in Bosnia and Herzegovina, Montenegro and Serbia, to Duna-Dráva Cement Kft. for 231 million (U.S.\$243 million or Ps5,032 million). Those operations mainly consist of three cement plants with aggregate annual production capacity of approximately 2.4 million tons of cement, two aggregates quarries and seven ready-mix concrete plants. On April 5, 2017, we announced that the European Commission issued a decision that restricted completion of the sale. Therefore, the sale of our operations in Croatia did not close, and we maintained our operations in Croatia, including assets in Bosnia and Herzegovina, Montenegro and Serbia (our Croatian Operations). As of December 31, 2016 and 2017 and for the years ended December 31, 2017, 2016 and 2015, the Croatian Operations are consolidated line-by-line in the financial statements. The information related to our consolidated financial statements for the year ended December 31, 2014 in which we previously reported the Croatian Operations as Discontinued Operations and Assets held for sale, has not been reclassified to present the Croatian Operations as part of continuing operations in our consolidated income statements or line-by-line in our consolidated statements of financial position. We believe that the effects are not significant.

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- (6) CEMEX, S.A.B. de C.V.'s capital stock consists of Series A shares and Series B shares. Each CPO represents two Series A shares and one Series B share. As of December 31, 2018, 99.88% of CEMEX, S.A.B. de C.V.'s outstanding share capital was represented by CPOs. Each ADS represents ten CPOs.
- (7) Earnings (loss) per share is calculated based upon the weighted average number of shares outstanding during the year, as described in note 22 to our 2018 audited consolidated financial statements included elsewhere in this annual report. Basic earnings (loss) per CPO is determined by multiplying the basic earnings (loss) per share for each period by three (the number of shares underlying each CPO). Basic earnings (loss) per CPO is presented solely for the convenience of the reader and does not represent a measure under IFRS. As shown in notes 4.2 and 22 to our 2018 audited consolidated financial statements included elsewhere in this annual report, and in connection with the sale of our operations in Austria, Hungary, Thailand, Bangladesh and the sales of the Concrete Pipe Business and the Pacific Northwest Materials Business, and the sale of our Brazilian Operations, for the year ended December 31, 2016, Basic earnings per share includes Ps0.30 from Continuing operations, for the year ended December 31, 2017, Basic earnings per share includes Ps0.26 from Continuing operations and for the year ended December 31, 2018, Basic earnings per share includes Ps0.22 from Continuing operations. In addition, for the years ended December 31, 2016 and 2017, Basic earnings per share includes Ps0.02 and Ps0.08, respectively, from Discontinued operations. Likewise, for the year ended December 31, 2016, Diluted earnings per share includes Ps0.30 from Continuing operations, for the year ended December 31, 2017, Diluted earnings per share includes Ps0.26 from Continuing operations and for the year ended December 31, 2018, Diluted earnings per share includes Ps0.22 from Continuing operations. In addition, for the years ended December 31, 2016, and 2017, Diluted earnings per share includes Ps0.02 and Ps0.08, respectively, from Discontinued operations. See note 22 to our 2018 audited consolidated financial statements included elsewhere in this annual report.
- (8) CEMEX, S.A.B. de C.V. did not declare a dividend for fiscal years 2014, 2015, 2016 and 2017. For the fiscal year 2018, CEMEX, S.A.B. de C.V. declared a cash dividend in the amount of U.S.\$150 million, payable in Mexican Pesos in two equal installments, in June 2019 and December 2019. At each of CEMEX, S.A.B. de C.V.'s 2014, 2015 and 2016 annual general ordinary shareholders meetings, held on March 26, 2015, March 31, 2016 and March 30, 2017, respectively, CEMEX, S.A.B. de C.V.'s shareholders approved a recapitalization of retained earnings. New CPOs issued pursuant to each such recapitalization were allocated to shareholders on a pro-rata basis. As a result, shares equivalent to approximately 500 million CPOs, approximately 539 million CPOs and approximately 562 million CPOs were allocated to shareholders on a pro-rata basis in connection with the 2014, 2015 and 2016 recapitalizations, respectively. In each case, CPO holders received one new CPO for each 25 CPOs held and ADS holders received one new ADS for each 25 ADSs held. There was no cash distribution and no entitlement to fractional shares. No recapitalization of retained earnings was approved at CEMEX, S.A.B. de C.V.'s 2017 and 2018 annual general ordinary shareholders meetings held on April 5, 2018 and March 28, 2019, respectively.
- (9) Represents the weighted average number of shares diluted included in note 22 to our 2018 audited consolidated financial statements included elsewhere in this annual report.
- (10) As of December 31, 2014, 2015, 2016, 2017 and 2018, non-controlling interest includes U.S.\$466 million (Ps6,869 million), U.S.\$440 million (Ps7,581 million), U.S.\$438 million (Ps9,075 million), U.S.\$447 million (Ps8,784 million) and U.S.\$444 million (Ps8,729 million), respectively, that represents the nominal amount of Perpetual Debentures, denominated in Dollars and Euros, issued by consolidated entities. In accordance with IFRS, these securities qualify as equity due to their perpetual nature and the option to defer the coupons.
- (11) Net working capital equals trade accounts receivable, less allowance for expected credit losses plus inventories, net, less trade payables.
- (12) Book value per share is calculated by dividing the total controlling interest by the number of shares outstanding.
- (13) Operating EBITDA equals operating earnings before other expenses, net, plus amortization and depreciation expenses. Operating EBITDA is calculated and presented because we believe that it is widely accepted as a financial indicator of our ability to internally fund capital expenditures and service or incur debt, and the

consolidated ratio of Operating EBITDA to interest expense is calculated and presented because it is used to measure our performance under certain of our financing agreements. Operating EBITDA and such ratio are non-IFRS measures and should not be considered as indicators of our financial performance as alternatives to cash flow, as measures of liquidity or as being comparable to other similarly titled measures of other companies. Under IFRS, while there are line items that are customarily included in income statements prepared pursuant to IFRS, such as revenues, operating costs and expenses and financial revenues and expenses, among others, the inclusion of certain subtotals, such as operating earnings before other expenses, net, and the display of such income statement varies significantly by industry and company according to specific needs. Our Operating EBITDA may not be comparable to similarly titled measures reported by other companies due to potential differences in the method of calculation. Operating EBITDA is reconciled below to operating earnings before other expenses, net, as reported in the income statements, and to net cash flows provided by operating activities from continuing operations before financial expense, coupons on Perpetual Debentures and income taxes, as reported in the statement of cash flows. Financial expense under IFRS does not include coupon payments of the Perpetual Debentures issued by consolidated entities of Ps420 million in 2014, Ps432 million in 2015, Ps507 million in 2016, Ps482 million in 2017 and approximately Ps553 million in 2018, as described in note 20.4 to our 2018 audited consolidated financial statements included elsewhere in this annual report.



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	2014	For the Year Ended December 31,			2018
		2015	2016	2017	
		(in millions of Mexican Pesos)			
<b>Reconciliation of Operating EBITDA to net cash flows provided by operating activities from continuing operations before financial expense, coupons on Perpetual Debentures and income taxes</b>					
Operating EBITDA	Ps 35,556	Ps 41,534	Ps 51,605	Ps 48,600	Ps 49,266
Less:					
Depreciation and amortization expense	13,703	14,658	15,987	15,988	16,070
Operating earnings before other expenses, net	21,853	26,876	35,618	32,612	33,196
Plus/minus:					
Changes in working capital excluding income taxes	1,475	3,596	11,017	8,039	(1,062)
Depreciation and amortization expense	13,703	14,658	15,987	15,988	16,070
Other items, net	(1,586)	(1,689)	(1,280)	(5,219)	(4,888)
Net cash flow provided by operations activities from continuing operations before financial expense, coupons on Perpetual Debentures and income taxes	Ps 35,445	Ps 43,441	Ps 61,342	Ps 51,420	Ps 43,316

**Item 4 Information on the Company**

Unless otherwise indicated, references in this annual report to our sales and assets, including percentages, for a country or region are calculated before eliminations resulting from consolidation, and thus include intercompany balances between countries and regions. These intercompany balances are eliminated when calculated on a consolidated basis.

**Business Overview**

CEMEX, S.A.B. de C.V. is a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico, with its principal executive offices located at Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, San Pedro Garza García, Nuevo León, 66265, Mexico. CEMEX, S.A.B. de C.V. s main phone number is +52 81 8888-8888.

Our website is located at [www.cemex.com](http://www.cemex.com). The information on our website is not, and is not intended to be, part of this annual report and is not incorporated into this annual report by reference.

CEMEX, S.A.B. de C.V. started doing business in 1906 and was registered with the Mercantile Section of the Public Registry of Property and Commerce in Monterrey, Nuevo León, Mexico, on June 11, 1920 for a period of 99 years. At CEMEX, S.A.B. de C.V. s 2002 ordinary general shareholders meeting, this period was extended to the year 2100 and in 2015 this period changed to be indefinite. Beginning April 2006, CEMEX s full legal and commercial name is CEMEX, Sociedad Anónima Bursátil de Capital Variable.

CEMEX is one of the largest cement companies in the world, based on annual installed cement production capacity. As of December 31, 2018, we had approximately 92.6 million tons of annual installed cement production capacity and our cement sales volumes in 2018 was 69.4 million tons. After the merger of Holcim with Lafarge during 2015, which resulted in the company LafargeHolcim Ltd. ( LafargeHolcim ), we estimate we are the next largest ready-mix concrete company in the world with annual sales volumes of approximately 53.3 million cubic meters and one of the largest aggregates companies in the world with annual sales volumes of

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approximately 149.8 million tons, in each case, based on our annual sales volumes in 2018. We are also one of the world's largest traders of cement and clinker, having traded approximately 10 million tons of cement and clinker in 2018. This information does not include discontinued operations. See note 4.2 to our 2018 audited consolidated financial statements included elsewhere in this annual report. CEMEX, S.A.B. de C.V. is an operating and a holding company engaged, directly or indirectly, through its operating subsidiaries, primarily in the production, distribution, marketing and sale of cement, ready-mix concrete, aggregates, clinker and other construction materials throughout the world. We provide reliable construction-related services to customers and communities and maintain business relationships in more than 50 countries throughout the world.

We operate globally, with operations in Mexico, the United States, Europe, SCA&C, Asia, the Middle East and Africa. We had total assets of Ps552,628 million (U.S.\$28,124 million) as of December 31, 2018, and an equity market capitalization of approximately Ps138,444 million (U.S.\$7,356 million) as of April 17, 2019.

As of December 31, 2018, our cement production facilities were located in Mexico, the United States, the United Kingdom, Germany, Spain, Poland, Latvia, the Czech Republic, Croatia, Colombia, Panama, Costa Rica, the Dominican Republic, Puerto Rico, Nicaragua, Trinidad and Tobago, Jamaica, Barbados, Egypt, and the Philippines. As of December 31, 2018, our assets (after eliminations), cement plants and installed capacity, on an unconsolidated basis by region, were as set forth below. Installed capacity, which refers to theoretical annual production capacity, represents gray portland cement and white cement capacity and includes installed capacity of cement plants that have been temporarily closed.

