

CEMEX SAB DE CV
Form 20-F
June 16, 2011
Table of Contents

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, 2010

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
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

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(Translation of Registrant's name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, Garza García, Nuevo León, México 66265

(Address of principal executive offices)

Ramiro G. Villarreal Morales, (011-5281) 8888-8888, (011-5281) 8888-4399,

Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, Garza García, Nuevo León, México 66265

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

Table of Contents

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

Title of each class	Name of each exchange on which registered
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 Shares, or ADSs, each ADS representing ten CPOs.	New York Stock Exchange

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.

9,798,571,935 CPOs

20,043,602,184 Series A shares (including Series A shares underlying CPOs)

10,021,801,092 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 post such files). N/A

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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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

Table of Contents

TABLE OF CONTENTS

	Page
PART I	
Item 1 - <u>Identity of Directors, Senior Management and Advisors</u>	2
Item 2 - <u>Offer Statistics and Expected Timetable</u>	2
Item 3 - <u>Key Information</u>	2
<u>Summary of Our Recent Financial History</u>	2
<u>Risk Factors</u>	5
<u>Mexican Peso Exchange Rates</u>	24
<u>Selected Consolidated Financial Information</u>	25
Item 4 - <u>Information on the Company</u>	31
<u>Business Overview</u>	31
<u>Geographic Breakdown of Our 2010 Net Sales</u>	34
<u>Our Business Strategy</u>	35
<u>Our Products</u>	41
<u>User Base</u>	46
<u>Our Corporate Structure</u>	46
<u>North America</u>	48
<u>Europe</u>	57
<u>South America, Central America and the Caribbean</u>	68
<u>Africa and the Middle East</u>	72
<u>Asia</u>	74
<u>Regulatory Matters and Legal Proceedings</u>	76
Item 4A - <u>Unresolved Staff Comments</u>	91
Item 5 - <u>Operating and Financial Review and Prospects</u>	91
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	91
<u>Overview</u>	92
<u>Critical Accounting Policies</u>	93
<u>Status of our IFRS Migration Process</u>	98

Table of Contents

	<u>Results of Operations</u>	99
	<u>Liquidity and Capital Resources</u>	126
	<u>Research and Development, Patents and Licenses, etc.</u>	136
	<u>Summary of Material Contractual Obligations and Commercial Commitments</u>	136
	<u>Off-Balance Sheet Arrangements</u>	140
	<u>CEMEX Venezuela</u>	140
	<u>Qualitative and Quantitative Market Disclosure</u>	141
	<u>Investments, Acquisitions and Divestitures</u>	146
	<u>Recent Developments</u>	147
Item 6 -	<u>Directors, Senior Management and Employees</u>	149
	<u>Senior Management and Directors</u>	149
	<u>Board Practices</u>	157
	<u>Compensation of Our Directors and Members of Our Senior Management</u>	159
	<u>Employees</u>	162
	<u>Share Ownership</u>	163
Item 7 -	<u>Major Shareholders and Related Party Transactions</u>	163
	<u>Major Shareholders</u>	163
	<u>Related Party Transactions</u>	164
Item 8 -	<u>Financial Information</u>	165
	<u>Consolidated Financial Statements and Other Financial Information</u>	165
	<u>Legal Proceedings</u>	165
	<u>Dividends</u>	165
	<u>Significant Changes</u>	166
Item 9 -	<u>Offer and Listing</u>	167
	<u>Market Price Information</u>	167
Item 10 -	<u>Additional Information</u>	167
	<u>Articles of Association and By-laws</u>	167
	<u>Material Contracts</u>	176
	<u>Exchange Controls</u>	179
	<u>Taxation</u>	179

Table of Contents

	<u>Documents on Display</u>	183
Item 11 -	<u>Qualitative and Quantitative Disclosures About Market Risk</u>	183
Item 12 -	<u>Description of Securities Other than Equity Securities</u>	183
Item 12A -	<u>Debt Securities</u>	184
Item 12B -	<u>Warrants and Rights</u>	184
Item 12C -	<u>Other Securities</u>	184
Item 12D -	<u>American Depositary Shares</u>	185
	<u>Depositary Fees and Charges</u>	185
	<u>Depositary Payments for the Year Ended December 31, 2010</u>	185
PART II		
Item 13 -	<u>Defaults, Dividend Arrearages and Delinquencies</u>	186
Item 14 -	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	186
Item 15 -	<u>Controls and Procedures</u>	186
	<u>Disclosure Controls and Procedures</u>	186
	<u>Management's Annual Report on Internal Control Over Financial Reporting</u>	186
	<u>Changes in Internal Control Over Financial Reporting</u>	186
Item 16 -	<u>[RESERVED]</u>	186
Item 16A -	<u>Audit Committee Financial Expert</u>	186
Item 16B -	<u>Code of Ethics</u>	186
Item 16C -	<u>Principal Accountant Fees and Services</u>	187
	<u>Audit Committee Pre-Approval Policies and Procedures</u>	187
Item 16D -	<u>Exemptions from the Listing Standards for Audit Committees</u>	187
Item 16E -	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	187
Item 16F -	<u>Change in Registrant's Certifying Accountant</u>	188
Item 16G -	<u>Corporate Governance</u>	188
PART III		
Item 17 -	<u>Financial Statements</u>	191
Item 18 -	<u>Financial Statements</u>	191
Item 19 -	<u>Exhibits</u>	191
	<u>INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1

Table of Contents

INTRODUCTION

CEMEX, S.A.B. de C.V. is incorporated as a publicly traded stock corporation with variable capital (*sociedad anónima bursátil de capital variable*) organized under the laws of the United Mexican States, or 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 2 to our 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 Mexican Financial Reporting Standards, or MFRS, which differ in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. Beginning on January 1, 2008, according to MFRS B-10, *Inflation Effects* (MFRS B-10) inflationary accounting is only applied in a high-inflation environment, defined by MFRS B-10 as existing when the cumulative inflation for the preceding three years equals or exceeds 26%. Until December 31, 2007, inflationary accounting was applied to both CEMEX, S.A.B. de C.V. and all of its subsidiaries regardless of the inflation level of their respective countries. Beginning in 2008, only the financial statements of those subsidiaries whose functional currency corresponds to a country under high inflation are restated to take account of inflation. Designation of a country as a high or low inflation environment takes place at the end of each year, and inflation is applied or suspended prospectively. In 2008, only the financial statements of our subsidiaries in Costa Rica and Venezuela were restated. In 2009, we restated the financial statements of our subsidiaries in Egypt, Nicaragua, Latvia and Costa Rica. In 2010, we restated the financial statements of our subsidiaries in Egypt, Nicaragua and Costa Rica.

Beginning in 2008, MFRS B-10 eliminated the restatement of the financial statements for the period as well as the comparative financial statements for prior periods into constant values as of the date of the most recent balance sheet. Likewise, beginning in 2008, the amounts of the statement of operations, statement of cash flows and statement of changes in stockholders' equity are presented in nominal values; meanwhile, pursuant to MFRS B-10, amounts of financial statements for prior years are presented in constant Pesos as of December 31, 2007, the date in which inflationary accounting ceased to be generally applied.

Until December 31, 2007, the restatement factors applied to our consolidated financial statements of prior periods were calculated using the weighted average inflation and the fluctuation in the exchange rate of each country in which CEMEX operates relative to the Mexican Peso, weighted according to the proportion that our assets in each country represent of our total assets. Also, see note 24A to our consolidated financial statements for a description of the principal differences between MFRS and U.S. GAAP as they relate to us. Non-Peso amounts included in the 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 Peso amounts at the CEMEX accounting rate, described under Item 3 Key Information Mexican Peso Exchange Rates, as of the relevant period or date, as applicable.

References in this annual report to U.S.\$ and Dollars are to U.S. Dollars, references to € are to Euros, references to £ and Pounds are to British Pounds, references to ¥ and Yen are to Japanese Yen, and, unless otherwise indicated, references to Ps, Mexican Pesos and Pesos are to Mexican Pesos. References to billion means one thousand million. The Dollar amounts provided below, unless otherwise indicated elsewhere in this annual report, are translations of Peso amounts at an exchange rate of Ps12.36 to U.S.\$1.00, the CEMEX accounting rate as of December 31, 2010. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that 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 Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated. From December 31, 2010 through June 10, 2011, the Peso appreciated by 4% against the Dollar, based on the noon buying rate for Pesos. See Item 3 Key Information Selected Consolidated Financial Information.

The noon buying rate for Pesos on December 31, 2010 was Ps12.38 to U.S.\$1.00 and on June 10, 2011 was Ps11.87 to U.S.\$1.00.

Table of Contents

See Item 5 Operating and Financial Review and Prospects Status of our IFRS Migration Process.

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**Summary of Our Recent Financial History**

As of December 31, 2008, we had approximately Ps258.1 billion (U.S.\$18.8 billion) of total debt, not including approximately Ps41.5 billion (U.S.\$3.0 billion) of Perpetual Debentures (as defined below), which are not accounted for as debt under MFRS but are considered to be debt for purposes of U.S. GAAP. Most of our outstanding debt as of December 31, 2008 had been incurred to finance our acquisitions, including the acquisition of Rinker Group Limited, or Rinker, in 2007, and our capital expenditure programs. The acquisition of Rinker substantially increased our exposure in the United States, which in recent years has been experiencing a sharp and prolonged downturn in the housing and construction sectors. The downturn in the United States has had adverse effects on our U.S. 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 economic crisis, made it increasingly difficult for us to refinance our acquisition-related debt. Nonetheless, after long negotiations, on August 14, 2009 we reached a comprehensive financing agreement with our major creditors, as subsequently amended, the Financing Agreement. The Financing Agreement extended the maturities of approximately U.S.\$15.1 billion in syndicated and bilateral bank facilities and private placement obligations. As part of the Financing Agreement, we pledged or transferred to a trustee under a security trust substantially all the shares of CEMEX México, S.A. de C.V., or CEMEX México, Centro Distribuidor de Cemento, S.A. de C.V., Mexcement Holdings, S.A. de C.V., Corporación Gouda, S.A. de C.V., CEMEX Trademarks Holding Ltd., New Sunward Holding B.V., or New Sunward, and CEMEX España, S.A., or CEMEX España, as collateral (the Collateral) and all proceeds of such Collateral, to secure our payment obligations under the 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 collectively own, directly or indirectly, substantially all our operations worldwide.