	<b>As of December 31, 2018</b>		
	<b>Assets After Eliminations (in Billions of Mexican Pesos)</b>	<b>Number of Cement Plants</b>	<b>Installed Cement Production Capacity (Millions of Tons Per Annum)</b>
<b>Mexico<sup>(1)</sup></b>	Ps 69	15	29.5
<b>United States<sup>(2)</sup></b>	269	11	15.4
<b>Europe</b>			
United Kingdom	32	2	2.4
France	17		
Germany	8	1	2.4
Spain	25	7	10.4
Poland	6	2	3.0
Czech Republic	4	1	1.0
Rest of Europe <sup>(3)</sup>	11	4	4.7
<b>South, Central America and the Caribbean (SCA&amp;C)</b>			
Colombia	25	2	4.0
Panama	7	1	2.1
Costa Rica	2	1	0.9
Caribbean TCL <sup>(4)</sup>	11	3	2.5

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Dominican Republic	4	1	2.6
Rest of South, Central America and the Caribbean <sup>(5)</sup>	7	2	1.8
<b>Asia, Middle East and Africa</b>			
Philippines	12	2	4.5
Egypt	5	1	5.4
Israel	10		
Rest of Asia, Middle East and Africa <sup>(6)</sup>	4		
<b>Corporate and Other Operations</b>	23		
<b>Continuing Operations</b>	551		
<b>Assets held for sale</b>	2		
<b>Total</b>	Ps 553	56	92.6

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Not applicable

The above table includes our proportional interest in the installed capacity of companies in which we hold a non-controlling interest and reflects our organizational structure as of December 31, 2018.

- (1) Number of cement plants and installed cement production capacity includes two cement plants that were temporarily inactive with an aggregate annual installed capacity of 2.8 million tons of cement. Installed cement production capacity includes 0.5 million tons of cement representing our proportional interests through associates in three other cement plants.
- (2) Number of cement plants and installed cement production capacity includes two cement plants that were temporarily inactive with an aggregate annual installed capacity of 2.1 million tons of cement. Installed cement production capacity includes 0.8 million tons of cement representing our proportional interests through associates in seven other cement plants.
- (3) Rest of Europe refers mainly to our operations in Croatia, Latvia, Scandinavia and Finland. Installed cement production capacity includes 0.7 million tons of cement representing our proportional interest in a Lithuanian cement producer that operated one other cement plant.
- (4) Caribbean TCL refers to TCL's operations mainly in Trinidad and Tobago, Jamaica, Guyana and Barbados.
- (5) Rest of South, Central America and the Caribbean refers mainly to our operations in Puerto Rico, Nicaragua, Jamaica, the Caribbean, Guatemala and El Salvador, excluding the acquired operations of Caribbean TCL.
- (6) Rest of Asia, Middle East and Africa includes mainly our operations in the UAE.

During the majority of the last 28 years, we embarked on a major geographic expansion program to diversify our cash flows and enter markets whose economic cycles within the cement industry largely operate independently from those of Mexico and which offer long-term growth potential. We have built an extensive network of marine and land-based distribution centers and terminals that give us marketing access around the world. As part of our strategy, we also periodically review and reconfigure our operations in implementing our post-merger integration process, and we also divest assets that we believe are less fundamental to our portfolio. The following are our most significant acquisitions, divestitures and reconfigurations that we have announced or closed since 2015:

On October 31, 2015, we completed the sale of our operations in Austria and Hungary to Rohrdorfer for 165 million (U.S.\$179 million or Ps3,090 million) after final adjustments for changes in cash and working capital balances as of the transfer date. Our combined operations in Austria and Hungary consisted of 29 aggregates quarries and 68 ready-mix concrete plants. The operations in Austria and Hungary for the ten-month period ended October 31, 2015 and the year ended December 31, 2014, included in our consolidated income statements, were reclassified to the single line item Discontinued operations, which includes, in 2015, a gain on sale of U.S.\$45 million (Ps741 million). Such gain on sale includes the reclassification to the income statement of foreign currency translation effects accrued in equity until October 31, 2015 for an amount of U.S.\$10 million (Ps215 million).

On May 26, 2016, we closed the sale of our operations in Bangladesh and Thailand to SIAM Cement for U.S.\$70 million (Ps1,450 million). Our operations in Bangladesh and Thailand for the period from January 1, 2016 to May 26, 2016 and the year ended December 31, 2015

included in our consolidated income statements were reclassified to the single line item

Discontinued operations, which includes, in 2016, a gain on sale of U.S.\$24 million (Ps424 million). See note 4.2 to our 2018 audited consolidated financial statements included elsewhere in this annual report.

On July 18, 2016, CHP closed its initial public offering of 45% of its common shares in the Philippines, and 100% of CHP's common shares started trading on the Philippine Stock Exchange under the ticker CHP. As of December 31, 2018, CEMEX Asian South East Corporation (CASE), an indirect subsidiary of CEMEX, S.A.B. de C.V., directly owned 55% of CHP's outstanding common shares. The net proceeds to CHP from its initial public offering were U.S.\$507 million after deducting

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estimated underwriting discounts and commissions, and other estimated offering expenses payable by CHP. CHP used the net proceeds from the initial public offering to repay existing indebtedness owed to BDO Unibank, Inc. ( BDO Unibank ) and to an indirect subsidiary of CEMEX, S.A.B. de C.V.

On November 18, 2016, after all conditions precedent were satisfied, we announced that we had closed the sale of certain assets in the United States to Grupo Cementos de Chihuahua, S.A.B. de C.V. ( GCC ) for U.S.\$306 million (Ps6,340 million). The assets were sold by an affiliate of ours to an affiliate of GCC in the United States, and mainly consisted of our cement plant in Odessa, Texas, two cement terminals and the building materials business in El Paso, Texas and Las Cruces, New Mexico.

On December 2, 2016, we agreed to the sale of our assets and operations related to our ready-mix concrete pumping business in Mexico to Cementos Españoles de Bombeo, S. de R.L., a subsidiary in Mexico of Pumping Team S.L.L. ( Pumping Team ), a specialist in the supply of ready-mix concrete pumping services based in Spain, for Ps1,649 million. This agreement included the sale of fixed assets upon closing of the transaction for Ps309 million plus administrative and client and market development services. Under this agreement, we will also lease facilities in Mexico to Pumping Team over a period of ten years with the possibility to extend such term for three additional years, for an aggregate initial amount of Ps1,340 million, plus contingent revenue, subject to results, for up to Ps557 million, linked to annual metrics beginning in the first year and up to the fifth year of the agreement. On April 28, 2017, after receiving the approval by the Mexican authorities, we concluded the sale.

On December 5, 2016, Sierra Trading ( Sierra ), one of CEMEX, S.A.B. de C.V.'s indirect subsidiaries, presented an offer (as amended, the Offer ) to all shareholders of TCL, a company then publicly listed in Trinidad and Tobago, Jamaica and Barbados, to acquire up to 132,616,942 ordinary shares in TCL, pursuant to which Sierra offered a certain offer price (the Offer Price ) payable at the option of shareholders of TCL, except for shareholders of TCL in Barbados, in either Trinidad and Tobago Dollars ( TT\$ ) or U.S.\$ in Trinidad, and Jamaican Dollars or U.S.\$ in Jamaica TCL (as defined below). The Offer Price represented a premium of 50% over the December 1, 2016 closing price of TCL's shares on the Trinidad and Tobago Stock Exchange. The total number of TCL shares tendered and accepted in response to the Offer was 113,629,723 which, together with Sierra's pre-existing shareholding in TCL (147,994,188 shares), represented 69.83% of the outstanding TCL shares. The total cash payment by Sierra for the tendered shares was U.S.\$86 million. CEMEX started consolidating TCL for financial reporting purposes on February 1, 2017. In March 2017, TCL de-listed from the Jamaica and Barbados stock exchanges. TCL's subsidiaries include, but are not limited to CCCL and Arawak Cement Company Limited ( Arawak ), which, as of December 31, 2018, owned cement plants in Jamaica and Barbados, respectively.

On January 31, 2017, one of our subsidiaries in the United States closed the sale of our Concrete Pipe Business to Quikrete for U.S.\$500 million plus an additional U.S.\$40 million contingent consideration based on future performance.

On February 10, 2017, one of our subsidiaries in the United States sold its Fairborn, Ohio cement plant and cement terminal in Columbus, Ohio to Eagle Materials Inc. ( Eagle Materials ) for U.S.\$400 million (Ps8,288 million). The proceeds obtained from this transaction were used mainly for debt reduction and for general

corporate purposes.

On February 15, 2017, CEMEX, S.A.B. de C.V. sold 45,000,000 shares of common stock of GCC, representing 13.53% of the equity capital of GCC, at a price of Ps95 per share in a public offering to investors in Mexico and in a concurrent private placement to eligible investors outside of Mexico. Prior to the GCC shares offerings, CEMEX, S.A.B. de C.V. owned a 23% direct interest in GCC and a minority interest in CAMCEM, S.A. de C.V. ( CAMCEM ), an entity which owns a majority interest in GCC. After the GCC offerings, CEMEX, S.A.B. de C.V. owned a 9.47% direct interest in GCC and a minority interest in CAMCEM. Proceeds from the sale were U.S.\$210 million (Ps4,094 million). We used the proceeds of the GCC shares offerings for general corporate purposes.



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On June 30, 2017, one of our subsidiaries in the United States closed the divestment of the Pacific Northwest Materials Business, consisting of aggregate, asphalt and ready-mix concrete operations in Oregon and Washington to Cadman Materials for U.S.\$150 million. The proceeds obtained from this sale were used mainly for debt reduction and general corporate purposes.

On September 28, 2017, CEMEX, S.A.B de C.V. sold its then remaining direct interest in GCC, consisting of 31,483,332 shares of common stock of GCC, representing 9.47% of the equity capital of GCC for U.S.\$168 million (Ps3,012 million), which was used for debt reduction and for general corporate purposes. Following this sale of shares, CEMEX, S.A.B de C.V. no longer held a direct interest in GCC but continued to hold an indirect interest of 20% in GCC through its minority interest in CAMCEM.

On September 29, 2017, one of our subsidiaries in the United States closed the divestment of the Block USA Materials Business (the Block USA Materials Business ), consisting of concrete block, architectural block, concrete pavers, retaining walls and building material operations in Alabama, Georgia, Mississippi and Florida, to Oldcastle APG South, Inc. ( Oldcastle ) for U.S.\$38 million. The proceeds obtained from this sale were used mainly for debt reduction and general corporate purposes.

On February 14, 2018, we increased our interest in Lehigh White Cement Company, a company that manufactures white cement in the United States., from 24.5% to 36.75%, by paying a total consideration of U.S.\$36 million.

In August 2018, our subsidiary in the United Kingdom acquired shares of the ready-mix concrete producer Procon Readymix Ltd ( Procon ) for an amount in Pounds Sterling equivalent to U.S.\$22 million, based on the Pound Sterling to Dollar exchange rate as of August 31, 2018. As of December 31, 2018, based on the preliminary valuation of the fair values of the assets acquired and liabilities assumed, the net assets of Procon amount to U.S.\$10 million (Ps196 million) and goodwill was determined in the amount of U.S.\$12 million (Ps244 million).

On September 27, 2018, a subsidiary of CEMEX, S.A.B. de C.V. concluded the sale of our Brazilian Operations through the sale to Votorantim Cimentos N/NE S.A. of all shares of our Brazilian subsidiary Cimento Vencemos, consisting of a fluvial cement distribution terminal located in Manaus, Amazonas province, as well as the related operating license. The sale price was U.S.\$31 million (Ps580 million). See note 4.2 to our 2018 audited consolidated financial statements included elsewhere in this annual report.

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**Geographic Breakdown of Revenues for the Year Ended December 31, 2018**

The following chart indicates the geographic breakdown of our revenues, before eliminations resulting from consolidation, for the year ended December 31, 2018:

**Breakdown of Revenues by Line of Business for the Year Ended December 31, 2018**

The following chart indicates the breakdown of our revenues by line of business, after eliminations resulting from consolidation, for the year ended December 31, 2018:

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### **Our Products**

We always strive to provide superior building solutions in the markets we serve. To this end, we tailor our products and services to suit customers' specific needs, from home construction, improvement and renovation to agricultural, industrial and marine/hydraulic applications.

#### ***Cement***

Cement is a binding agent, which, when mixed with sand, stone or other aggregates and water, produces either ready-mix concrete or mortar. Whether in bags or in bulk, we provide our customers with high-quality branded cement products and services. We tap our professional knowledge and experience to develop customized products that fulfill our clients' specific requirements and foster sustainable construction. In many of the countries where we have cement operations, a large proportion of cement sold is a bagged, branded product. We often deliver the product to a large number of distribution outlets such that our bagged, branded cement is available to the end users at a point of sale in close proximity to where the product will be used. We strive to develop brand identity and recognition in our bagged product.

We manufacture cement through a closely controlled chemical process, which begins with the mining and crushing of limestone and clay, and, in some instances, other raw materials. The clay and limestone are then pre-homogenized, a process which consists of combining different types of clay and limestone. The mix is typically dried, then fed into a grinder which grinds the various materials in preparation for the kiln. The raw materials are calcined, or processed, at a very high temperature in a kiln, to produce clinker. Clinker is the intermediate product used in the manufacture of cement. For limestone, clay and gypsum, requirements are based on chemical composition that, depending on the other materials available, matches with the quality demanded by the production process. For cement limestone, clay and gypsum, we run chemical tests to prepare the mining plan of the quarry, to confirm material quality and reduce variations in the mineral content. We consider that limestone and clay quality of our cement raw material quarries are adequate for the cement production process.

There are two primary processes used to manufacture cement: the dry process and the wet process. The dry process is more fuel efficient. As of December 31, 2018, 53 of our 56 operative production plants used the dry process and three used the wet process. Our operative production plants that use the wet process are in the United Kingdom, Nicaragua and Trinidad and Tobago. In the wet process, the raw materials are mixed with water to form slurry, which is fed into a kiln. Fuel costs are greater in the wet process than in the dry process because the water that is added to the raw materials to form slurry must be evaporated during the clinker manufacturing process. In the dry process, the addition of water and the formation of slurry are eliminated, and clinker is formed by calcining the dry raw materials. In the most modern application of this dry process technology, the raw materials are first blended in a homogenizing silo and processed through a pre-heater tower that utilizes exhaust heat generated by the kiln to pre-calcine the raw materials before they are calcined to produce clinker.

Clinker and gypsum are fed in pre-established proportions into a cement grinding mill where they are ground into an extremely fine powder to produce finished cement. We primarily cover our gypsum needs from third parties; however, we also operate gypsum quarries in the United States, Spain, the Dominican Republic and Egypt. Our main types of cement include the following:

*Gray Ordinary Portland Cement:* Our gray ordinary portland cement is a high-quality, cost-effective building material, mainly composed of clinker, that meets applicable chemical and physical requirements and is widely used in all construction segments: residential, commercial, industrial, and public infrastructure.

*White Portland Cement:* CEMEX is one of the world's largest producers of white portland cement. We manufacture this type of cement with limestone, low iron content kaolin clay, and gypsum. Customers use our white portland cement in architectural works requiring great brightness and artistic finishes, to create mosaics and artificial granite, and for sculptural casts and other applications where white prevails.

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*Masonry or Mortar:* Masonry or mortar is a portland cement that we mix with finely ground inert matter (limestone). Our customers use this type of cement for multiple purposes, including concrete blocks, templates, road surfaces, finishes, and brick work.

*Oil-well Cement:* Our oil-well cement is a specially designed variety of hydraulic cement produced with gray portland clinker. It usually forges slowly and is manageable at high temperatures and pressures. Produced in classes from A to H and J, our oil-well cement is applicable for different depth, chemical aggression, or pressure levels.

*Blended Cement:* Blended hydraulic cements are produced by inter-grinding or blending portland cement and supplementary cementitious materials such as ground granulated blast furnace slag, fly ash, silica fume, calcined clay, hydrated lime, and other pozzolans. The use of blended cements in ready-mix concrete reduces mixing water and bleeding, improves workability and finishing, inhibits sulfate attack and the alkali-aggregate reaction, and reduces the heat of hydration. CEMEX offers an array of blended cements which have a lower CO<sub>2</sub> footprint resulting from their lower clinker content due to the addition of supplementary cementitious materials. The use of blended cements reinforces our strong dedication to sustainable practices and furthers our objective of offering an increasing range of more sustainable products.

### ***Ready-Mix Concrete***

Ready-mix concrete is a combination of cement, fine and coarse aggregates, admixtures (which control properties of the concrete including plasticity, pumpability, freeze-thaw resistance, strength and setting time), and water. We tailor our ready-mix concrete to fit our clients' specific needs. By changing the proportion of water, aggregates, and cement in the mix, we modify our concrete's resistance, manageability, and finish. We also use additives to customize our concrete consistent with the transportation time from our plant to the project, weather conditions at the construction site, and the project's specifications. From our water-resistant to our self-compacting concrete, we produce a great variety of specially designed concrete to meet the many challenges of modern construction.

We develop solutions based on the thorough knowledge and application of ready-mix concrete technology. Leveraging years of experience, a global pool of knowledge, and state-of-the-art expertise about the different ready-mix concrete constituents and their interaction, we offer our customers tailor-designed concrete. CEMEX ready-mix concrete technologists are able to modify the properties of concrete through the use of innovative chemical admixtures, combined with the proper proportions of the various concrete constituents. For example, depending on the type of application and jobsite requirements, we can design ready-mix concrete that is more fluid, stronger, develops strength faster, and also retains workability longer. Through the development of chemical admixtures solutions, our researchers design special concretes that fulfill the construction industry's increasingly demanding performance requirements. CEMEX offers a special ready-mix concrete portfolio, comprised of such products as ultra-rapid hardening concrete, crack-resistant/low shrinkage concrete, self-consolidating concrete, architectural concrete, pervious concrete, antibacterial concrete and a number of others.

We continuously work to improve the properties of ready-mix concrete that make it a key component of sustainable construction: durability, resistance to aggressive environments, light reflection, and capacity to store energy, among others. We also constantly work to develop innovative solutions that advance the sustainability of structures made with ready-mix concrete. This way, our customers can design sustainable buildings that can take advantage of the benefits of concrete in a wide range of applications. We offer engineered concrete for harbors and bridges with a special design of high performance concrete that combines durability and low maintenance with resistance to aggressive environments, and for industrial applications which consists of concrete with high acid resistance which is robust and durable for such uses as cooling towers. We also offer concrete for building and housing used for structures such as self-compacting concrete that improves the strength and durability of building structures, while reducing

energy use and noise due to concrete vibration, and envelope concrete such as structural lightweight concrete or insulating concrete forms which offer insulation solutions to improve energy

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efficiency in buildings, and concrete for building design that takes advantage of concrete's capacity to store energy, its thermal mass, minimizing temperature fluctuations in a building over the course of the day, reducing the need for additional heating and cooling. We also offer ready-mix concrete for water and wastewater management and for roads and pavements.

The types of ready-mix concrete we offer our clients include, but are not limited to:

*Standard Ready-Mix Concrete:* Standard ready-mix concrete is the most common form of concrete. It is prepared for delivery at a concrete plant instead of mixed on the construction site.

*Architectural and Decorative Concrete:* This type of ready-mix concrete can provide a structural function, as well as an aesthetic or decorative finish. It can offer smooth or rough surfaces or textures, as well as a variety or range of colors.

*Rapid-Setting Concrete:* Designed to enhance early strength development, this type of ready-mix concrete allows fast formwork removal, accelerated construction sequencing, and rapid repair for such jobs as roads and airport runways. Typically used in low temperature (5-10°C) concreting during winter, this type of ready-mix concrete can also be used in buildings, railways, and precast applications. In addition to saving time, this type of ready-mix concrete technology offers improved durability and acid resistance.

*Fiber-Reinforced Concrete:* Ready-mix concrete designed with micro or macro fibers that can be used either for structural applications, where the fibers can potentially substitute for steel rebar reinforcement, or for reducing shrinkage, primarily early age shrinkage. Macro fibers can significantly increase the ductility of concrete, making it highly resistant to crack formation and propagation.

*Fluid-Fill Concrete:* Fluid mortar or ready-mix concrete simplifies the process of laying pipe and cable by surrounding the pipe or cable with a tightly packed shell that provides protection from the elements, prevents settling, and enables crews to work quickly.

*Roller-Compacted Concrete:* Compacted in place and cured, roller-compacted concrete is a zero slump ready-mix concrete with the abrasion resistance to withstand high velocity water, making it the material of choice for spillways and other infrastructure subject to high flow conditions. It represents a competitive solution in terms of cost and durability when compared to asphalt.

*Self-Consolidating Concrete:* Self-consolidating concrete has very high flow; therefore, it is self-leveling, eliminating the need for vibration. Due to the superplasticizers used, chemical admixtures that impart very high flow, self-consolidating concrete exhibits very high compaction as a result of its low air content. Consequently, self-consolidating concrete can have very high strengths, exceeding 50 MPa.

*Pervious Concrete:* Because of its unique design mix, pervious concrete is a highly porous material that allows water, particularly rainwater, to filter through, reduces flooding and heat concentration by up to 4°C, and helps to prevent skidding on wet roads. This ready-mix concrete is ideally used in parking lots, footpaths, and swimming pool border applications.