Since the signing of the Financing Agreement, we have completed a number of capital markets transactions and asset disposals, the majority of the proceeds of which have been used to reduce the amounts outstanding under the Financing Agreement, to pay other debt not subject to the Financing Agreement and also to improve our liquidity position. In 2009 and 2010, such capital market transactions consisted of (i) a global offering of 1,495 million CPOs, directly or in the form of ADSs, for approximately U.S.\$1.8 billion in net proceeds in September 2009; (ii) the issuance of approximately Ps4.1 billion (approximately U.S.\$315 million) in mandatory convertible securities (the Mandatory Convertible Securities), in exchange for promissory notes previously issued by CEMEX, S.A.B. de C.V. in the Mexican capital markets (*Certificados Bursátiles*), or CBs, in December 2009; (iii) CEMEX Finance LLC's issuance of U.S.\$1,250 million aggregate principal amount of its 9.50% Senior Secured Notes due 2016 (the 9.50% Dollar-denominated Notes), and 350 million aggregate principal amount of its 9.625% Senior Secured Notes due 2017 (the 9.625% Euro-denominated Notes) in December 2009, and CEMEX Finance LLC's issuance of an additional U.S.\$500 million aggregate principal amount of the 9.50% Dollar-denominated Notes (together with the 9.50% Dollar-denominated Notes and the 9.625% Euro-denominated Notes, the December 2009 Notes) in January 2010; (iv) the issuance of our 4.875% Convertible Subordinated Notes due 2015 (the 2010 Optional Convertible Subordinated Notes) in March 2010; (v) CEMEX España, Luxembourg branch's issuance of U.S.\$1,067,665,000 aggregate principal amount of its 9.25% Senior Secured Notes due 2020 (the 9.25% Dollar-denominated Notes) and 115,346,000 aggregate principal amount of its 8.875% Senior

Table of Contents

Secured Notes due 2017 (the 8.875% Euro-denominated Notes and, together with the 9.25% Dollar-denominated Notes, the May 2010 Notes), in exchange for Dollar-denominated 6.196% fixed-to-floating rate callable perpetual debentures (the 6.196% Perpetual Debentures), Dollar-denominated 6.640% fixed-to-floating rate callable perpetual debentures (the 6.640% Perpetual Debentures), Dollar-denominated 6.722% fixed-to-floating rate callable perpetual debentures (the 6.722% Perpetual Debentures) and Euro-denominated 6.277% fixed-to-floating rate callable perpetual debentures (the 6.277% Perpetual Debentures and, together with the 6.196% Perpetual Debentures, the 6.640% Perpetual Debentures and the 6.722% Perpetual Debentures, the Perpetual Debentures), pursuant to a private placement exchange offer and consent solicitation (the 2010 Exchange Offer) directed to the holders of Perpetual Debentures in May 2010; and (vi) an early cash payment of approximately Ps4.0 billion (approximately U.S.\$330 million) in long-term CBs following a public tender offer and the exercise of a call option in June 2010. For a more detailed description of these transactions, see Item 5 Operating and Financial Review and Prospects Summary of Material Contractual Obligations and Commercial Commitments.

As a result of the foregoing transactions, sales of assets, debt repayments and other activities, as of December 31, 2010, we had approximately Ps202,818 million (U.S.\$16,409 million) of total debt, not including approximately Ps16,310 million (U.S.\$1,320 million) of Perpetual Debentures, which are not accounted for as debt under MFRS but are considered to be debt for purposes of U.S. GAAP. In addition, as of December 31, 2010, we had reduced debt outstanding under the Financing Agreement by approximately U.S.\$5.3 billion, or 35.4% of the original U.S.\$15.1 billion principal amount.

Since the beginning of 2011, we have engaged in a number of significant financing transactions designed to lengthen our average debt maturities and improve our balance sheet.

On January 11, 2011, we issued U.S.\$1.0 billion aggregate principal amount of our 9.000% Senior Secured Notes due 2018 (the January 2011 Notes) in transactions exempt from registration pursuant to Rule 144A and Regulation S under the Securities Act. The payment of principal, interest and premium, if any, on the January 2011 Notes is fully and unconditionally guaranteed by CEMEX México, New Sunward and CEMEX España. The January 2011 Notes are secured by a first-priority security interest over the Collateral and all proceeds of such Collateral. The net proceeds from the offering, of approximately U.S.\$981 million, were used for general corporate purposes and the repayment of indebtedness, including (i) a prepayment of approximately U.S.\$256 million of CBs that had been due in September 2011, (ii) a prepayment of approximately U.S.\$218 million of CBs that had been due in January 2012, (iii) a prepayment of approximately U.S.\$56 million of CBs that had been due in September 2011, and (iv) a repayment of U.S.\$50 million of indebtedness under the Financing Agreement.

On January 19, 2011, we prepaid approximately U.S.\$256 million of CBs that had been due in September 2011, for which we had created a CB reserve with the proceeds from the offering of the January 2011 Notes. In addition, on January 27, 2011, we prepaid approximately U.S.\$218 million of CBs maturing in January 2012, or the January 2012 CBs, for which we had created a CB reserve with the proceeds from the offering of the January 2011 Notes.

On February 10, 2011, we made a prepayment of U.S.\$50 million to reduce the principal amount due under the Financing Agreement. We made this prepayment with proceeds from the offering of the January 2011 Notes.

On March 4, 2011, we closed a private exchange (the 2011 Private Exchange) of 119,350,000 aggregate principal amount of the 6.277% Perpetual Debentures issued by C-10 EUR Capital (SPV) Limited and held by an investor for U.S.\$125,331,000 aggregate principal amount of new 9.25% Dollar-denominated Notes, issued by CEMEX España, acting through its Luxembourg branch, and guaranteed by CEMEX, S.A.B. de C.V., CEMEX México and New Sunward (the Additional 2020 Notes). As a result of the 2011 Private Exchange, 119,350,000 in aggregate principal amount of the 6.277% Perpetual Debentures were cancelled. The Additional 2020 Notes are secured by a first-priority security interest over the Collateral and all proceeds of such Collateral. The exchange was effected in reliance upon the exemption from U.S. securities law registration provided by Regulation S under the Securities Act.

On March 15, 2011, we closed the offering of U.S.\$977.5 million aggregate principal amount of 3.25% Convertible Subordinated Notes due 2016 (the 2016 Notes) and U.S.\$690 million aggregate principal amount of 3.75% Convertible Subordinated Notes due 2018 (the 2018 Notes and, together with the 2016 Notes, the 2011 Optional Convertible Subordinated Notes), in transactions exempt from registration pursuant to Rule 144A and

Table of Contents

Regulation S under the Securities Act. The aggregate principal amount of the 2011 Optional Convertible Subordinated Notes issued reflects the full exercise of the U.S.\$177.5 million over-allotment option granted to the initial purchasers with respect to the 2016 Notes and the U.S.\$90 million over-allotment option granted to the initial purchasers with respect to the 2018 Notes. We used approximately U.S.\$128 million of the net proceeds from this offering to prepay CBs maturing in March 2012, and approximately U.S.\$1,287 million to repay indebtedness under the Financing Agreement.

In March 2011, we prepaid approximately Ps691 million (approximately U.S.\$56 million based on prevailing exchange rates as of December 31, 2010) of CBs, in connection with a private cash tender offer to holders of CBs in Mexico for up to approximately Ps999 million (approximately U.S.\$81 million based on prevailing exchange rates as of December 31, 2010). After these prepayments, we had approximately Ps308 million (approximately U.S.\$25 million based on prevailing exchange rates as of December 31, 2010) of CBs outstanding, which are due on September 15, 2011.

On April 5, 2011, we closed the offering of U.S.\$800 million aggregate principal amount of Floating Rate Senior Secured Notes due 2015 (the April 2011 Notes) in transactions exempt from registration pursuant to Rule 144A and Regulation S under the Securities Act. The payment of principal, interest and premium, if any, on the April 2011 Notes is fully and unconditionally guaranteed by CEMEX México, New Sunward and CEMEX España. The April 2011 Notes are secured by a first-priority security interest over the Collateral and all proceeds of such Collateral. The net proceeds from the offering, approximately U.S.\$788 million, were used to repay indebtedness under the Financing Agreement. We refer to the December 2009 Notes, the May 2010 Notes, the January 2011 Notes, the Additional 2020 Notes and the April 2011 Notes collectively, as the Senior Secured Notes.

On April 12, 2011, we obtained consents from the required lenders and our major creditors under the Financing Agreement to make certain amendments to the Financing Agreement to allow us to retain funds in the CB reserve from disposal proceeds, permitted fundraisings and cash in hand, to meet CBs maturing in April and September 2012.

We refer to the prepayments of CBs in January and March 2011, the prepayments to the Financing Agreement in February, March and April 2011, and additional repayments of indebtedness of approximately U.S.\$59 million, collectively, as the 2011 Prepayments. For a more detailed description of the transactions completed after December 31, 2010, see Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating to Our Indebtedness.

As of December 31, 2010, after giving *pro forma* effect to (1) the issuance of the January 2011 Notes, the 2011 Optional Convertible Subordinated Notes and the April 2011 Notes, (2) the 2011 Prepayments and (3) the 2011 Private Exchange, our total debt was approximately Ps208,100 million (U.S.\$16,837 million), not including approximately Ps14,342 million (U.S.\$1,160 million) of Perpetual Debentures, but including our debt not subject to the Financing Agreement, which was approximately Ps115,829 million (U.S.\$9,372 million). Of such *pro forma* total debt amount, approximately Ps1,059 million (U.S.\$86 million) matures during 2011; Ps4,717 million (U.S.\$382 million) matures during 2012; Ps9,283 million (U.S.\$751 million) matures during 2013; Ps99,956 million (U.S.\$8,087 million) matures during 2014; and Ps93,085 million (U.S.\$7,531 million) matures after 2014.

As of December 31, 2010, after giving *pro forma* effect to (1) the issuance of the January 2011 Notes, the 2011 Optional Convertible Subordinated Notes and the April 2011 Notes, and (2) the 2011 Prepayments, the Financing Agreement had the following semi-annual amortization schedule, with a final maturity of approximately U.S.\$6.8 billion on February 14, 2014:

Table of Contents

Repayment Date	Cumulative repayment amount %	Original repayment amount %	Approximate required payment (in millions of Dollars)	
June 2011*	20.69%	1.59%		
December 2011*	33.11%	12.42%		
June 2012*	35.75%	2.64%		
December 2012*	38.39%	2.64%		
June 2013*	46.35%	7.96%		
December 2013	54.31%	7.96%	U.S.\$	696
February 2014	100.00%	45.69%	U.S.\$	6,769

* Repaid in full.

The *pro forma* financial information giving effect to our most significant transactions completed after December 31, 2010 has been included in this annual report for the convenience of the reader.

Risk Factors

Many factors could have an effect on our financial condition, cash flows and results of operations. We are subject to various risks resulting from changing economic, environmental, political, industry, business, financial and climate conditions. The factors we consider most important are described below.

Economic conditions in some of the countries where we operate may adversely affect our business, financial condition 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 impact on our business, financial condition and results of operations throughout our operations worldwide. Our results of operations are highly dependent on the results of our operating subsidiaries in the U.S., Mexico and Western Europe. Despite some aggressive measures taken by governments and central banks thus far, there is still a significant risk that these measures may not prevent several of the countries where we operate from falling into an even deeper and longer lasting recession. In the construction sector, declines in residential construction in several of our major markets have broadened and intensified in line with the spread and deterioration of the financial crisis. The adjustment process has been more severe in countries that experienced the largest housing market expansion during the years of high credit availability (such as the U.S., Spain, Ireland and the U.K.). Most government sponsored recovery efforts focus on fostering growth in demand from infrastructure projects. The infrastructure plans announced to date by many countries, including the U.S., Mexico and Spain, may not stimulate economic growth or yield the expected results because of delays in implementation and/or bureaucratic issues, among other obstacles. A worsening of the economic crisis or delays in implementing any such plans could adversely affect demand for our products.

In the U.S., the recession was longer and deeper than the previous two recessions during the 1990s and in early 2000, and the economy continues to languish. In December 2010, housing starts, the primary driver of cement demand in the residential sector, reached an annual rate of 586,900, according to the U.S. Census Bureau, which was less than 10% higher than the annual rate of 554,000 in 2009. The timing of a housing recovery remains uncertain given the current market environment, tight credit conditions and housing oversupply. As part of the announced government fiscal stimulus package, the U.S. Congress passed the American Recovery and Reinvestment Act of 2009, which provides approximately U.S.\$85 billion for infrastructure spending. To date, however, spending under this program has not been entirely effective to offset the decline in cement and ready-mix concrete demand as a result of current economic conditions. The uncertain economic environment and tight credit conditions also adversely affected the U.S. industrial and commercial sectors during 2010, with contract awards – a leading indicator of construction activity – declining 17% in 2010 compared to 2009, according to FW Dodge. This combination of factors resulted in the worst decline in sales volumes that we have experienced in the United States in recent history. Our U.S. operations – domestic cement sales volumes were flat and ready-mix concrete sales volumes decreased approximately 7% in 2010 compared to 2009.

Table of Contents

The Mexican economy has also been significantly and adversely affected by the financial crisis. Mexican dependence on the U.S. economy remains very important, and therefore, any downside to the economic outlook in the United States may hinder the recovery in Mexico. The crisis has also adversely affected local credit markets resulting in an increased cost of capital that may negatively impact companies' ability to meet their financial needs. During 2008, the Mexican Peso depreciated by 26% against the Dollar. During 2009 and 2010, the Mexican Peso had a mild recovery, appreciating by approximately 5% and 6%, respectively, against the Dollar. Exchange rate depreciation and/or volatility in the markets would adversely affect our operational and financial results. We cannot be certain that a contraction of Mexican economic output will not take place, which would translate into a more challenging outlook for the construction sector and its impact on cement and concrete consumption. According to the Mexican Statistics Office (*Instituto Nacional de Estadística, Geografía e Informática*, or INEGI), spending on infrastructure-related projects increased approximately 1% for the full year 2010 compared to 2009, and approximately 15% for the full year 2009 compared to 2008. However, we cannot give any assurances that this trend will continue, as the Mexican government's plan to increase infrastructure spending could prove to be, as in other countries, difficult to implement in a timely manner and in the officially announced amounts. As a result of the current economic environment, our domestic cement and ready-mix concrete sales volumes in Mexico decreased approximately 4% in 2010 compared to 2009.

Many Western European countries, including the U.K., France, Spain, Germany and Ireland, have faced difficult economic environments due to the financial crisis and its impact on their economies, including the construction sectors. If this situation were to deteriorate further, our financial condition and results of operations could be further affected. The situation has been more pronounced in those countries with a higher degree of previous market distortions (especially those experiencing real estate bubbles and durable goods overhangs prior to the crisis), such as Spain, or those more exposed to financial turmoil, such as the U.K. According to OFICEMEN, the Spanish cement trade organization, domestic cement demand in Spain declined 15% in 2010 compared to 2009. Our domestic cement and ready-mix concrete sales volumes in Spain decreased approximately 22% and 20%, respectively, in 2010 compared to 2009. In the U.K., according to the British Cement Association, domestic cement demand increased approximately 3% in 2010 compared to 2009. Our domestic cement sales volumes in the U.K. increased approximately 1%, while the ready-mix concrete sales volumes in the U.K. decreased approximately 3% in 2010 compared to 2009. In the construction sector, the residential adjustment could last longer than anticipated, while non-residential construction could experience a sharper decline than expected. Finally, the boost to infrastructure spending that is anticipated as a result of the stimulus packages that have been announced by most European countries could be lower than projected due to bureaucratic hurdles, delays in implementation or funding problems. If these risks materialize, our business, financial condition, and results of operations may be adversely affected. The important trade links with Western Europe make some of the Eastern European countries susceptible to the Western European recession. Large financing needs in these countries pose a significant vulnerability. Central European economies could face delays in implementation of European Union Structural Funds (funds provided by the European Union to member states with lowest national incomes per capita) related projects due to logistical and funding problems, which could have a material adverse effect on cement and/or ready-mix concrete demand. In addition, the current concerns about sovereign debt and the budget deficit levels of Greece, Ireland, Portugal, Spain and several other European Union countries have resulted in increased volatility and risk perception in the financial markets. The plan announced in May 2010 by the European Union and the International Monetary Fund to provide approximately 720 billion to support financial stability in Europe is designed to reduce liquidity risk and debt default probability of any individual European Union member. However, under these and similar plans, fiscal adjustments would need to be implemented in countries with unsustainable fiscal deficits, which likely will lead to a decrease in infrastructure investment in some countries, including Spain, which could have a material adverse effect on cement and/or ready-mix concrete demand and/or would delay any expected economic recovery.

The Central and South American economies also pose a downside risk in terms of overall activity. The financial downturn, lower exports to the U.S. and Europe, lower remittances and lower commodity prices could represent an important risk for the region in the short term. This may translate into greater economic and financial volatility and lower growth rates, which could have a material adverse effect on cement and ready-mix concrete consumption and/or prices. Political or economic volatility in the South American, Central American or the Caribbean countries in which we have operations may also have an impact on cement prices and demand for cement and ready-mix concrete, which could adversely affect our business and results of operations.

Table of Contents

The Asia-Pacific region will likely be affected if the economic landscape further deteriorates. An additional increase in country risk and/or decreased confidence among global investors would also limit capital flows and investments in the Asian region. In the Middle East region, lower oil revenues and tighter credit conditions could moderate economic growth and adversely affect construction investments. Our operations in the United Arab Emirates (the UAE) have been adversely affected by credit concerns and the end of the construction boom. In addition, the accumulated housing overhang, the rapid decline in property values, and the radical change in the international financial situation could prompt a sudden adjustment of the residential markets in some of the countries in the region. The recent political instability in Egypt, which resulted in former President Hosni Mubarak resigning from his post on February 11, 2011, is currently causing a reduction in overall economic activity in Egypt, which is affecting demand for building materials, and interruptions in services, such as banking, which is also having a material adverse effect on our operations in Egypt.

If the economies of the major countries where we operate were to continue to deteriorate and fall into an even deeper and longer lasting recession, or even a depression, our business, financial condition, and results of operations would be adversely affected.

The Financing Agreement contains several restrictions and covenants. Our failure to comply with such restrictions and covenants could have a material adverse effect on us.

The Financing Agreement has required us, beginning June 30, 2010, to comply with several financial ratios and tests, including a consolidated coverage ratio of EBITDA to consolidated interest expense of not less than (i) 1.75:1 for each semi-annual period beginning on June 30, 2010 through the period ending December 31, 2012 and (ii) 2.00:1 for the remaining semi-annual periods to December 31, 2013. In addition, the Financing Agreement allows us a maximum consolidated leverage ratio of total debt (including the perpetual debentures) to EBITDA for each semi-annual period not to exceed 7.75:1 for the period beginning June 30, 2010 and ending June 30, 2011, decreasing to 7.00:1 for the period ending December 31, 2011, and decreasing gradually thereafter for subsequent semi-annual periods to 4.25:1 for the period ending December 31, 2013. Our ability to comply with these ratios may be affected by current economic conditions and high volatility in foreign exchange rates and the financial and capital markets. Pursuant to the Financing Agreement, we (i) were prohibited from making aggregate capital expenditures in excess of U.S.\$700 million for the year ended December 31, 2010 and (ii) are prohibited from making aggregate capital expenditures in excess of U.S.\$800 million for the year ending December 31, 2011 and each year thereafter until the debt under the Financing Agreement has been repaid in full. For the years ended December 31, 2009 and 2010, we recorded U.S.\$636 million and U.S.\$555 million in capital expenditures, respectively.

We are also subject to a number of negative covenants that, among other things, restrict or limit our ability to: (i) create liens; (ii) incur additional debt; (iii) change our business or the business of any obligor or material subsidiary (as defined in the Financing Agreement); (iv) enter into mergers; (v) enter into agreements that restrict our subsidiaries' ability to pay dividends or repay intercompany debt; (vi) acquire 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; (xi) issue shares; (xii) enter into certain derivatives transactions; (xiii) exercise any call option in relation to any perpetual bonds we issue unless the exercise of the call options does not have a materially negative impact on our cash flow; and (xiv) transfer assets from subsidiaries or more than 10% of shares in subsidiaries into or out of CEMEX España or its subsidiaries if those assets or subsidiaries are not controlled by CEMEX España or any of its subsidiaries.

The Financing Agreement also contains a number of affirmative covenants that, among other things, require us to provide periodic financial information to our lenders. Pursuant to the Financing Agreement, however, a number of those covenants and restrictions will automatically cease to apply or become less restrictive if (i) we receive an investment-grade rating from two of Standard & Poor's, Moody's Investors Service, Inc. and Fitch Ratings; (ii) we reduce the indebtedness under the Financing Agreement by at least 50.96% (approximately U.S.\$7.6 billion) from the original amount of U.S.\$15 billion; (iii) our consolidated leverage ratio for the two most recently completed semi-annual testing periods is less than or equal to 3.5:1; and (iv) no default under the Financing Agreement is continuing. Restrictions that will cease to apply when we satisfy such conditions include the capital expenditure limitations mentioned above, any applicable margin increases that were due to a failure to meet amortization targets, and several negative covenants, including limitations on our ability to declare or pay cash dividends and distributions to shareholders, limitations on our ability to repay existing financial indebtedness, certain asset sale restrictions, the quarterly cash balance sweep, certain mandatory prepayment provisions, and

Table of Contents

restrictions on exercising call options in relation to any perpetual bonds we issue (provided that participating creditors will continue to receive the benefit of any restrictive covenants that other creditors receive relating to other financial indebtedness of ours in excess of U.S.\$75 million). At such time, several baskets and caps relating to negative covenants will also increase, including permitted financial indebtedness, permitted guarantees and limitations on liens. However, there can be no assurance that we will be able to meet the conditions for these restrictions to cease to apply prior to the final maturity date under the Financing Agreement.

The Financing Agreement contains events of default, some of which may be outside our control. Such events of default include defaults based on (i) non-payment of principal, interest, or fees when due; (ii) material inaccuracy of representations and warranties; (iii) breach of covenants; (iv) bankruptcy or insolvency of CEMEX, any borrower under an existing facility agreement (as defined in the Financing Agreement) or any other of our material subsidiaries (as defined in the Financing 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) a change of control with respect to CEMEX; (viii) a change to the ownership of any of our subsidiary obligors under the Financing Agreement, unless the proceeds of such disposal are used to prepay Financing Agreement debt; (ix) enforcement of the share security; (x) final judgments or orders in excess of U.S.\$50 million that are neither discharged nor bonded in full within 60 days thereafter; (xi) any restrictions not already in effect as of August 14, 2009 limiting transfers of foreign exchange by any obligor for purposes of performing material obligations under the Financing Agreement; (xii) any material adverse change arising in the financial condition of CEMEX and each of its subsidiaries, taken as a whole, which more than 66.67% of the participating creditors determine would result in our failure, taken as a whole, to perform payment obligations under the existing facilities or the Financing Agreement; and (xiii) failure to comply with laws or our obligations under the Financing Agreement cease to be legal. If an event of default occurs and is continuing, upon the authorization of 66.67% of the participating creditors, the creditors have the ability to accelerate all outstanding amounts due under the existing facilities. Acceleration is automatic in the case of insolvency.

There can be no assurance that we will be able to comply with the restrictive covenants and limitations contained in the Financing 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 and financial condition.

We pledged the capital stock of the subsidiaries that represent substantially all of our business as collateral to secure our payment obligations under the Financing Agreement, the Senior Secured Notes and other financing arrangements.