*Antibacterial Concrete:* This type of ready-mix concrete helps control bacteria growth and is used to help maintain clean environments in structures such as hospitals, laboratories, and farms.

## ***Aggregates***

We are one of the world's largest suppliers of aggregates: primarily the crushed stone, sand and gravel, used in virtually all forms of construction. Our customers use our aggregates for a wide array of applications: as a key component in the construction and maintenance of highways, walkways, parking lots, airport runways, and



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railways; for drainage, water filtration, purification, and erosion control; as fill material; for sand traps on golf courses, beaches, playing field surfaces, horse racing tracks, and related applications; and to build bridges, homes, and schools.

Aggregates are obtained from land-based sources such as sand and gravel pits and rock quarries or by dredging marine deposits.

*Hard Rock Production.* Rock quarries usually operate for at least 30 years and are developed in distinct benches or steps. A controlled explosion is normally used to release the rock from the working face. It is then transported by truck or conveyor to a crusher to go through a series of crushing and screening stages to produce a range of final sizes to suit customers' needs. Dry stone is delivered by road, rail or water from the quarry.

*Sand and Gravel Production.* Sand and gravel quarries are much shallower than rock quarries and are usually worked and restored in progressive phases. Water can either be pumped out of the quarries allowing them to be worked dry or they can be operated as lakes with extraction below water. A conveyor draws the raw material into the processing plant where it is washed to remove unwanted clay and to separate sand. Sand separated during processing is dewatered and stockpiled. Gravel then passes over a series of screens that sieve the material into different sizes. Processing separates the gravel into stockpiles in a range of sizes for delivery.

*Marine Aggregate Production.* A significant proportion of the demand for aggregates is satisfied from rivers, lakes, and seabeds. Marine resources are increasingly important to the sustainable growth of the building materials industry. Marine aggregates also play an important role in replenishing beaches and protecting coastlines from erosion. At sea, satellite navigation is used to position a vessel precisely within its licensed dredging area. Vessels trail a pipe along the seabed and use powerful suction pumps to draw sand and gravel into the cargo hold. Dredged material is discharged at wharves, where it is processed, screened and washed for delivery.

Aggregates are an indispensable ingredient in ready-mix concrete, asphalt, and mortar. Accounting for approximately 60% to 75% of ready-mix concrete's volume, aggregates strongly influence concrete's freshly mixed and hardened properties. Aggregates not only increase concrete's strength, but also can make the mix more compact, enabling applications such as weatherproofing and heat retention. They can further contribute to concrete's aesthetic qualities. For example, sand gives surface treatments their brightness.

The types of aggregates we offer our clients include, but are not limited to:

*Crushed Stone and Manufactured Sand:* These products are obtained by mining rock and breaking it down to a preferred size. In the case of manufactured sand, the product is obtained by crushing rock to the selected shape or texture, ensuring product and project specifications are met. Sources of crushed stone can be igneous, sedimentary, or metamorphic.

*Gravel:* Gravel deposits are produced through a natural process of weathering and erosion. It can be used for roads, for concrete manufacturing, or for decorative purposes.

*Sand:* Sand occurs naturally and is composed of fine rock material and mineral particles. Its composition is variable depending on the source. It can be used for roads, concrete manufacturing, or sanitation.

*Recycled Concrete:* Recycled concrete is created by breaking, removing, and crushing existing concrete to a preferred size. It is commonly used as a base layer for other construction materials because it compacts to form a firm surface.



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### ***Related Products***

We rely on our close relationship with our customers to offer them complementary products for their construction needs, which mainly include the following:

*Asphalt:* We offer a wide range of cost effective, high performance asphalt products, from our standard hot mix asphalt, which is made by combining crushed stone with liquid asphalt cement, to highly technical products that can be used on major highway systems, driveways, commercial parking lots, or rural country roads. Designed for consistency and reliability, our asphalt products are designed to withstand different weight loads, traffic volumes, and weather conditions.

*Concrete Block:* Standard concrete block, sometimes referred to as gray block, concrete masonry unit, or cinder block, is one of the most practical and long-lasting materials used in building. Its strength, durability, and versatility, including its energy efficiency, excellent fire and high wind resistance, and noise insulation, make concrete block a compelling alternative to many other building materials.

*Roof Tiles:* We offer a comprehensive range of concrete roof tiles and fittings, designed to meet the requirements of most roofing applications. Available in a wide selection of sizes, shapes, and colors, our roof tiles serve residential and commercial needs.

*Architectural Products:* Our high-end architectural concrete products offer a range of styles for different building or landscaping projects. Specialty rock products, as well as architectural block, in an array of colors, sizes, and textures, take our customers' design to a new level. Block paving solutions and decorative paving provide an ideal range of applications for any hard landscaping project.

*Pipe:* We design and manufacture standard and special concrete pipe for various applications such as storm and sanitary sewers. Offered in diverse types, sizes, and lengths, our pipe products meet or exceed applicable standards and customer requirements throughout our different operations.

*Other Precast Products:* Among our other precast products, we offer rail products, concrete floors, box culverts, bridges, drainage basins, barriers, and parking curbs. In selected markets, we further complement our commercial offer with admixtures, gypsum, and cementitious materials such as fly ash and blast furnace slag.

### ***Building Solutions***

We help build the homes people live in, the roads that connect them, and the infrastructure that makes their cities vibrant. With over a century of experience delivering tailor-made building solutions, we work with our customers around the world to build sustainable structures that will thrive today and well into the future.

*Housing:* We integrate our cutting-edge design, building materials, and construction systems into flexible and replicable housing solutions for our clients and communities across the globe.

*Paving:* As the world's leader in concrete-based pavement solutions, we help connect cities and their surrounding communities through safer, more durable, and energy-efficient highways, mass transit systems, airport runways, rural roadways, and city streets.

*Green Building Consultancy:* We are focused on delivering sustainable building solutions to the increasingly complex needs of a society with limited natural resources.

*Services*

We continuously communicate and interact with our customers to identify and implement effective ways to meet their toughest challenges. We recognize that customer loyalty happens by design, not by chance. To better serve our customers, we not only need to have a clear understanding of what they need, but also the means and passion to fulfill those needs.

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In each market and locality in which we operate, we do our best to provide our customers with the most compelling integrated building solutions. For example, to solve infrastructure needs in major cities, we not only provide ready-mix concrete, but we also design the project, define the best technical solution, offer different financial schemes and execute the project in collaboration with local builders. Similarly, we work alongside our neighbors in small, less-affluent communities to help them solve their housing needs and pave their streets and sidewalks.

The following are examples of the different services offered to our customers throughout our operations, all of which services are provided in substantially all our operations and may vary from location to location:

*24/7 LOAD®*: Our delivery service offers customers the ease of receiving products mostly whenever they need them, allowing our customers to optimize their project schedules according to their specific needs.

*ATM-like Bulk Cement Dispatch System*: This service offers our customers greater flexibility and efficiency. It enables them to get cement at their convenience, shortening their logistics schedules by minimizing loading and unloading times and also cutting back on more traditional transactional practices.

*Construrama®*: We partner with our cement distribution network to offer customers an extensive range of brand-name products at competitive prices. Our retailers also receive integral training to better manage all aspects of their business, including inventory management, product promotion, salesforce programs, product-delivery and sourcing logistics.

*Customer-oriented Educational and Training Services*: In several of the countries where we operate, customers can receive training on specific topics related to the use of building materials. By sharing knowledge and best practices, our educational and training services guide and teach our customers. Topics range from teaching customers about the characteristics and uses of white cement, to showing retailers how to improve their inventory management and increase their sales.

*Construction Financing Services*: Most of our customers can receive financing on certain projects and product purchases through various innovative financing programs that vary from country to country. For example, since 1998, our United Nations award-winning low-income housing program, *Patrimonio Hoy*, has assisted more than 587,000 families with affordable services and building materials through financing mechanisms and technical assistance. Additionally, in certain countries where we operate, such as Mexico, we offer turn-key solutions for developers and partner with governments and local authorities to identify, coordinate, and develop public infrastructure projects.

*Mobile Solutions*: Through automated messages sent via short message services (SMS), most of our customers can be notified each time an order of cement or ready-mix concrete is ready for delivery. This free-of-charge service keeps our customers well informed of their specific project logistics. Most of our customers can also receive information about their pending invoice payments.

*Multiproducts*: We offer our customers in most of the countries in which we operate a one-stop shopping experience by providing them with a full array of complementary construction-related supplies through our retail stores from plumbing and electrical supplies to paint, lumber, and lighting fixtures.

*Online Services*: Most of our customers have all day online access to information, from account balances to new products and services releases through online services such as CEMEX Go, CEMEX Connect, CEMEX One, eSelling, CEMEXNet and Commercial Portal. Our customers can place online cement orders, and in some countries, they are able to review their order status at any time during the day or night. The online service is also an open communication channel to receive feedback from our customers.

*Service Centers:* We offer a one-stop contact call center where customers can manage their business and find fast, reliable service, place orders, make inquiries, review order status, or request technical assistance, all in one single call.

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*Smart Silo®*: We work together with our customers, so they always have the appropriate quantity of cement in their silos. Through 24-hour monitoring of our customers' silos' cement stock levels, our SmartSilo® technology allows us to anticipate and respond to their product replenishment needs ahead of time.

*Technical Support*: We look to provide our customers with top-level technical assistance through our state-of-the-art equipment and our highly professional, well-trained technical services staff. We look to take extra efforts and provide value above and beyond fulfilling our customers' need for cement, aggregates, ready-mix concrete, and related products such as mortar.

### ***Description of our Raw Materials Reserves***

We are a leading global provider of building materials, including cement, ready-mix concrete and aggregates. Our cement production process begins with the mining and crushing of limestone and clay, and, in some instances, other raw materials. We have access to limestone and clay quarries near most of our cement plant sites worldwide since these minerals are the main raw materials in the cement production process.

In addition, we are one of the world's largest suppliers of aggregates, primarily hard rock, sand and gravel, obtained from quarries, to be used in ready-mix concrete and other concrete-based products such as blocks and pipes.

Customers use our aggregates for a wide array of purposes, from a key component in the construction and maintenance of highways, walkways, and railways to an indispensable ingredient in concrete, asphalt and mortar. Aggregates can be used in their natural state or crushed into smaller size pieces.

The types of mine mostly used to extract raw materials for aggregates and cement production, are open pit or open cut, which relate to deposits of economically useful minerals or rocks that are found near the land surface. Open-pit mines that produce raw material for our industry are commonly referred to as quarries. Open-pit mines are typically enlarged until either the mineral resource is exhausted, or an increasing ratio of overburden to exploitable material makes further mining uneconomic. In some cases, we also extract raw materials by dredging underwater deposits.

Raw materials for our own cement production processes are obtained mainly from our own sources. However, we may cover our aggregates and other raw material needs through supply from third-parties. For the year ended December 31, 2018, approximately 19% of our total raw material needs were supplied by third-parties.