As part of the Financing Agreement, we pledged or transferred to trustees under security trusts, as collateral, the Collateral and all proceeds of such Collateral to secure our payment obligations under the Financing Agreement and under a number of 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. The payment of principal, interest and premium, if any, on the Senior Secured Notes are secured by a first-priority security interest over the Collateral and all proceeds of such Collateral. As of December 31, 2010, after giving *pro forma* effect to (1) the issuance of the January 2011 Notes, the 2011 Optional Convertible Subordinated Notes and the April 2011 Notes, (2) the 2011 Prepayments and (3) the 2011 Private Exchange, the Collateral and all proceeds of such Collateral secured (i) Ps163,698 million (U.S.\$13,244 million) aggregate principal amount of debt under the Financing Agreement, the Senior Secured Notes and other financing arrangements, and (ii) Ps14,342 million (U.S.\$1,160 million) aggregate principal amount of dual-currency notes issued in connection with the Perpetual Debentures, which are not accounted for as debt under MFRS but are considered to be debt for purposes of U.S. GAAP. These subsidiaries collectively own, directly or indirectly, substantially all of our operations worldwide. Provided that no default has occurred which is continuing, as defined under the Financing Agreement, the Collateral will be released automatically if we meet specified debt reduction and financial covenant targets.

The interest rate of our debt included in the Financing Agreement may increase if we do not meet certain amortization targets.

Conditional interest rate increases that may occur with respect to our financial indebtedness included in the Financing Agreement could adversely affect our business. In general, our existing bank facilities that are included in

Table of Contents

the Financing Agreement bear interest at a base rate LIBOR or EURIBOR plus, in each case, an applicable margin. The base rates, LIBOR and EURIBOR applicable to our existing bank facilities remain in place, and under the Financing Agreement, the applicable margin for each bank facility is set at 4.5% per annum; however, if we are unable to repay at least 50.96% (approximately U.S.\$7.6 billion) of the aggregate initial exposures of the participating creditors between the closing of the Financing Agreement and December 31, 2011, the applicable margin will increase by 0.5% per annum, starting on January 1, 2012.

As of December 31, 2010, after giving *pro forma* effect to (1) the issuance of the January 2011 Notes, the 2011 Optional Convertible Subordinated Notes and the April 2011 Notes, and (2) the 2011 Prepayments, we had reduced indebtedness under the Financing Agreement by approximately U.S.\$7.5 billion (calculated as prevailing exchange rates on each payment date), thereby avoiding an interest rate increase that otherwise could have been applicable as of December 2010 pursuant to the terms of the Financing Agreement. We need to prepay an additional approximately U.S.\$200 million under the Financing Agreement before December 31, 2011 to avoid an interest rate increase of 0.5% per annum that otherwise would be applicable pursuant to the terms of the Financing Agreement.

The private placement obligations subject to the Financing Agreement bear interest at a rate of 8.91% (except for the private placement obligations denominated in Japanese Yen, which bear a corresponding rate of 6.625%) per annum. The interest rate on such private placement obligations is subject to the same adjustment as described above. An interest rate increase due to a failure to meet amortization targets will cease to apply on the Covenant Reset Date (as defined in the Financing Agreement). There can be no assurance that we will be able to satisfy the requirements necessary to prevent such pricing increase.

We have a substantial amount of debt maturing in the next several years, including a significant portion of debt not subject to the Financing Agreement, which could limit our ability to take advantage of investment opportunities. 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.

As of December 31, 2010, after giving *pro forma* effect to (1) the issuance of the January 2011 Notes, the 2011 Optional Convertible Subordinated Notes and the April 2011 Notes, (2) the 2011 Prepayments and (3) the 2011 Private Exchange, we had approximately Ps208,100 million (U.S.\$16,837 million) of total debt, not including approximately U.S.\$1,160 million (Ps14,342 million) of Perpetual Debentures, which are not accounted for as debt under MFRS but are considered to be debt for purposes of U.S. GAAP, but including our debt subject to the Financing Agreement, which was approximately Ps92,271 million (U.S.\$7,465 million). Of such *pro forma* total debt amount, approximately Ps1,059 million (U.S.\$86 million) matures during 2011; approximately Ps4,717 million (U.S.\$382 million) matures during 2012; approximately Ps9,283 million (U.S.\$751 million) matures during 2013; approximately Ps99,956 million (U.S.\$8,087 million) matures during 2014; and approximately Ps93,085 million (U.S.\$7,531 million) matures after 2014.

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 lower leverage ratios and fewer contractual restrictions. There can also be no assurance that, because of our high leverage ratio and contractual restrictions, we will be able to maintain our operating margins and deliver financial results comparable to the results obtained in the past under similar economic conditions. Further, if we are unable to comply with our upcoming principal maturities under our indebtedness (including the Financing Agreement), or refinance our indebtedness, our debt could be accelerated. Acceleration of our debt would have a material adverse effect on our business and financial condition.

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, receivables and inventory financing facilities, proceeds of debt and equity offerings and proceeds from asset sales.

Table of Contents

As of December 31, 2010, we had U.S.\$561 million in outstanding short-term working capital and receivables financing facilities, which consisted of four securitization programs with a combined funded amount of U.S.\$539 million and U.S.\$22 million outstanding in short-term CBs. Our accounts receivable securitization program in Spain, which had a funded amount of U.S.\$117 million as of December 31, 2010, was extended for five years on May 5, 2011 and now expires on May 5, 2016. On May 19, 2010, we entered into a one-year accounts receivable securitization program for our U.S. operations for up to U.S.\$300 million in funded amounts. As of December 31, 2010, we had U.S.\$231 million in funded amounts under this program. On May 17, 2011, we extended this program two years for up to U.S.\$275 million, and it now expires on May 17, 2013. The scheduled maturity for the securitization program in France, which had a funded amount of U.S.\$57 million as of December 31, 2010, has been extended to September 30, 2011. The securitization program in Mexico, which had a funded amount of U.S.\$134 million at December 31, 2010, expires on December 29, 2011, with the first principal payment (equal to approximately 16.66% of the program) due in August 2011 and the remainder in five equal monthly installments through the program's expiration date. We cannot ensure that, going forward, we will be able to roll over or renew these programs, which could adversely affect our liquidity.

The global equity and credit markets in the last few years have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective and outstanding debt financings to widen considerably. This volatility and illiquidity has materially and adversely affected a broad range of fixed income securities. As a result, the market for fixed income securities has experienced decreased liquidity, increased price volatility, credit downgrade events and increased defaults. Global equity markets have also been experiencing heightened volatility and turmoil, with issuers exposed to the credit markets being most seriously affected. The disruptions in the financial and credit markets may continue to adversely affect our credit rating and the market value of our common stock, our CPOs and our ADSs. If the current pressures on credit continue or worsen, and alternative sources of financing continue to be limited, we may be dependent on the issuance of equity as a source to repay our existing indebtedness, including meeting amortization requirements under the Financing Agreement. Although we have been able to raise debt, equity and equity linked capital following our entry into the Financing Agreement in August 2009, as capital markets recovered, previous conditions in the capital markets in 2008 and 2009 were such that traditional sources of capital were not available to us on reasonable terms or at all. As a result, there is no guarantee that we will be able to successfully raise additional debt or equity capital at all or on terms that are favorable.

The Financing Agreement restricts us from incurring additional debt, subject to a number of exceptions. The debt covenant under the Financing Agreement permits us to incur a liquidity facility or facilities entered into with a participating creditor under the Financing Agreement in an amount not to exceed U.S.\$1.0 billion (of which up to U.S.\$500 million may be secured). In addition, the Financing Agreement requires proceeds from asset disposals, incurrence of debt and issuance of equity, and cash flow to be applied to the prepayments of the exposures of participating creditors subject to our right to retain cash on hand up to U.S.\$650 million, including the amount of undrawn commitments of a permitted liquidity facility or facilities (unless the proceeds are used to refinance existing indebtedness on the terms set forth in the Financing Agreement), and to temporarily reserve proceeds from asset disposals, permitted refinancings and cash on hand, to be applied to the repayment of CBs that are scheduled to mature during 2012.

As a result of the current global economic environment and uncertain market conditions, we may not be able to complete asset divestitures on terms that we find economically attractive or at all.

If the global economic environment deteriorates further and our operating results worsen significantly, if we were unable to complete debt or equity offerings or if our planned 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 upcoming principal payment maturities under our indebtedness or refinance our indebtedness.

The indentures governing the 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.

We have issued a total of U.S.\$4,743 million and 465 million aggregate principal amount of our Senior Secured Notes under the indentures governing the Senior Secured Notes. The indentures governing the Senior Secured Notes and the other instruments governing our consolidated indebtedness impose significant operating and

Table of Contents

financial restrictions on us. These restrictions will limit our ability, among other things, to: (i) incur debt; (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, and the ability of our subsidiaries, to develop and implement refinancing plans in respect of our debt or the debt of our subsidiaries.

Each of the covenants is 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 the Senior Secured Notes and under other existing debt obligations, as a result of the cross-default provisions contained in the documentation governing such debt obligations. In the event of a default under the indentures governing the Senior Secured Notes, the holders of such 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 the Senior Secured Notes, or certain other existing debt obligations were to be accelerated, we can offer no assurance that our assets would be sufficient to repay in full that indebtedness and our other indebtedness.

Furthermore, upon the occurrence of any event of default under the Financing Agreement, or other credit facilities 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 can offer no assurance that our assets will be sufficient to repay in full those amounts or to satisfy all of our other liabilities.

In addition, in connection with the entry into new financings or amendments to existing financing arrangements, our and our subsidiaries 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.

Our ability to comply with our debt maturities in 2013 and subsequent years may depend on us making asset sales, and there is no assurance that we will be able to execute such sales on terms favorable to us or at all.

In the short term, we intend to use our capital resources, cash flow from operations, proceeds from capital markets debt and equity offerings and proceeds from the sale of assets to repay debt in order to reduce our leverage, strengthen our capital structure and regain our financial flexibility. Our ability to comply with our payment obligations under the Financing Agreement and other indebtedness may depend in large part on asset sales, and there is no assurance that we will be able to execute such sales on terms favorable to us or at all.

As a result of the restrictions under the Financing Agreement and other debt instruments, the current global economic environment and uncertain market conditions, we may not be able to complete asset divestitures on terms that we find economically attractive or at all. The current volatility of the credit and capital markets can significantly affect us due to the limited availability of funds to potential acquiring parties. The lack of acquisition financing in the current economic environment and existing relatively high levels of indebtedness among many industry peers may likely make it difficult for potential interested acquirers to purchase our assets. 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. Given market conditions at the time of any future asset sales, we can not assure you that we may not be forced to sell our assets at prices substantially lower than their fair market value.

If we are unable to complete asset divestitures and our cash flow or capital resources prove inadequate, we could face liquidity problems during 2013 and subsequent years and may not be able to comply with payment obligations under our indebtedness.

Table of Contents

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

Our ability to realize the expected benefits from acquisitions 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. The acquisition of Rinker substantially increased our exposure in the United States, which has been experiencing a prolonged downturn in the housing and construction sectors. The downturn in the United States has had adverse effects on our operations in the U.S., making it more difficult for us to achieve our goal of decreasing our acquisition-related leverage. We also may not be able to achieve all the anticipated cost savings from the Rinker acquisition. Our financial statements for the year ended December 31, 2008 included non-cash charges of approximately U.S.\$1.5 billion for impairment losses in accordance with MFRS, of which approximately U.S.\$1.3 billion related to impairment of goodwill (mainly related to the Rinker acquisition). Considering differences in the measurement of fair value, including the selection of economic variables, as well as the methodology for determining final impairment losses between MFRS and U.S. GAAP, our preliminary impairment losses in 2008 under U.S. GAAP amounted to approximately U.S.\$4.9 billion, including the impairment losses determined under MFRS, of which approximately U.S.\$4.7 billion related to impairment of goodwill. After finalizing our 2008 impairment exercise under U.S. GAAP during 2009, our impairment losses were reduced by approximately U.S.\$71 million. See note 24 to our consolidated financial statements included elsewhere in this annual report.

During the last quarter of 2010, we performed, under MFRS, our annual goodwill impairment test. Based on this analysis, in 2010, we determined an impairment loss of goodwill for approximately Ps189 million (U.S.\$15 million) associated with our reporting unit in Puerto Rico, which we acquired in July 2002, under MFRS. We did not recognize any additional goodwill impairment losses under U.S. GAAP for the year ended December 31, 2010. Although we currently are seeking to dispose of assets to reduce our overall leverage and the Financing Agreement and other debt instruments restrict our ability to acquire assets, we may in the future acquire new operations and integrate such operations into our existing operations, and some of such acquisitions may have a material impact on our business, financial condition and results of operations. We cannot assure you that we will be successful in identifying or acquiring suitable assets in the future. If we fail to achieve the anticipated cost savings from any acquisitions, our business, financial condition and results of operations would be materially and adversely affected.

As a result of the sale of our operations in Australia, for the year ended December 31, 2009, we recognized a loss on sale, net of income tax, and the reclassification of foreign currency translation effects accrued in equity and included under Other comprehensive income, for an aggregate amount of approximately Ps5.9 billion (U.S.\$446 million). This is reflected in a single line item of Discontinued operations. See note 3B to our consolidated financial statements included elsewhere in this annual report.

Our use of derivative financial instruments has negatively affected 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 risks. However, there is no assurance that our use of such instruments will allow us to achieve these objectives due to the inherent risks in any derivatives transaction. For the years ended December 31, 2008, 2009 and 2010, we had net losses of approximately Ps15,172 million (U.S.\$1.4 billion), Ps2,127 million (U.S.\$156 million) and Ps956 million (U.S.\$75 million), respectively, from financial instruments.

The 2008 losses resulted from a variety of factors, including losses related to changes in the fair value of equity derivative instruments attributable to the generalized decline in price levels in the capital markets worldwide and in our own shares, losses related to changes in the fair value of cross-currency swaps and other currency derivatives attributable to the appreciation of the Dollar against the Euro, and losses related to changes in the fair value of interest rate derivatives primarily attributable to the decrease in the five-year interest rates in Euros and Dollars.

During 2009, we reduced the aggregate notional amount of our derivatives, thereby reducing the risk of cash margin calls. This initiative included closing substantially all notional amounts of derivative instruments related to our debt (currency and interest rate derivatives) and the settlement of our inactive derivative financial instruments,

Table of Contents

which we finalized during April 2009. The Financing Agreement and other debt instruments significantly restrict our ability to enter into derivative transactions.

As of December 31, 2010, our derivative financial instruments that had a potential impact on our comprehensive financing result consisted of equity forward contracts on third party shares and equity derivatives under our own shares (including our capped call transactions in connection with the 2010 Optional Convertible Subordinated Notes, which we closed in March 2010), a forward instrument over the Total Return Index of the Mexican Stock Exchange and interest rate derivatives related to energy projects. See note 12C to our consolidated financial statements included elsewhere in this annual report. We have recently entered into capped call transactions with several financial institutions in connection with the issuance of the 2011 Optional Convertible Subordinated Notes. See Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating to Our Indebtedness.

Most derivative financial instruments are subject to margin calls in case the threshold set by the counterparties is exceeded. If we resume using derivative financing instruments in the future, the cash required to cover margin calls in several scenarios may be substantial and may reduce the funds available to us for our operations or other capital needs. The mark-to-market changes in some of our derivative financial instruments are reflected in our statement of operations, which could introduce volatility in our controlling interest net income and our related ratios. In the current environment, the creditworthiness of our counterparties may deteriorate substantially, preventing them from honoring their obligations to us. We maintain equity derivatives that in a number of scenarios may require us to cover margin calls that could reduce our cash availability. If we resume using derivative financing instruments, or with respect to our outstanding or new equity derivative positions, we may incur net losses from our derivative financial instruments. See Item 5 Operating and Financial Review and Prospects Critical Accounting Policies Derivatives Financial Instruments.

Higher energy and fuel costs may have a material adverse effect on our operating results.

Our operations consume significant amounts of energy and fuel, the cost of which has significantly increased worldwide in 2011 and in recent years. Energy and fuel prices have recently increased and may continue to increase as a result of the political turbulence in Egypt, Libya and other countries in Africa and the Middle East. In an attempt to mitigate high energy and fuel costs and volatility, we have implemented the use of alternative fuels such as tires, biomass and household waste, which is designed to make us less vulnerable to price spikes. We have also implemented technical improvements in several facilities and entered into long-term supply contracts of petcoke and electricity to mitigate price volatility. Despite these measures, we cannot assure you that our operations would not be materially adversely affected in the future if energy and fuel costs increase.

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 and industry conditions continue to deteriorate further, impairment charges may be recognized. Our charges for impairment may be materially greater under U.S. GAAP than under MFRS.

As of December 31, 2010, approximately 40% of our total assets were intangible assets, of which approximately 69% (Ps142,094 million) corresponded to goodwill related primarily to our acquisitions of RMC Group, p.l.c., or RMC, and Rinker. Goodwill is recognized at the acquisition date based on the preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed. If applicable, goodwill is subsequently adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed within the twelve-month period following the purchase date.

Our consolidated financial statements have been prepared in accordance with MFRS, which differ significantly from U.S. GAAP with respect to the methodology used to determine the final impairment loss, when applicable, including the selection of key economic assumptions related to the determination of the discount rates used to assess our assets' fair value. Pursuant to our policy under MFRS, goodwill and other intangible assets of indefinite life are not amortized and are tested for impairment when impairment indicators exist or in the fourth quarter of each year, by determining the value in use of the reporting units to which those intangible assets relate (a reporting unit comprises multiple cash generating units), which is the result of the discounted amount of estimated future cash flows expected to be generated by the reporting units. An impairment loss is recognized under MFRS if the value in use is lower than the net book value of the reporting unit. We determine the discounted amount of

Table of Contents

estimated future cash flows over a period of five years, unless a longer period is justified in a specific country, considering the economic cycle of the reporting units and prevailing industry conditions. Impairment tests are sensitive to the projected future prices of our products, trends in operating expenses, local and international economic trends in the construction industry, as well as the long-term growth expectations in the different markets, among other factors. We use after-tax discount rates, which are applied to after-tax cash flows for each reporting unit. Undiscounted cash flows are significantly sensitive to the growth rates in perpetuity used. Likewise, discounted cash flows are significantly sensitive to the discount rate used. The higher the growth rate in perpetuity applied, the higher the amount obtained of undiscounted future cash flows by reporting unit. Conversely, the higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by reporting unit. See note 11B to our consolidated financial statements included elsewhere in this annual report.

During the fourth quarter of 2008, the global economic crisis caused financing scarcity in almost all productive sectors, resulting in a decrease in economic activity in all our markets and a worldwide downturn in macroeconomic indicators. This effect lowered the overall growth expectations within the countries in which we operate, particularly affecting the construction industry due to the cancellation or deferral of several investment projects. These conditions, which constitute an impairment indicator, remained during a significant portion of 2009. During the fourth quarters of 2010, 2009 and 2008, we performed our annual goodwill impairment testing under MFRS. In 2008, our test coincided with the negative economic environment previously described. For the year ended December 31, 2008, we recognized goodwill impairment losses under MFRS of approximately Ps18.3 billion (U.S.\$1.3 billion), of which the impairment corresponding to the United States reporting unit was approximately Ps16.8 billion (U.S.\$1.2 billion). The estimated impairment loss in the United States during 2008 was mainly related to the acquisition of Rinker in 2007 and overall was attributable to the negative economic situation expected in the markets during 2009 and 2010, particularly in the construction industry. For the year ended December 31, 2009, we did not recognize goodwill impairment losses despite the economic conditions prevailing during the year, considering that in such period, the main global stock markets started their stabilization and achieved growth as compared to the closing pricing levels in 2008. Likewise, the reference interest rates at the end of 2009 decreased with respect to their level in 2008 due to an increase in liquidity in the debt and equity markets, which slightly reduced the risk premium in the countries where we operate. These elements jointly generated a decrease in the discount rates in 2009 in comparison with the 2008 discount rates and consequently generated an increase in the value in use of the reporting units. For the year ended December 31, 2010, we recognized a goodwill impairment loss under MFRS of approximately Ps189 million (U.S.\$15 million) associated with our reporting unit in Puerto Rico, which we acquired in July 2002. See notes 11 and 11B to our audited consolidated financial statements included elsewhere in this annual report.

As mentioned above, differences between MFRS and U.S. GAAP with respect to the methodology used to determine the final impairment loss, when applicable, including the selection of key economic assumptions related to the determination of the discount rates used to assess our assets fair value, led to a materially greater impairment loss under U.S. GAAP, as compared to that recognized in our 2008 consolidated financial statements under MFRS. For the year ended December 31, 2008, we recognized goodwill impairment losses under U.S. GAAP of approximately U.S.\$4.7 billion (compared to U.S.\$1.3 billion under MFRS), of which an estimated impairment loss corresponding to the United States reporting unit was recognized for approximately U.S.\$4.5 billion (compared to U.S.\$1.2 billion of goodwill impairment losses recognized under MFRS) related to the completion of the second step required to allocate the fair value of the U.S. reporting unit's net assets. During 2009, we completed our U.S. GAAP analysis in connection with the year 2008 impairment exercise and reduced final impairment losses under U.S. GAAP by approximately U.S.\$71 million. We did not recognize any additional goodwill impairment losses under U.S. GAAP for the year ended December 31, 2010.

Due to the important role that economic factors play in testing goodwill for impairment, a further downturn in the economies where we operate could necessitate new impairment tests and a possible downward readjustment of our goodwill for impairment under both MFRS and U.S. GAAP. Such an impairment test could result in additional impairment charges which could be material to our financial statements.

Our ability to repay debt and pay dividends depends on our subsidiaries' ability to transfer income and dividends to us.

We are a holding company with no significant assets other than the stock of our direct and indirect subsidiaries and our holdings of cash and marketable securities. In general, our ability to repay debt and pay

Table of Contents

dividends depends on the continued transfer to us of dividends and other income from our wholly-owned and non-wholly-owned subsidiaries. The Financing Agreement restricts CEMEX, S.A.B de C.V.'s ability to declare or pay cash dividends.

The ability of our subsidiaries to pay dividends, and make loans and other transfers to us 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 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 satisfaction of losses, if any, incurred by such subsidiary in previous fiscal years.

We may also be subject to exchange controls on remittances by our subsidiaries from time to time in a number of jurisdictions. In addition, our ability to receive funds from these subsidiaries may be restricted by covenants in the debt instruments and other contractual obligations of those entities.