Reserves are considered as proven when all legal and environmental conditions have been met and permits have been granted. Proven reserves are those for which (i) the quantity is computed from dimensions revealed by drill data, together with other direct and measurable observations such as outcrops, trenches and quarry faces and (ii) the grade and/or quality are computed from the results of detailed sampling; and the sampling and measurement data are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Probable reserves are those for which quantity and grade and/or quality are computed from information similar to that used from proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Our reserve estimates are prepared by CEMEX's engineers and geologists and are subject to annual review by our corporate staff jointly with the regional technical managers associated with our business units. In specific circumstances we have used the services of third-party geologists and/or engineers to validate our own estimates. Over the three-year period ended December 31, 2018, we have employed third-parties to review (i) our cement raw materials reserves estimates in Mexico, Colombia, Nicaragua, Costa Rica, the United Kingdom, Germany, Latvia and

Spain, and (ii) our aggregates reserves estimates in France, Poland, the Czech Republic, the United Kingdom, Germany and Mexico.



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Reserves determination incorporates only materials meeting specific quality requirements. For aggregates used in ready-mix concrete, such requirements are based on hardness, shape and size. For cement raw materials (mainly limestone and clay), such requirements are based on a chemical composition that matches the quality demanded by the production process. In the case of cement raw materials, since chemical composition varies from production sites and even within the same site, we conduct geostatistical chemical tests and determine the best blending proportions to meet production quality criteria and to try to maintain an extraction ratio close to 100% of the reported reserves for such materials.

The main equipment utilized in our production sites is as follows:

In our cement facilities: drills, crushers, kilns, coolers, mills, packing/loading machines, pay loaders, excavators, off-road trucks and other material handling equipment.

In our ready-mix concrete facilities: batch plants, silos and mobile equipment and mixer trucks.

In our aggregates facilities: drills, crushers, screens, belt conveyors, pay loaders, excavators, trucks and other material handling equipment.

We believe that our facilities are generally in good condition, adequate for efficient operations.

During 2018, our total quarry material production was approximately 184.6 million tons, of which approximately 56% was used for our own consumption to produce cement, ready-mix concrete and/or other products which are later sold to the public and the remaining 44% was directly sold to customers.

Our estimates distinguish between owned and leased reserves, the latter being determined over the term of the lease contract, and including only those permitted reserves which are proven and probable. As of December 31, 2018, the total surface of property in our quarries operations (including cement raw materials quarries and aggregates quarries), was approximately 95,133 hectares, of which approximately 76% was owned by us and approximately 24% was managed through lease or similar contracts.

As of December 31, 2018, we operated 181 cement raw materials quarries across our global operations, serving our facilities dedicated to cement production, which are located at or near the cement plant facilities. We estimate that our proven and probable cement raw material reserves, on a consolidated basis, have an average remaining life of approximately 83 years, assuming 2014-2018 average annual cement production (last five years average production).

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The table set forth below presents our total permitted proven and probable cement raw materials reserves by geographic segment and material type extracted or produced in our cement raw materials quarries operations.

Location	Mineral	Number of quarries	Property Surface (hectares)		Reserves (Million tons)			Years to depletion	2018 Annualized Production	5 years aver. Annualized Production Use	
			Owned	Leased	Proven	Probable	Total			Production	Production
<b>Mexico</b> <sup>(1)</sup>	Limestone	18	9,771	48	1,202	1,632	2,834	135	21.8	21.0	86%
	Clay	15	8,912		158	148	306	88	3.3	3.5	100%
	Others	15	1,729	150	8	22	30	99	0.3	0.3	100%
<b>United States</b> <sup>(2)</sup>	Limestone	14	18,787	91	509	48	557	43	13.1	12.9	100%
	Clay	3	144	39	20	13	33	75	0.4	0.4	100%
	Others	2	30			3	3	82	0.1		100%
<b>Europe</b>											
United Kingdom	Limestone	3	431	107	55	59	114	47	6.2	2.4	100%
	Clay	2	108	107	7	20	27	21	1.3	1.3	100%
Germany	Limestone	1	298		8	88	96	38	2.5	2.5	100%
Spain	Limestone	12	726	117	293	131	424	82	4.6	5.2	100%
	Clay	6	64	30	18		18	32	0.4	0.4	96%
	Others	3	102	12	1	14	15	314	0.1	0.1	0%
Poland	Limestone	2	288		127	84	211	71	3.1	2.9	96%
Rest of Europe	Limestone	4	745	50	62	183	245	54	4.3	4.6	97%
	Clay	1	70		9	2	11	45	0.3	0.3	100%
	Others	1	4	5				60			100%
<b>SCA&amp;C</b>											
Colombia	Limestone	13	3,026	1,751	47	216	263	67	3.7	4.0	100%
	Clay	3	183	250		13	13	293 <sup>(4)</sup>			100%
	Others	1	86	52		2	2	11	0.1	0.2	100%
Panama	Limestone	3	110		31	49	80	33	2.0	2.4	100%
	Clay	2	179			15	15	50	0.3	0.3	100%
Costa Rica	Limestone	1	48		36		36	37	0.9	1.0	99%
	Clay	2	94	60	4	6	10	43	0.2	0.2	100%
	Others	1	27		5		5	200			100%
Caribbean TCL	Limestone	3	125	40	1	244	245	115	1.9	2.1	90%
	Clay	2	135		1	16	17	96	0.2	0.2	100%
	Others	2	7					2	0.1	0.1	100%
Rest of South, Central America and the Caribbean											
	Limestone	15	682	211	316	395	711	242	2.1	2.9	92%
	Clay	2	242		21	30	51	971		0.1	100%
	Others	5		1,566	11	50	61	424	0.1	0.1	90%
<b>Asia, Middle East and Africa</b>											
Philippines <sup>(3)</sup>	Limestone	7	255		76	140	216	38	4.5	5.7	100%
	Clay	3	37			2	2	13	0.2	0.2	0%

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	Others	5	76	9	6	3	9	11	0.4	0.7	0%
Egypt	Limestone	2		203	281		281	56	4.5	5.0	100%
	Clay	3		404	76		76	60	1.1	1.3	100%
	Others	4		26	2		2	31		0.1	100%
<b>CEMEX</b>											
<b>Consolidated</b>	<b>Limestone</b>	<b>98</b>	<b>35,292</b>	<b>2,618</b>	<b>3,044</b>	<b>3,269</b>	<b>6,313</b>	<b>85</b>	<b>75.2</b>	<b>74.6</b>	<b>95%</b>
	<b>Clay</b>	<b>44</b>	<b>10,168</b>	<b>890</b>	<b>314</b>	<b>265</b>	<b>579</b>	<b>70</b>	<b>7.7</b>	<b>8.2</b>	<b>97%</b>
	<b>Others</b>	<b>39</b>	<b>2,061</b>	<b>1,820</b>	<b>33</b>	<b>94</b>	<b>127</b>	<b>75</b>	<b>1.2</b>	<b>1.6</b>	<b>63%</b>
	<b>Totals</b>	<b>181</b>	<b>47,521</b>	<b>5,328</b>	<b>3,391</b>	<b>3,628</b>	<b>7,019</b>	<b>83</b>	<b>84.1</b>	<b>84.4</b>	

- (1) Our cement raw materials operations in Mexico include three limestone quarries that also produce hard rock aggregates.

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- (2) Our cement raw materials operations in the U.S. include one limestone quarry that also produces hard rock aggregates.
- (3) Although we consolidate CHP into our consolidated financial statements under IFRS, we do not control the raw materials used in our operations in the Philippines. Such raw materials are primarily supplied by APO Land & Quarry Corporation ( ALQC ) and Island Quarry and Aggregates Corporation ( IQAC ). ALQC is wholly owned by Impact Assets Corporation, which is a corporation in which we own a 40% equity interest. IQAC is wholly owned by Albatross Holdings, which is a corporation in which we own a 40% equity interest.
- (4) Not considering Maceo Plant (as defined below) annualized production.

As of December 31, 2018, we operated approximately 297 aggregates quarries across our global operations, mostly dedicated to serving our ready-mix concrete and aggregates businesses. We estimate that our proven and probable aggregates reserves, on a consolidated basis, have an average remaining life of 45 years, assuming 2014-2018 average production (last five years average aggregates production).

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The table set forth below presents our total permitted proven and probable aggregates reserves by geographic segment and material type extracted or produced in our aggregates quarries operations. We note that the locations of our aggregates reserves differ from those of our cement reserves.

Location	Mineral	Number of quarries	Property Surface (hectares)		Reserves (Million tons)			Years to depletion	2018 Annualized Production	5 years aver. Annualized Production	Own Use
			Owned	Leased	Proven	Probable	Total				
<b>Mexico</b>	Hardrock	13	1,395	155	256	272	528	45	12.4	11.8	60%
<b>United States</b>	Hardrock	18	8,813	1,250	680	412	1,092	48	25.1	22.8	15%
	Sand & Gravel	48	4,775	4,408	335	134	469	29	18.9	16.2	25%
	Others	2	163	88	1		1	3	0.3	0.3	0%
<b>Europe</b>											
United Kingdom	Hardrock	20	530	979	440	58	498	45	11.4	11.1	29%
	Sand & Gravel	51	2,693	1,357	56	87	143	20	6.2	7.1	20%
France	Hardrock	14	136	496	112	7	119	30	3.7	4.0	11%
	Sand & Gravel	33	1,012	1,486	144	23	167	29	6.1	5.8	8%
Germany	Hardrock	2	26	235	25	18	43	29	1.7	1.5	33%
	Sand & Gravel	21	1,648	466	45	79	124	17	8.3	7.4	35%
Spain	Hardrock	14	466	181	212	180	392	506	1.0	0.8	91%
	Sand & Gravel	2	402	110	46		46	426	0.8	0.1	21%
Poland	Hardrock	2	11	42	5	22	27	45	0.4	0.6	2%
	Sand & Gravel	4	324	207	8	12	20	5	2.0	4.1	22%
Rest of Europe	Hardrock	8	481	91	43	59	102	45	2.1	2.3	35%
	Sand & Gravel	18	368	206	23	17	40	11	2.5	3.6	40%
	Others	1	70		9	4	13	54	0.3	0.3	100%
<b>SCA&amp;C</b>											
Colombia	Hardrock	3	373		16	1	17	331		0.1	67%
	Sand & Gravel	6	609		14	9	23	31	0.3	0.7	67%
Panama	Hardrock	2	31	20	5	12	17	24		0.7	32%
<b>Rest of South, Central America and the Caribbean</b>											
	Hardrock	2	150	5,930	23	1,004	1,027	1,879	0.6	0.5	75%
	Sand & Gravel	5		1		2	2	12		0.2	50%

**Asia, Middle****East and Africa**

Philippines <sup>(1)</sup>	Hardrock	2	77	25	151		151	256	0.5	0.6	15%
Rest of Asia	Hardrock	5			70	14	84	7	13.1	11.3	68%
	Sand & Gravel	1			1		1	8	0.1	0.1	81%

**CEMEX**

<b>Consolidated</b>	<b>Hardrock</b>	<b>105</b>	<b>12,489</b>	<b>9,404</b>	<b>2,038</b>	<b>2,059</b>	<b>4,097</b>	<b>60</b>	<b>72.0</b>	<b>68.1</b>	<b>37%</b>
	<b>Sand &amp; Gravel</b>	<b>189</b>	<b>11,831</b>	<b>8,241</b>	<b>672</b>	<b>363</b>	<b>1,035</b>	<b>23</b>	<b>45.2</b>	<b>45.3</b>	<b>25%</b>
	<b>Others</b>	<b>3</b>	<b>233</b>	<b>88</b>	<b>10</b>	<b>4</b>	<b>14</b>	<b>28</b>	<b>0.6</b>	<b>0.6</b>	<b>48%</b>
	<b>Totals</b>	<b>297</b>	<b>24,553</b>	<b>17,733</b>	<b>2,720</b>	<b>2,426</b>	<b>5,146</b>	<b>45</b>	<b>117.8</b>	<b>114.0</b>	

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- (1) Although we consolidate CHP into our consolidated financial statements under IFRS, we do not control the raw materials used in our operations in the Philippines. Such raw materials are primarily supplied by ALQC and IQAC. ALQC is wholly owned by Impact Assets Corporation, which is a corporation in which we own a 40% equity interest. IQAC is wholly owned by Albatross Holdings, which is a corporation in which we own a 40% equity interest.