We currently do not expect that existing regulatory, legal and economic restrictions on our subsidiaries' ability to pay dividends and make loans and other transfers to us will negatively affect our ability to meet our cash obligations. However, the jurisdictions of organization of our subsidiaries may impose additional and more restrictive regulatory, legal and/or economic limitations. In addition, our subsidiaries may not be able to generate sufficient income to pay dividends or make loans or other transfers to us in the future. Any material additional future limitations on our subsidiaries could adversely affect our ability to service our debt and meet our other cash obligations.

The instruments governing our debt contain cross-default and cross-acceleration provisions that may cause substantially all of the debt we have issued or incurred to become immediately due and payable as a result of a default under any one of our debt instruments.

Instruments governing our debt contain certain affirmative and negative covenants. Our failure to comply with the obligations contained in indentures or other instruments governing our indebtedness could result in an event of default under the applicable instrument, which could result in the related debt and the debt issued under other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such default could require us to sell our assets and otherwise curtail operations in order to pay our creditors.

We are subject to restrictions due to non-controlling interests in our consolidated subsidiaries.

We conduct our business through subsidiaries. In some cases, third-party shareholders hold non-controlling interests in these subsidiaries. Various disadvantages may result from the participation of non-controlling shareholders whose interests may not always coincide with ours. Some of these disadvantages may, among other things, result in our inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively.

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

A substantial portion of our outstanding debt is denominated in Dollars. As of December 31, 2010, after giving *pro forma* effect to (1) the issuance of the January 2011 Notes, the 2011 Optional Convertible Subordinated Notes and the April 2011 Notes, (2) the 2011 Prepayments and (3) the 2011 Private Exchange, our Dollar-denominated debt represented approximately 75% of our total debt, not including approximately U.S.\$965 million of Perpetual Debentures. Our Dollar-denominated debt must be serviced with funds generated by our subsidiaries.

Table of Contents

Although the acquisition of Rinker increased our U.S. assets substantially, we nonetheless continue to rely on our non-U.S. assets to generate revenues to service our Dollar-denominated debt. Consequently, we have to use revenues generated in Pesos, Euros or other currencies to service our Dollar-denominated debt. See Item 5 Operating and Financial Review and Prospects Qualitative and Quantitative Market Disclosure Interest Rate Risk, Foreign Currency Risk and Equity Risk Foreign Currency Risk. A devaluation or depreciation in the value of the Peso, Euro, Pound or any of the other currencies of the countries in which we operate, compared to the Dollar, could adversely affect our ability to service our debt. In 2010, Mexico, Spain, the United Kingdom, Germany, France and the Rest of Europe region (which includes our subsidiaries in Ireland, Poland, Croatia, Austria, Hungary, the Czech Republic, Latvia and other assets in the European region), our main non-Dollar-denominated operations, together generated approximately 57% of our total net sales in Peso terms (approximately 23%, 4%, 8%, 7%, 7% and 7%, respectively) before eliminations resulting from consolidation. In 2010, approximately 17% of our net sales in Peso terms were generated in the United States. During 2010, the Peso appreciated approximately 6% against the Dollar, the Euro depreciated approximately 7% against the Dollar and the Pound depreciated approximately 3% against the Dollar. If we enter into future currency hedges in the future, these 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 Peso and other currencies, as those fluctuations influence the amount of our indebtedness when translated into Pesos and also result in foreign exchange gains and losses as well as gains and losses on derivative contracts we may have entered into to hedge our exchange rate exposure.

In addition, as of December 31, 2010, our Euro denominated debt, after giving *pro forma* effect to (1) the issuance of the January 2011 Notes, the 2011 Optional Convertible Subordinated Notes and the April 2011 Notes, (2) the 2011 Prepayments, and (3) the 2011 Private Exchange, represented approximately 21% of our total debt, not including the 147 million aggregate principal amount of the 6.277% Perpetual Debentures outstanding after the completion of the 2011 Private Exchange.

We are subject to litigation proceedings, including antitrust proceedings, that could harm our business if an unfavorable ruling were to occur.

From time to time, we may become involved in litigation and other legal proceedings relating to claims arising from our operations in the normal course of business. As described in, but not limited to, Item 4 Information on the Company Regulatory Matters and Legal Proceedings of this annual report, we are currently subject to a number of significant legal proceedings, including, but not limited to, tax matters in Mexico, as well as antitrust investigations in Europe and antitrust actions by private parties in Florida. Litigation is subject to inherent uncertainties, and unfavorable rulings may occur. We cannot assure you that these or other legal proceedings will not materially affect our ability to conduct our business in the manner that we expect or otherwise adversely affect us should an unfavorable ruling occur.

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. The enactment of stricter laws and regulations, or stricter interpretation of existing laws or regulations, 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 (the EPA) issued the final portland cement national emission standard for hazardous air pollutants under the federal Clean Air Act (Portland Cement NESHAP). This rule requires Portland cement facilities to limit emissions of mercury, total hydrocarbons, hydrochloric acid and particulate matter, and is scheduled to take effect in 2013. The EPA also promulgated New Source Performance Standards (NSPS) for cement plants at the same time. The Company, along with others in its industry, has challenged these rules in administrative and judicial proceedings. It is too soon to predict the outcome of these challenges, although the EPA recently agreed to reconsider certain aspects of the rules. It did not, however, delay implementation of the rules, and it refused to reconsider certain aspects of the rules considered important to us. If the rules take effect as proposed, they could have a material impact on our business or results of operations.

In addition, the Company and others in its industry have challenged the EPA's final emissions standards for commercial and industrial solid waste incinerators (CISWI), which were published in March 2011. The

Table of Contents

challenges assert, among other things, that the rules impermissibly overlap with the Portland Cement NESHAP and create ambiguity with respect to how portland cement kilns will be regulated in the future. If the rules take effect as proposed, they could have a material impact on our business or results of operations. In May 2011, the EPA announced that it will postpone implementation of the standards while it reconsiders portions of the rules and addresses related legal challenges. We cannot predict when the EPA will take action to implement the rules, nor whether the rules will be modified as a result of the pending administrative and judicial proceedings.

The EPA also has proposed regulating Coal Combustion Products (CCPs) generated by electric utilities and independent power producers as a hazardous or special waste under the Resource Conservation And Recovery Act (RCRA). We use CCPs as a raw material in the cement manufacturing process, as well as a supplemental cementitious material, in some of our ready-mix concrete products. It is too early to predict how the EPA will ultimately regulate CCPs, but if CCPs are regulated as a hazardous or special waste in the future, it may result in changes to the mix of our products away from ones that use CCPs as a raw material. Based on current information, we believe, although there can be no assurance, that such matters will not have a material impact on us.

Efforts to address climate change through domestic federal, state and regional laws and regulations, as well as through international agreements and the laws and regulations of other countries, to reduce the emissions of greenhouse gases (GHGs) can create risks and uncertainties for our business. This is because the cement manufacturing process requires the combustion of large amounts of fuel and creates carbon dioxide (CO₂) as a by product of the calcination process. Such risks could include costs to purchase allowances or credits to meet GHG emission caps, costs required to provide equipment to reduce emissions to comply with GHG limits or required technological standards, or decreased profits or losses arising from decreased demand for our goods or higher production costs resulting directly or indirectly from the imposition of legislative or regulatory controls.

The EPA has promulgated a series of regulations pertaining to emissions of GHGs from industrial sources. The EPA issued a Mandatory Reporting of GHG Rule, effective December 29, 2009, which requires certain covered sectors, including cement manufacturing, with GHG emissions above an established threshold to inventory and report their GHG emissions annually on a facility-by-facility basis. We are in the process of complying with this regulation, and do not expect a material economic impact on us.

In 2010, EPA issued a final rule that establishes GHG thresholds for the New Source Review Prevention of Significant Deterioration (PSD) and Title V Operating Permit programs. The rule tailors the requirements of these CAA permitting programs to limit which facilities will be required to obtain PSD and Title V permits for GHG. Cement production facilities are included within the categories of facilities required to obtain permits, provided that their GHG emissions exceed the thresholds in the tailoring rule. The PSD program requires new major sources of regulated pollutants and major modifications at existing major sources to secure pre-construction permits, which establish, among other things, limits on pollutants based on Best Available Control Technology (BACT). According to the EPA's rules, stationary sources, such as cement manufacturing, which are already regulated under the PSD program for non-GHG pollutants, would need to apply for a PSD permit as of January 2, 2011, for any GHG emissions increases above 75,000 tons/year of carbon dioxide equivalent (CO₂e). Therefore, new cement plants and existing plants undergoing modification which are major sources for non-GHG pollutants regulated under the Clean Air Act would need to acquire a PSD permit for construction or modification activities that increase CO₂e by 75,000 or more tons/year, and would have to determine and install BACT controls for those emissions. Beginning in July 2011, any new source that emits 100,000 tons/year of CO₂e or any existing source that emits 100,000 tons/year of CO₂e and undergoes modifications that would emit 75,000 tons/year of CO₂e, must comply with PSD obligations. PSD permits can involve significant costs and delay.

In addition, environmental groups have challenged the recently issued NSPS for the cement sector claiming that EPA violated the Clean Air Act by failing to include limits for GHG emission. The costs of future GHG-related regulation of our facilities through these efforts or others could have a material economic impact on our U.S. operations and the U.S. cement manufacturing industry.

On the legislative front, during the past few years, various bills have been introduced in the U.S. Congress seeking to establish caps or other limits on GHG emissions. It is not possible at this time to predict whether any federal climate change legislation may be enacted, what that legislation may provide or whether it may impact existing federal regulations or state laws or regulations on GHG emissions. Therefore, it is not possible at this time to predict how such legislation would impact our U.S. operations. However, any impositions by legislation of

Table of Contents

significant costs or limitations on raw materials, fuel or production, or requirements for reductions of GHG emissions, could have a significant impact on the cement manufacturing industry and a material economic impact on our U.S. operations, including competition from imports in countries where such costs are not imposed on manufacturing.

In addition to pending U.S. federal regulation and legislation, states and regions are establishing or seeking to establish their own programs to reduce GHG emissions, including from manufacturing sectors. For example, California passed AB 32 into law in 2006, which, among other things, seeks a statewide reduction of GHG emissions to 1990 levels by 2020. In December 2008, the California Air Resource Board (CARB) approved a plan to implement AB32, which includes a cap-and-trade program beginning in 2012. The program has been challenged in litigation, but if it takes effect, there can be no assurance that it will not have a material impact on our operations in California.

Also, in 2007, CARB approved a regulation that will require California equipment owners/operators to reduce diesel particulate and nitrogen oxide emissions from in-use off-road diesel equipment and to meet progressively more restrictive emission targets. In 2008, CARB approved a similar regulation for in-use on-road diesel equipment. The emission targets will require us to retrofit our California-based equipment with diesel emission control devices or replace equipment with new engine technology in accordance with certain deadlines, which will result in higher equipment related expenses or capital investments. The company may incur substantial expenditures to comply with these requirements. In December 2010, CARB amended both regulations to grant economic relief to affected fleets by extending certain compliance dates and modifying compliance requirements.

Finally, there are ongoing efforts on the international front to address GHG emissions. We are actively monitoring negotiations of the United Nations Framework Convention on Climate Change (UNFCCC), and we operate in countries that are signatories to the Kyoto Protocol, which establishes GHG emission reduction targets for developed country parties to the protocol, such as the countries of the European Union. Hence, our operations in the United Kingdom, Spain, Germany, Latvia and Poland are subject to binding caps on CO2 emissions imposed by member states of the European Union as a result of the European Commission's directive establishing the European Emissions Trading System (ETS) to implement the Kyoto Protocol. Under this directive, companies receive from the relevant member states set limitations on the levels of CO2 emissions from their industrial facilities. These allowances are tradable so as to enable companies that manage to reduce their emissions to sell their excess allowances to companies that are not reaching their emissions objectives. Failure to meet the emissions caps is subject to significant monetary penalties. For the years 2008 through 2012, the European Commission significantly reduced the overall availability of allowances. In December 2008, the European Commission, Council, and Parliament reached an agreement on a new Directive that will govern emissions trading after 2012. One of the main features of the Directive is that a European-wide benchmark will be used to allocate free allowances among installations in the cement sector according to their historical clinker production. On April 27, 2011, the European Commission adopted a Decision setting out the rules, including benchmarks of GHG emissions performance, to be used by the Member States in calculating the number of allowances to be allocated free annually to industrial sectors, including the cement sector, that are deemed to be exposed to the risk of carbon leakage. Based on the criteria in the Decision, we expect that the aggregate amount of allowances that will be annually allocated for free to CEMEX in Phase III of the ETS (2013-2020) will be sufficient to operate, assuming that the cement industry continues to be considered a trade exposed industry. As a result of continuing uncertainty regarding final allowances, however, it is premature to draw conclusions regarding the overall position of all of our European cement plants. Also, separate cap-and-trade schemes may be adopted in individual countries outside the EU. For example, there is now a trading scheme in place in Croatia.

Under the ETS, we seek to reduce the impact of any excess emissions by either reducing the level of CO2 released in our facilities or by implementing clean development mechanism (CDM) projects under the Kyoto Protocol in emerging markets. We have registered 5 CDM projects. If we are not successful in implementing emission reductions in our facilities or obtaining credits from CDM projects, we may have to purchase a significant amount of allowances in the market, the cost of which may have an impact on our operating results.

Although we monitor other international efforts to regulate GHG emissions carefully, it is more difficult to estimate the potential impact of any international agreements under the UNFCCC or through other international or

Table of Contents

multilateral instruments. A Conference of Parties was held in December 2010 in Cancún, Mexico, but no binding legal agreements were reached there.

In conclusion, given the uncertain nature of the actual or potential statutory and regulatory requirements for GHG emissions at the federal, state, regional 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.

In addition to the risks identified above arising from actual or potential statutory and regulatory controls, severe weather, rising seas, higher temperatures and other effects that may be attributable to climate change may impact any manufacturing sector in terms of direct costs (e.g., property damage and disruption to operations) and indirect costs (e.g., disruption to customers and suppliers, higher insurance premiums, potential lawsuits over emissions). Because the impacts of climate change are still subject to scientific debate and the related law is developing, we cannot at this time predict the impact that such matters may have on our future business or operations.

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). Under various laws, we may be subject to claims related to exposure to these or other substances. Based on our past experience, we believe, although there can be no assurance, that such claims will not have a material impact on our business or operations.

Environmental laws and regulations also impose liability and responsibility on present and former owners, operators or users of facilities and sites for hazardous substance contamination at such facilities and third-party disposal sites 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, there can be no assurance that these requirements will not change and that compliance will not adversely affect our operations in the future. Furthermore, we cannot provide assurance that existing or future circumstances or developments with respect to contamination will not require us to make significant remediation or restoration expenditures.

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

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

With the acquisitions of RMC in 2005 and Rinker in 2007, our geographic diversity has significantly increased. As of December 31, 2010, we had operations in Mexico, the United States, the United Kingdom, Spain, the Rest of Europe region, South America, Central America and the Caribbean region (which includes our subsidiaries in Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Guatemala, Argentina and other assets in the Caribbean region), Africa and the Middle East (which includes our subsidiaries in Egypt, the UAE and Israel) and Asia (which includes our subsidiaries in the Philippines, Thailand, Malaysia, Bangladesh and other assets in the Asian region).

We sold our operations in Australia on October 1, 2009. As of December 31, 2010, after eliminations resulting from consolidation, our operations in Mexico represented approximately 12% of our total assets, our operations in the U.S. represented approximately 43% of our total assets, our operations in Spain represented

Table of Contents

approximately 10% of our total assets, our operations in the United Kingdom represented approximately 6% of our total assets, our operations in Germany represented approximately 2% of our total assets, our operations in France represented approximately 3% of our total assets, our operations in the Rest of Europe represented approximately 4% of our total assets, our operations in South America, Central America and the Caribbean represented approximately 6% of our total assets, our operations in Africa and the Middle East represented approximately 3% of our total assets, our operations in Asia represented approximately 2% of our total assets, and our other operations represented approximately 9% of our total assets. For the year ended December 31, 2010, before eliminations resulting from consolidation in Peso terms, our operations in Mexico represented approximately 23% of our net sales, our operations in the U.S. represented approximately 17% of our net sales, our operations in Spain represented approximately 4% of our net sales, our operations in the United Kingdom represented approximately 8% of our net sales, our operations in Germany represented approximately 7% of our net sales, our operations in France represented approximately 7% of our net sales, our operations in the Rest of Europe represented approximately 7% of our net sales, our operations in South America, Central America and the Caribbean represented approximately 11% of our net sales, our operations in Africa and the Middle East represented approximately 8% of our net sales, our operations in Asia represented approximately 3% of our net sales and our other operations represented approximately 5% of our net sales. Adverse economic conditions in any of these countries or regions may produce a negative impact on our net income.

For a geographic breakdown of our net sales for the year ended December 31, 2010, please see [Item 4 Information on the Company Geographic Breakdown of Our 2010 Net Sales](#).

Our operations in South America, Central America and the Caribbean are faced with several risks that are more significant than in other countries. These risks include political instability and economic volatility. For example, on August 18, 2008, Venezuelan officials took physical control of the facilities of CEMEX Venezuela, S.A.C.A., or CEMEX Venezuela, following the issuance on May 27, 2008 of governmental decrees confirming the expropriation of all of CEMEX Venezuela's assets, shares and business. The government of Venezuela has paid no compensation to the CEMEX affiliates, CEMEX Caracas Investments B.V. and CEMEX Caracas II Investments B.V. (together, "CEMEX Caracas"), which held a 75.7% interest in CEMEX Venezuela, or to any other former CEMEX Venezuela shareholder. On October 16, 2008, CEMEX Caracas filed a request for arbitration against the government of Venezuela before the International Centre for Settlement of Investment Disputes, or ICSID, pursuant to the bilateral investment treaty between the Netherlands and Venezuela, seeking relief for the expropriation of their interest in CEMEX Venezuela. The ICSID arbitral tribunal, or ICSID Tribunal, has been constituted, and the arbitration is now in the merits phase, the jurisdiction aspects having been concluded by the issuance of the award discussed below. We are unable at this preliminary stage to estimate the likely range of potential recovery (if any) or to determine what position the government of Venezuela will take in these proceedings, the nature of the award that may be issued by the ICSID Tribunal, and the difficulties of collection of any possible monetary award issued to CEMEX Caracas, among other matters. See [Item 4 Information on the Company Regulatory Matters and Legal Proceedings Other Legal Proceedings Expropriation of CEMEX Venezuela and ICSID Arbitration](#).

Our operations in Africa and the Middle East have experienced instability as a result of, among other things, civil unrest, extremism and the deterioration of general diplomatic relations in the region. There can be no assurance that political turbulence in Egypt, Libya and other countries in Africa and the Middle East will abate in the near future or that neighboring countries will not be drawn into conflicts or experience instability.

In January 2011, protests and demonstrations demanding a regime change began taking place across Egypt, which resulted in former President Hosni Mubarak resigning from his post on February 11, 2011. Subsequently, Mr. Mubarak transferred government powers to the Egyptian Army. The Supreme Council of the Armed Forces of Egypt then issued a statement expressing a commitment to oversee an orderly transition of power by holding elections under a stable environment. Since then, demonstrations and protests have continued to take place across Egypt. Although CEMEX's operations in Egypt have not been immune from disruptions resulting from the turbulence in Egypt, CEMEX continues with its cement production, dispatch and sales activities as of the date of this annual report. Risks to CEMEX's operations in Egypt include a potential reduction in overall economic activity in Egypt, which could affect demand for building materials, and interruptions in services, such as banking, which could have a material adverse effect on our operations in Egypt.

There have been terrorist attacks in countries in which we maintain operations, and ongoing threats of future terrorist attacks. There can be no assurance that there will not be other attacks or threats that will lead to an

Table of Contents

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 cement and could have a material adverse effect on our operations.

Our operations can be affected by adverse weather conditions.

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. Consequently, demand for our products is significantly lower during the winter in temperate countries and during the rainy season in tropical countries. 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 can adversely affect our operations during these periods as well. Such adverse weather conditions can adversely affect our results of operations and profitability if they occur with unusual intensity, during abnormal periods, or last longer than usual in our major markets, especially during peak construction periods.

The Mexican tax consolidation regime may have an adverse effect on cash flow, financial condition and net income.

During November 2009, the Mexican Congress approved a general tax reform, effective as of January 1, 2010. Specifically, the tax reform requires CEMEX, S.A.B. de C.V. to retroactively pay taxes (at current rates) on items in past years that were eliminated in consolidation or that reduced consolidated taxable income (Additional Consolidation Taxes). This tax reform will require CEMEX, S.A.B. de C.V. to pay taxes on certain previously exempt intercompany dividends, certain other special tax items, and operating losses generated by members of the consolidated tax group not recovered by the individual company generating such losses within the succeeding 10-year period, which may have an adverse effect on our cash flow, financial condition and net income. This tax reform also increases the statutory income tax rate from 28% to 30% for the years 2010 to 2012, 29% for 2013, and 28% for 2014 and future years. In 2010, we were required to pay, at the new 30% tax rate, 25% of Additional Consolidation Taxes resulting from eliminating the tax consolidation effects from 1999 to 2004. The remaining 75% is payable as follows: 25% in 2011, 20% in 2012, 15% in 2013 and 15% in 2014.

Additional Consolidation Taxes arising after 2004 will be taken into account in the sixth fiscal year after their occurrence and will be payable over the succeeding five years in the same proportions (25%, 25%, 20%, 15% and 15%). Applicable taxes payable as a result of this tax reform will be increased by inflation adjustments as required by Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*). In connection with the changes in the tax consolidation regime in Mexico, as of December 31, 2009, we recognized a liability of approximately Ps10.5 billion (U.S.\$799 million), of which approximately Ps8.2 billion (U.S.\$628 million) were recognized under Other non-current assets in connection with the net liability recognized before the new tax law and that we expect to realize in connection with the payment of this tax liability; and approximately Ps2.2 billion (U.S.\$171 million) were recognized under Retained earnings, considering special provisions under MFRS, for the portion, according to the new law, related to: (a) the difference between the sum of the equity of the controlled entities for tax purposes and the equity for tax purposes of the consolidated entity; (b) dividends from the controlled entities for tax purposes to CEMEX, S.A.B. de C.V.; and (c) other transactions among the companies included in the tax consolidation that represented the transfer of resources within such group. In December 2010, the tax authority in Mexico granted us the option to defer the calculation and payment of income taxes, until a subsidiary is disposed of or until CEMEX eliminates the tax consolidation, over the difference between the sum of the equity of the controlled entities for tax purposes and the equity of the consolidated entity for tax purposes. As a result, CEMEX reduced its estimated taxes payable by approximately Ps2,911 million against a credit to Retained earnings. In our U.S. GAAP reconciliation of our 2010 and 2009 financial statements, the approximately income of Ps2.9 billion (U.S.\$236 million) and expense of Ps2.2 billion (U.S.\$171 million), respectively, recognized under Retained earnings under MFRS were reclassified under U.S. GAAP to income tax revenue for the period in 2010 and income tax expense for the period in 2009.