**Our Vision**

CEMEX has a general vision and value creation model comprised of the following six elements: (i) purpose, (ii) mission, (iii) values, (iv) strategic pillars, (v) operating model and (vi) stakeholders.

**PURPOSE.** We expect to build a better future for our employees, our customers, our shareholders, our suppliers and the communities where we live and work.

**MISSION.** We intend to create sustainable value by providing industry-leading products and solutions to satisfy the construction needs of our customers around the world.

**VALUES.** We intend to: (i) protect the safety of all our employees by being accountable to each other for our actions and behaviors and trying to be an industry leader by example; (ii) focus on our customers by aligning ourselves closely with their business and their needs and, following through with our commitments, resolving problems quickly and making it easy to do business with us; (iii) pursue excellence in all aspects of our business and interactions with customers by challenging ourselves to constantly improve and build upon our strong reputation around the world for quality and reliability; (iv) work as one CEMEX by leveraging our collective strength and global knowledge to share best practices, replicate good ideas and collaborate across boundaries; and (v) act with integrity by remaining honest and transparent in all our interactions, complying with our code of ethics, and caring for our people, communities and natural resources.

**STRATEGIC PILLARS.** To achieve our mission, our strategy is to create value by building and managing a global portfolio of integrated cement, ready-mix concrete, aggregates and related businesses. The four pillars that underpin our strategy are (i) valuing our people as our main competitive advantage and primary asset, (ii) helping our customers succeed, (iii) pursuing markets that offer long-term profitability, and (iv) looking to have sustainability fully embedded in our business.

To aid our strategy, in 2018, we embarked on our strategic plan to build *A Stronger CEMEX*. This transformational plan is designed to fortify CEMEX's position as a leading global heavy building materials company, accelerate our path to investment grade, enhance CEMEX, S.A.B. de C.V.'s total shareholder return and generate long-term value for all of our stakeholders. Specifically, we believe that through this strategic plan, we can rebalance and streamline our existing portfolio in order to better position ourselves to deliver higher growth and greater stakeholder value over the mid-to-long-term by divesting between U.S.\$1.5 billion and U.S.\$2 billion in assets by 2020; achieve recurring operational improvements in our operations of U.S.\$230 million by 2020; accelerate our path to investment grade by further deleveraging CEMEX by reducing our debt by U.S.\$3.5 billion between the launch of the *A Stronger CEMEX* plan and 2020; and, subject to the required approvals from CEMEX, S.A.B. de C.V.'s general ordinary shareholders meeting in each corresponding year, to return value to CEMEX, S.A.B. de C.V.'s shareholders through dividends and stock repurchase programs.

*We value our people as our main competitive advantage*

We aspire to hire top-class employees, and our team's health, safety and professional growth are top priorities. We plan to develop leaders and encourage them to create new ways of thinking and acting, while at the same time being diligent in assessing risks and opportunities. We look to foster an open dialogue in our interactions to align and achieve greater results.



**Table of Contents***Placing Health and Safety First.*

Health and Safety ( H&S ) remains one of our top values and priorities. We are working towards developing a culture within which everyone in our organization embraces H&S. We believe that the health and safety of our employees, contractors and the people we interact with in our local communities on a day-to-day basis is of the utmost importance.

To help us meet our goals, four core principles guide our decisions and actions: (i) nothing comes before the health and safety of our employees, contractors, and communities; (ii) making health and safety a moral responsibility per employee by looking after ourselves and each other; (iii) looking to create safe workplaces; and (iv) maintaining accountability for health and safety practices.

We are constantly working towards our ultimate target of zero injuries worldwide, evidenced by our Zero4Life objective. In 2018, the total number of Lost Time Injuries ( LTI ) was reduced by 20% and Total Recordable Injuries ( TRI ) were reduced by 26%, when compared to 2017. Our employee LTI frequency rate was held at the low level of 0.5 and we believe we are on track to reach our goal of reducing such rate to 0.3 or less by 2020. In addition, in 2018, we recorded our lowest employee TRI frequency rate, reaching 2.4, compared to 3.4 in 2017. We also reduced our employee sickness absence rate by 6%. We are also encouraged by the fact that 96% of CEMEX 's operations experienced no fatalities or LTIs in 2018.

In 2018, the number of fatal occurrences at our operations was reduced by 35% and there were zero employee fatalities. However, there were five contractor fatalities, three of which occurred off-site and two that occurred at our facilities, as well as eight that occurred during transportation activities involving third parties and contractors.

Most of the fatalities were due to incidents involving moving vehicles. In an effort aimed at eliminating those types of incidents, we continue to invest in technology and training programs that aim to encourage our employees and contractors to use the appropriate driving techniques to take care of themselves and other vulnerable road users. For example, our Global Supply Chain Health & Safety track has helped to further embed our Vulnerable Road Users program as well as support the roll out of a communication campaign focused on contract drivers. We will continue to work hard and drive forward with our initiatives so that all of our employees and contractors understand the importance of and become integral to our H&S culture.

The following table sets forth our performance indicators with respect to safety by geographic location for the year ended December 31, 2018:

	Mexico	United States	Europe	SCA&C	Asia, Middle East and Africa	Total CEMEX
Total fatalities, employees, contractors and other third parties (#)	4		4	2	3	13
Fatalities employees (#)						
Fatality rate employees <sup>(1)</sup>						
Lost-Time injuries (LTI), employees (#)	9	16	12	8	3	49
Lost-Time injuries (LTI), contractors (#)	12	11	8	9	3	46

Lost-Time injury (LTI) frequency rate, employees per million hours worked	0.4	0.8	0.6	0.5	0.4	0.5
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(1) Incidents per 10,000 people in a year.

At CEMEX, health and safety training is a key part of our strategy to reach our Zero4Life goal. We look for all our employees to have the correct knowledge, skills and experience to perform their jobs in a safe manner. As part of our manager-training program, executives and supervisors must complete our Health and Safety Academy, which is designed to enhance the leadership skills of our line managers and supervisors and so that H&S is our top priority

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across our organization for our production plants and our corporate offices. The Health and Safety Academy was launched in 2016 with the Foundation module, which prepares our line managers to lead by example and play a fundamental role in ensuring safety throughout our operations. Our Module 2, which was launched in 2017 and rolled out further in 2018, enables our line managers to apply and use the 14 tools of our H&S Management System (HSMS) to support our Zero4Life objective in their operations. Since we launched the Health and Safety Academy and as of December 31, 2018, 7,816 line managers have been through our Foundation module and so far, 4,718 line managers have participated in our Module 2. In 2018, we also launched Module 3, which is aimed at enhancing proficiency in key H&S topics. During 2019, we expect that each region will be able to start deploying this new module. Additionally, we continued to provide a wide range of training to our front-line workers in various topics, including safe driving, machinery isolation, emergency management, and occupational health and wellbeing.

Furthermore, we have continued to support our global networks with respect to H&S. We have a dedicated H&S track that sits within each network to promote working together through a coordinated, consistent and collaborative approach to reach our goal of zero injuries: (i) the H&S Functional Network; (ii) the Global H&S Council; (iii) six global network H&S tracks; and (iv) a Global Health Forum.

Across our operations, we continue to enhance our health practices and reduce our safety risks to strengthen our H&S objective. During 2018, throughout our Global Network H&S tracks, we implemented diverse initiatives that support our Zero4Life commitment. For example, the Global Cement group provided a way to support ongoing improvements with Management of Change, the Aggregates team maintained their focus on fully implementing minimum safety features in mobile equipment in all global operations and the Ready-Mix Concrete team progressed further with a rigorous approach towards safety checklists and driver training.

Supported by our Global Health Forum specialist team, we also remain focused on the occupational health and well-being of our employees. In 2018, we continued to provide health checks, further promoted our CEMEX Health Essentials and better defined a health recognition program for our operations. In some countries where we have operations, we organized a range of health activities and events to help raise awareness and to encourage healthy habits. Some examples of specific initiatives include our operations in the United States, where they rolled-out a program for employees to stop smoking; our operations in Panama, where they held healthy-eating campaigns and fitness workshops; and our operations in Egypt, where they invested in improvements to certain machinery to lower noise exposure levels to help prevent potential harm.

In addition to the local assessment and approval of programs with contractors that we have in substantially all of the countries in which we operate, we are also implementing third-party verification to help us validate the Health and Safety credentials of contractors we may potentially engage, including major contractors. In 2018, we created a target to approve at least 80% of the spending value with such contractors. As of December 31, 2018, we have accomplished verification of 61% of such contractors, which represents 4,733 of the major contractors that access our operation facilities.

*Attracting and Retaining Talent.* We aim to offer programs, benefits, and a work environment that are designed to attract and retain talented employees. Our approach to talent management is founded on three pillars: (i) employ the right people, in the right place, at the right time to perform the right job to achieve our strategy; (ii) enable a high-performing and rewarding culture to deliver sustainable business value in a safe, ethical workplace; and (iii) build and develop our workforce capabilities to confront challenges and pursue excellence.

As we transform and look to expand, one of our main objectives is to develop people with the potential to fill key leadership positions, increasing their experience and capabilities with the intention of having them succeed in increasingly challenging roles. Through this process, we work to improve our employees' commitment to us by

helping them meet their own career development expectations and preparing them for key roles as they face critical challenges in their professional development. Our succession management process enables us to build a talented pool of leaders with the skills and understanding of our business fundamentals to

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continue our pursuit of reaching our goals. Through ongoing training and development opportunities, our employees are taught new skills and their expertise is deepened in several critical areas, including H&S, customer-centric capabilities, environmental conservation and awareness, leadership development and stakeholder engagement.

We look to foster a dynamic, high-performance environment where open dialogue is encouraged and rewarded. Apart from competitive compensation, more than 80% of our global workforce receives health and life insurance benefits beyond those required by local law in their respective countries. Approximately half of our global workforce receives retirement provision benefits above local requirements and more than 60% of our operations receive additional funds for disability and invalidity coverage beyond what is required by local laws in their respective countries.

In 2017, we began to integrate our current institutional academies, which include our Commercial, Health & Safety, Supply Chain, and Culture & Values academies, under the concept of CEMEX University. CEMEX University aims to develop a digital continuous learning ecosystem for our employees and respond to our multi-region, multi-business learning needs. CEMEX University leverages traditional in-person training with new digital learning platforms to embed a growth mindset throughout our organization and fulfill our employees' potential.

In April 2018, CEMEX, S.A.B. de C.V.'s Chief Executive Officer approved our Human Rights Policy, applicable to all CEMEX employees, directors and officers, which states that, among other things, CEMEX looks to provide a workplace that is free from harassment and discrimination on the basis of race, gender, national origin, sexual orientation, disability, membership to any political, religious or union organization and offering them equal opportunities for training, personal development, individual recognition and promotion on the basis of merit. Employees who believe that there may have been a violation of the principles laid down in our Human Rights Policy can report it through various channels, including local Human Resources departments, Ethics Committees and our secured ETHOS line internet website. Community members, contractors and suppliers are also encouraged to submit a report through the ETHOS line if they believe there may have been a violation of our Human Rights Policy or any other guideline as stated in our recently updated Code of Ethics and Business Conduct.

### ***Helping our customers succeed***

We aim to place our customers at the center of everything we do. Our customers deal with important challenges daily and we aim to invest time in our relationships and listen closely to understand their needs. We achieve this by delivering quality products, innovative solutions and a superior customer experience driven by digital transformation.

#### ***Delivering A Superior Customer Experience.***

Our Customer Centricity Global Network has implemented various initiatives to place our customer at the center of everything we do. Additionally, through the creation of CEMEX Ventures, we are developing new sources of possible revenue by developing ideas that we expect will revolutionize our industry through the use of technology. Among these efforts, CEMEX Go is at the center of our transformation.

We want our customers to view us as reliable, easy to work with, innovative, expert and professional. We have organized our company and redesigned a considerable amount of our processes in an effort to create a positive experience for our customers.

Through our Commercial Academy and related initiatives, we are reinforcing our focus on customers as a core organizational value and priority that meets both our customers' and our need for growth and profitability. To date, we have delivered approximately 5,700 training sessions to our professionals, reaching approximately



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2,000 employees worldwide. Additionally, we enjoy a wide reach in most of the markets where we operate, with what we believe to be the facilities and logistical capabilities to serve our customers accurately, consistently and rapidly.

Moreover, we are strategically expanding our manufacturing and distribution capabilities to serve our customers and communities demand for high-quality public infrastructure, commercial buildings and housing projects more efficiently, effectively, and reliably. For example, in 2017, we successfully acquired and consolidated a majority stake in TCL. As one of the leading producers and distributors of cement and ready-mix concrete products in the Caribbean, TCL and its subsidiaries bolster our regional operations and trading network, enabling us to deliver a strong experience for our new and existing customers in the area.

*Digital Transformation.* Beyond changing the way we operate internally, we are leveraging digital technologies to transform our customers experience with CEMEX. We are embracing digital technologies to both streamline and simplify the way our customers engage with us and enhance how we operate. To this end, we launched a digital transformation strategy during 2016.

Over the past few years, we developed and implemented several digital solutions that are being used by our customers. Specifically, in November 2016, we announced a partnership with International Business Machines Corporation ( IBM ) and Neoris, Inc., one of our subsidiaries, to develop digital solutions to help us transform how we interact with customers. Following the initial deployment, we are continuously updating and adding capabilities to continually improve functionality and to stay ahead of our customers expectations.

We intend to transform the global building materials industry with CEMEX Go, an innovative, fully digital customer integration platform. CEMEX Go is a multi-device offering that provides a seamless experience for order placement, live tracking of shipments, and managing invoices and payments for our main products.

During 2017, we started the rollout of CEMEX Go in the United States and Mexico. During 2018, CEMEX Go was deployed in Colombia, France, Costa Rica, Panama, Nicaragua, El Salvador, Spain, the Dominican Republic, Puerto Rico, Guatemala, Peru, Poland, Philippines, the Czech Republic, Egypt and UAE. As of February 28, 2019, its deployment was completed in Germany, the United Kingdom and Israel, and its deployment throughout most other countries in which we do business is pending.

As of February 28, 2019, CEMEX Go had approximately 30,000 users across the countries in which we do business, and through it we received approximately 45% of our main products orders.

Led by our Global R&D in Switzerland, our team of experts works in close collaboration with our customers to offer them unique, integrated and cost-effective solutions that aim to fulfill their specific performance requirements, including a growing portfolio of value-added brands. In order to provide the same offering in all of our operations, our salesforce is continually informed and trained on value-added brands, with material shared by our Global R&D through our internal Global Networks. Another initiative is to begin integrating Building Information Modeling (BIM) technology into our interaction with customers, providing them with an overview of their projects and how our products can be incorporated.

Technologies developed by our Global R&D are protected by more than 50 international patent families, covering new cements, cementitious materials, concrete mix designs, admixtures formulations and construction systems.

Together with members of our Aggregates Global Network, our Global R&D supported the design, creation and launch of our new value-added aggregates brand: *Neogem*. These products are specialized high-quality aggregates, whose intrinsic properties meet the essential needs of five market sectors Agricultural, Environmental, Industrial,

Landscaping and Sports. Neogem covers an extensive range of premium minerals that can add value to our customers projects through particular functional or aesthetic features. Neogem products are innovative, carefully selected and tailor-made solutions that go beyond commonly known building materials.



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*Providing Superior and Sustainable Products, Solutions and Services.* We aim to move from being a product-selling company to a comprehensive solutions provider.

As the only global building materials company with its own concrete admixtures business, we are able to design and develop novel, tailor-made concrete technologies with our proprietary chemicals. Moreover, our experts in fields such as geology, chemistry, materials science and various other engineering disciplines work alongside behavioral scientists, cultural anthropologists and commercial strategists to anticipate and understand society's trends to create innovative, sustainable construction solutions that seek to satisfy our customers' current and future needs, while truly challenging the current state of the art. Among other benefits, our concrete solutions help improve land use, increase water and energy efficiency, mitigate noise pollution and lower buildings' carbon footprint.

### ***Pursue markets that offer long-term profitability***

We look to operate in markets where we can add value for our employees, our customers and CEMEX, S.A.B. de C.V.'s shareholders. We intend to focus on those markets that offer long-term profitability. We may venture beyond these core businesses when it is essential to better market our products. We believe that a geographically diverse portfolio of assets provides us with the opportunity for significant value creation through profitable organic growth over the medium-to-long-term. Consequently, we intend to be selective and strategic about where we operate. We believe our business portfolio should be particularly focused on geographies that combine strong fundamentals, ranging from economic growth potential to per-capita cement consumption, population growth, degree of urban development and political stability.

As of the date of this annual report, as part of our 'A Stronger CEMEX' plan, we are undertaking actions that are designed to streamline and reposition our portfolio in order to enhance our diversification and achieve higher profitable growth. As such, we expect to optimize our portfolio by focusing on the markets we believe offer long-term growth potential and retaining those assets that we believe are best suited to grow, offering us long-term profitability. While these actions are being undertaken, we could continue to complement our 'A Stronger CEMEX' plan with organic investments using a metropolis-centric approach leveraging our related businesses and digital strategy.

Furthermore, leveraging our global presence and extensive operations worldwide, we intend to continue focusing on our core cement, aggregates, ready-mix concrete and related businesses. By managing our core operations as one vertically integrated business, we not only capture a significant portion of the cement value chain, but we believe we also create value for our customers by offering comprehensive building solutions. Historically, this strategic focus has enabled us to grow our existing businesses, particularly in high-growth markets and with specialized, high-margin products.

*Complementary Businesses.* We participate selectively in complementary businesses, including, but not limited to, the development of alternative and renewable sources of energy, concrete pavement solutions, housing, prefabricated concrete products, asphalt and admixtures, among other. We believe such projects allow us to provide valuable services to our customers, grow our core markets, develop our competitive advantage and improve our overall performance.

*New Businesses Enabled by Digital Technologies.* During 2017, we launched our open innovation and corporate venture capital unit, CEMEX Ventures, which focuses on engaging startups, entrepreneurs, universities, and other stakeholders expected to shape the construction ecosystem of tomorrow by tackling our industry's toughest challenges.

Leveraging our knowledge of the industry with new, leading edge technologies and platforms, CEMEX Ventures is developing opportunities in key focus areas outside of our core business, including urban development, connectivity

improvements across the construction value chain, and new construction trends and technologies, while developing new project finance resources.

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CEMEX Ventures' main role is to look for investment opportunities that go beyond our core business. It also aims to identify and assess emerging technologies to bring CEMEX new ideas and perceptions of the construction ecosystem. To this end, CEMEX Ventures allocates resources to search, incubate, and deploy innovative construction related opportunities and solutions.

During 2017, CEMEX Ventures analyzed more than 2,000 potential businesses, invested in three startups, and developed and engaged in six deep dives with CEMEX employees. CEMEX Ventures also held its Open Challenge, its first competition for startups, entrepreneurs, innovators, businesses and employees that are exploring new opportunities in any of its focus areas. Following its success, in 2018, CEMEX Ventures launched its Construction Startup Competition which aimed to find startups looking to lead the transformation of the construction industry and held its second startup competition for entrepreneurs, innovators, businesses and employees where more than 250 startups proposed solutions and business opportunities in key focus areas.

During 2018, CEMEX Ventures analyzed more than 1,500 potential businesses, invested in three additional startups, began incubating four new business proposals and published six new industry technology insight reports. CEMEX Ventures is preparing its Construction Startup Competition for 2019.

### ***Look to have sustainability fully embedded in our business***

Our sustainability efforts begin with CEMEX, S.A.B. de C.V.'s board of directors and are then facilitated across our entire organization. CEMEX, S.A.B. de C.V.'s Sustainability Committee is comprised of four members of CEMEX, S.A.B. de C.V.'s board of directors. The Sustainability Committee reports directly to CEMEX, S.A.B. de C.V.'s board of directors. The Sustainability Committee is supported by our Corporate Sustainability function, which reports to the Executive Vice President of Sustainability and Operations Development, who is also a member of our senior management. To help embed sustainability into our entire business strategy, we have coordinators representing each geographical region where we operate. In parallel, our Global Sustainability Functional Network works to implement our core sustainability initiatives across all of our operating regions and business lines.

*Improving Quality of Life and Well-being.* As a company that looks to make a progressive impact through its innovative services and solutions, our ability to operate as a responsible business is fundamental to our business model. This enables us to understand stakeholders' material issues, map social impacts, and identify risks and opportunities in order to create shared value for us and society.

Our high impact social strategy directly contributes to our vision of building a better future and aims to understand our stakeholders' expectations by managing our impacts and creating value and well-being through three strategic priorities: (i) co-designing and implementing socially impactful inclusive business models with customers and entrepreneurs; (ii) implementing sustainable community engagement plans intended to improve quality of life; and (iii) designing and co-creating responsible cross-functional practices within our operations and our value chain.

To achieve these three priorities, our aim is to continue improving the quality of life and well-being of our employees and our communities by considering economic, social, and environmental criteria and focusing on: (i) education and development capabilities; (ii) sustainable and resilient infrastructure and mobility; (iii) social and environmental entrepreneurship; and (iv) a culture of environmental protection and health.

Although our social projects focus on our core business expertise to create value and well-being, we believe that we are also causing positive impacts on other global challenges. Thus, consistent with our commitment to the United Nations Sustainable Development Goals, we measure our progress and contributions to some of these goals.

*Pursuing Excellence in Environmental Management.* We believe the pursuit of excellent environmental practices benefits sustainable growth. In addition to CEMEX, S.A.B. de C.V. board of directors Sustainability

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Committee, our Global Environmental Council, which is composed of our primary environmental executives responsible for each of our operating regions, shares new trends, proposals and best practices to identify, inform, and tackle key environmental management concerns.

We are committed to contribute to climate change mitigation and its consequences. For decades, as part of our carbon emissions reduction strategy, we have focused on using low-emission alternatives to traditional fossil fuels, decreasing our clinker factor, promoting clean energy and increasing energy efficiency across our operations. To this end, we have continuously sought to increase our use of low carbon alternative fuels, which represented 27.1% of our total fuel mix in 2018, and generated more than U.S.\$180 million in savings including CO<sub>2</sub> emissions avoided in carbon regulated markets.

As a result of our efforts, we reduced our net CO<sub>2</sub> emissions per ton of cementitious products by more than 21% compared to our 1990 baseline equivalent to the emissions generated by 1.4 million homes electric consumption in a year. We actively seek to develop new technologies to reduce our carbon footprint. Most notably, we are currently involved in six European research projects that aim to directly and indirectly reduce our carbon emissions. Furthermore, we explore alternatives to traditional clinker and cement chemistry that enable the production of less CO<sub>2</sub>-intensive cements.

To complement these technical measures, we participate in several forums and bilateral dialogues with key stakeholders. These activities are designed to disseminate knowledge about potential reduction measures in our sector and to promote a legislative framework that enables us to implement these measures. For example, these activities include our leading role in the Cement Sustainability Initiative, a cement sector project under the World Business Council for Sustainable Development, and the World Bank-led Carbon Pricing Leadership Coalition.

We have the expertise to responsibly source, process, store and recover energy from alternative fuels and we strongly believe that increasing co-processing residues from other sectors in our cement plants will further contribute to overcoming challenges such as climate change, waste management and fossil fuel depletion, while utilizing the principles of a circular economy.

Our key contribution to a circular economy is our transformation of waste streams from other sectors into valuable materials. To reduce most of the waste generated from our processes, we maximize our reuse of clinker kiln dust in our production loop, largely avoiding landfill disposal. To realize the financial and environmental benefits of waste, we monitor, minimize, reuse and recycle our waste, whenever possible.

In 2018, more than 90% of the waste generated by our production processes was recovered, reused or recycled. The remaining material was sent to disposal sites. Additionally, last year alone, we used more than 13 million tons of waste as fuel and alternative raw materials across our business lines. This is equivalent to the waste produced by almost 50 million people in one year.

*CEMEX Environmental Management System ( EMS ).* We use EMS to evaluate and facilitate consistent and complete implementation of risk-based environmental management tools across our operations. The EMS consists of key mechanisms for environmental impact assessment, stakeholder engagement and accident response based on input from a range of environmental and biodiversity specialists.

As of December 31, 2018, 90% of our operations had implemented either the EMS or equivalent programs. As we approach full implementation of our global EMS in 2020, our goal is for all CEMEX facilities to be 100% compliant with our internal environmental criteria.

The release of nitrogen oxides (NO<sub>x</sub>), sulfur compounds (SO<sub>x</sub>) and dust occurs during cement manufacturing. Other emissions, including dioxins, furans, volatile organic compounds and heavy metals, are released in very small or negligible quantities. To control our stack emissions and remain compliant with local and national regulations, we have steadily expanded emissions monitoring at our manufacturing operations even exceeding regulation requirements in many geographies.

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Through our internal EMS and more specifically through our Atmospheric Emissions Global Procedure, we monitor major emissions which assists us in looking to be in compliance with local regulation limits. To further improve upon these efforts, we have updated the minimum performance levels to fulfill annually for major emissions. In addition, we are working on establishing more stringent environmental standards for air emissions that will be based on EU Best Available Techniques.

In 2018, we invested U.S.\$83 million in sustainability related projects at our global operations, including projects to monitor and control our air emissions, increase our operations efficiency and mitigate our carbon footprint through alternative fuels and clinker substitution efforts.

*Our Environmental Incidents Management.* We consistently work to minimize our environmental impact, and we believe we are prepared to respond to any emergency that may pose a potential threat to our operations and local communities: (i) we work with our neighbors, law enforcement officials, public agencies, and other stakeholders to develop contingency plans at each of our sites; (ii) we created emergency response teams that are specifically trained to address environmental incidents and hold annual emergency drills; and (iii) we consistently record and report incidents at every level of our business to identify recurring root causes and to share corrective actions.

We have updated our Global Environmental Incident Reporting Tool to include social incidents, consolidating our holistic approach to the integral management of incidents. We believe that transparent and timely reporting is the first step to reducing the occurrence and severity of such events. Our efforts to strengthen a detailed documentation and analysis of environmental and social incidents led to the registration of two Category 1 events during 2018. Moreover, given our new reporting scope, our Category 2 incidents went from 37 in 2017 to 57 in 2018. Enhancing the CEMEX Environmental and Social Incidents Reporting Procedure has also allowed the circumstances of specific incidents to be registered in the context of their corrective action to allow a better follow-up and corresponding remediation.

*Preserving Land, Water and Biodiversity.* The preservation of land, biodiversity and water plays a key role in our long-term resource management strategy.

To protect water and enable our business to succeed, we are increasing our water efficiency and minimizing our water waste through the implementation of our Corporate Water Policy. This policy includes standardization of our water measurement based on the Water Protocol developed in coordination with the International Union for Conservation of Nature.

**OPERATING MODEL.** We aim to operate effectively and achieve the greatest possible value by leveraging our knowledge and scale to establish best practices and common practices worldwide. Our operating model consists of: (i) working with global networks to market our products and solutions; (ii) providing modern support functions and technology to clients and customers; (iii) ensuring clear and effective transactional functions at all levels of our business; and (iv) maintaining efficient governance controls.

**STAKEHOLDERS.** We value our: (i) employees by providing a great workplace that helps them build skills, expertise and a strong sense of purpose; (ii) clients by tailoring our offerings to solve their construction needs while making it easy for them to work with us and by providing enhanced performance and reliability; (iii) shareholders by focusing on maximizing revenue, reducing costs, optimizing assets and reducing risk; and (iv) community and suppliers by serving as an engine of economic growth, building more capable, inclusive and resilient communities and striving to reduce local air, water and waste impacts in an effort to conserve biodiversity.

*Environment and Biodiversity Partners.* We work closely with several partners to protect the environment and biodiversity of the countries in which we operate by engaging in fruitful partnerships with global, national and local

organizations. At a global level, we cooperate closely with UNESCO, Wild Foundation, Birdlife



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International, Wildlife Conservation Society, World Business Council for Sustainable Development, Wildlife Habitat Council, Conservation International and the International Union for Conservation of Nature. These projects have led to a series of conservation and nature books that have proved widely successful.

*Knowledge and Innovation Partners.* We often leverage the knowledge and expertise of thought partners from varied perspectives such as consulting, research institutions, universities and technology partners.

Some of the most relevant partners we collaborate or have collaborated with include Deloitte Consulting, McKinsey & Company, IBM, ExperiencePoint, MIT Center for Information Systems, MIT Sloan School of Management, Cambridge University-Cambridge Service Alliance, Harvard Business Publishing, Degreed, NovoEd, London School of Economics, Ecole Polytechnique Fédéral de Lausanne and Tec de Monterrey. These collaborations enable the design, development, curation and delivery of relevant learning experiences aligned with our strategic capabilities and emerging practices.

*Shared Value Partners.* Through collaboration in responsible business processes, we can achieve better results through the co-creation of value for society. Our more than 500 partnerships and strategic alliances worldwide have proven to be a key factor in successfully multiplying our positive impact on society and in the creation of sustainable communities.

These collaborative alliances have made possible joint projects, best practices documentation and pilots of socially innovative solutions throughout different lines of action: resiliency, environment, education, social integration, health, women's economic empowerment in the communities, development of employability capabilities for youth and people in vulnerable situations in the communities, inclusive businesses, affordable housing, volunteering and CEMEX Foundation activities.

### ***Regain our Investment Grade.***

We remain committed to regaining our investment grade and it is one of our top priorities. We believe our *A Stronger CEMEX* plan should allow us to make progress in reaching this goal, as we expect that we should be able to increase our free cash flow, which would enable us to further reduce our debt, invest in our business and potentially return value to our shareholders.

Based on our *A Stronger CEMEX* plan, we expect to reduce our debt by U.S.\$3.5 billion by the end of 2020 with the intent to regain our investment grade. If this is achieved, it would mean that we have reduced debt by more than U.S.\$10 billion since the end of 2013. We reduced our total debt by close to U.S.\$1 billion during 2018.

Our financial strategy is designed to strengthen our capital structure by: (i) reducing refinancing risks, mainly by reducing short-term maturities and extending average life of debt; (ii) lowering our financial costs, either using available free cash flow and divestments to reduce our liabilities and/or optimizing our funding sources by looking for opportunities to issue new securities while redeeming other securities with higher costs, as well as managing our interest rate mix between fixed and floating rates; and (iii) maintaining ample liquidity through the revolving credit facility under the 2017 Credit Agreement and access to short-term credit lines. We believe that our debt portfolio currency mix, mainly in Dollars and Euros, allow us to balance exposures to currency fluctuations in our most important markets while allowing for optimization of our funding costs. In addition, since 2017, we began to hedge CEMEX's net investment in Mexican Pesos through derivative instruments.

Also, we have been focusing, and expect to continue to focus, on optimizing our operations by looking