As of December 31, 2010, our estimated payment schedule of remaining taxes payable resulting from changes in the tax consolidation regime was as follows: approximately Ps501 million in 2011, approximately Ps667 million in 2012, approximately Ps667 million in 2013, approximately Ps1.9 billion in 2014 and approximately Ps6.3 billion in 2015 and thereafter. For the year ended December 31, 2010, we paid Ps325 million (U.S.\$26 million) in

Table of Contents

respect of Additional Consolidated Taxes. See notes 2N and 15A to our consolidated financial statements included elsewhere in this annual report.

On February 15, 2010, we filed a constitutional challenge (*juicio de amparo*) against this tax reform. However, we cannot assure you that we will prevail in this constitutional challenge.

It may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling persons.

We are a publicly traded stock corporation with variable capital (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Substantially all of our directors and officers and some of the persons named in this annual report 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, Lic. Ramiro G. Villarreal, 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. In particular, the legal framework and case law pertaining to disputes between shareholders and us, our directors, our officers or our controlling shareholders, if any, are less developed under Mexican law than under United States law, generally only permits shareholder derivative suits (i.e., suits for our benefit as opposed to the direct benefit of our shareholders) and there are different procedural requirements for bringing shareholder lawsuits, such as shareholder derivative suits, which differ from those you may be familiar with under U.S. and other laws. 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 enforce their rights against us or our directors or controlling shareholders than it would be for shareholders of a United States company.

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

Under the terms of the ADSs and our by-laws, a holder of an ADS has the right to instruct the ADS depository to exercise voting rights only with respect to Series B shares represented by the CPOs deposited with the depository, but not with respect to the Series A shares represented by the CPOs deposited with the depository. 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 depository 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. In addition, the depository 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 depository 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 depository to give a proxy to a person we designate to vote the B shares underlying the CPOs represented by the ADSs in his/her discretion. The ADS depository 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 A shares and the B shares represented by the CPOs at any meeting of holders of A shares or B shares even if no voting instructions have been received. By so attending, the ADS depository, the

Table of Contents

custodian or the CPO trustee, as applicable, may contribute to the establishment of a quorum at a meeting of holders of CPOs, A shares or B shares, as appropriate.

Preemptive rights may be unavailable to ADS holders.

ADS holders may be unable to exercise preemptive rights granted to our shareholders, in which case ADS holders could be substantially diluted following future equity or equity-linked offerings. Under Mexican law, whenever we issue new shares for payment in cash or in kind, we are generally required to grant preemptive rights to our 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.

Non-Mexicans may not hold our Series A shares directly and must have them held in a trust at all times.

Non-Mexican investors in our CPOs or ADSs may not directly hold the underlying Series A shares, but may hold them indirectly through our CPO trust. Upon the early termination or expiration of the 30-year term of our CPO trust, the underlying Series A shares of our CPOs held by non-Mexican investors must be placed in 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 transfers 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.

Table of Contents**Mexican Peso Exchange Rates**

Mexico has had no exchange control system in place since the dual exchange control system was abolished on November 11, 1991. The Mexican Peso has floated freely in foreign exchange markets since December 1994, when the Mexican Central Bank (*Banco de México*) abandoned its prior policy of having an official devaluation band. Since then, the Peso has been subject to substantial fluctuations in value. The Peso appreciated against the Dollar by approximately 5% in 2005, depreciated against the Dollar by approximately 2%, 1% and 26% in 2006, 2007 and 2008, respectively, appreciated against the Dollar by approximately 5% in 2009, and appreciated against the Dollar by approximately 6% in 2010. These percentages are based on the exchange rate that we use for accounting purposes, or the CEMEX accounting rate. CEMEX accounting rates represent the average of three different exchange rates that are provided to us by Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex, or Banamex. For any given date, the CEMEX accounting rate may differ from the noon buying rate for Pesos in New York City published by the U.S. Federal Reserve Bank of New York.

The following table sets forth, for the periods and dates indicated, the end-of-period, average and high and low points of the CEMEX accounting rate as well as the noon buying rate for Pesos, expressed in Pesos per U.S.\$1.00.

Year ended December 31,	CEMEX Accounting Rate				Noon Buying Rate			
	End of Period	Average(1)	High	Low	End of Period	Average(1)	High	Low
2005	10.62	10.85	11.38	10.42	10.63	10.89	11.41	10.41
2006	10.80	10.91	11.49	10.44	10.80	10.90	11.46	10.43
2007	10.92	10.93	11.07	10.66	10.92	10.93	11.27	10.67
2008	13.74	11.21	13.96	9.87	13.83	11.15	13.92	9.92
2009	13.09	13.51	15.57	12.62	13.06	13.50	15.41	12.63
2010	12.36	12.67	13.21	12.15	12.38	12.64	13.19	12.16
Monthly (2010-2011)								
November	12.49		12.50	12.21	12.45		12.57	12.21
December	12.36		12.49	12.31	12.38		12.47	12.33
January	12.12		12.26	11.99	12.15		12.25	12.04
February	12.11		12.18	11.98	12.11		12.18	11.97
March	11.97		12.22	11.89	11.92		12.11	11.92
April	11.50		11.85	11.50	11.52		11.86	11.52
May	11.57		11.77	11.53	11.58		11.77	11.51
June(2)	11.86		11.91	11.64	11.87		11.87	11.64

(1) The average of the CEMEX accounting rate or the noon buying rate for Pesos, as applicable, on the last day of each full month during the relevant period.

(2) June noon buying rates are through June 10, 2011. CEMEX accounting rates are through June 13, 2011.

On June 13, 2011, the CEMEX accounting rate was Ps11.86 to U.S.\$1.00. Between January 1, 2011 and June 10, 2011, the Peso appreciated by 4% against the Dollar, based on the noon buying rate for Pesos.

For a discussion of the financial treatment of our operations conducted in other currencies, see Selected Consolidated Financial Information.

Table of Contents

Selected Consolidated Financial Information

The financial data set forth below as of and for each of the five years ended December 31, 2010 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 2010 and 2009 and for each of the three years ended December 31, 2010, 2009 and 2008 have been derived from, and should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements and the notes thereto included elsewhere in this annual report. Our audited consolidated financial statements for the year ended December 31, 2010 were approved by our shareholders at the annual shareholders general meeting, which was held on February 24, 2011.

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 operating control. As a result, the financial data for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 may not be comparable to that of prior periods.

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with MFRS, which differ in significant respects from U.S. GAAP. Beginning on January 1, 2008, according to MFRS B-10, Inflation effects, inflationary accounting is only applied in a high-inflation environment, defined by MFRS B-10 as existing when the cumulative inflation for the preceding three years equals or exceeds 26%. Until December 31, 2007, inflationary accounting was applied to all CEMEX subsidiaries regardless of the inflation level of their respective country. Beginning in 2008, only the financial statements of those subsidiaries whose functional currency corresponds to a country under high inflation are restated to take account of inflation. Designation of a country as a high or low inflation environment takes place at the end of each year and inflation is applied prospectively. During 2008, the financial statements of our subsidiaries in Costa Rica and Venezuela were restated; during 2009, the financial statements of our subsidiaries in Egypt, Nicaragua, Latvia and Costa Rica were restated; and during 2010, the financial statements of our subsidiaries in Egypt, Nicaragua and Costa Rica were restated.

Beginning in 2008, MFRS B-10 has eliminated the restatement of financial statements for the period as well as the comparative financial statements for prior periods into constant values as of the date of the most recent balance sheet. Beginning in 2008, the amounts of the statement of operations, statement of cash flows and statement of changes in stockholders' equity are presented in nominal values; meanwhile, pursuant to MFRS B-10, amounts of financial statements for prior years are presented in constant Pesos as of December 31, 2007, the date in which inflationary accounting ceased to be generally applied. Until such date, the restatement factors for current and prior periods were calculated considering the weighted average inflation of the countries in which we operate and the changes in the exchange rates of each of these countries relative to the Mexican Peso, weighted according to the proportion that our assets in each country represent of our total assets.

The following table reflects the factor that was used to restate the originally reported Pesos as of and for the year ended December 31, 2006 to Pesos of constant purchasing power as of December 31, 2007:

	Annual Weighted Average Factor	Cumulative Weighted Average Factor to December 31, 2007
2006	1.0846	1.0846

Non-Peso amounts included in the 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 Peso amounts at the CEMEX accounting rate, described under Mexican Peso Exchange Rates, as of the relevant period or date, as applicable.

The Dollar amounts provided below and, unless otherwise indicated elsewhere in this annual report, are translations of Peso amounts at an exchange rate of Ps12.36 to U.S.\$1.00, the CEMEX accounting rate as of December 31, 2010. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that 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 Peso amounts actually represent those Dollar amounts or could be converted

Table of Contents

into Dollars at the rate indicated. The noon buying rate for Pesos on December 31, 2010 was Ps12.38 to U.S.\$1.00. From December 31, 2010 through June 10, 2011, the Peso appreciated by approximately 4% against the Dollar, based on the noon buying rate for Pesos.

Table of Contents**CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES****SELECTED CONSOLIDATED FINANCIAL INFORMATION**

	2006	As of and for the year ended December 31,			
		2007	2008	2009	2010
	(in millions of Pesos, except ratios and share and per share amounts)				
Statement of Operations Information:					
Net sales	Ps 213,767	Ps 228,152	Ps 225,665	Ps 197,801	Ps 178,260
Cost of sales(1)	(136,447)	(151,439)	(153,965)	(139,672)	(128,307)
Gross profit	77,320	76,713	71,700	58,129	49,953
Operating expenses	(42,815)	(45,103)	(45,612)	(42,289)	(39,110)
Operating income	34,505	31,610	26,088	15,840	10,843
Other expense, net(2)	(580)	(2,984)	(21,403)	(5,529)	(6,672)
Comprehensive financing result(3)	(505)	1,018	(28,326)	(15,106)	(15,627)
Equity in income of associates	1,425	1,487	869	154	(524)
Income (loss) before income tax	34,845	31,131	(22,772)	(4,641)	(11,980)
Discontinued operations(4)		288	2,097	(4,276)	
Non-controlling net income	1,292	837	45	240	27
Controlling interest net income (loss)	27,855	26,108	2,278	1,409	(16,516)
Basic earnings (loss) per share(5)(6)(7)	1.29	1.17	0.09	0.05	(0.55)
Diluted earnings (loss) per share(5)(6)(7)	1.29	1.17	0.09	0.05	
Dividends per share(5)(8)(9)	0.28	0.29			
Number of shares outstanding(5)(10)	21,987	22,297	22,985	25,643	29,975
Balance Sheet Information:					
Cash and temporary investments	18,494	8,108	12,900	14,104	8,354
Property, machinery and equipment, net	201,425	250,015	270,281	258,863	231,458
Total assets	351,083	542,314	623,622	582,286	515,097
Short-term debt	14,657	36,160	95,269	7,393	5,637
Long-term debt	73,674	180,636	162,805	203,751	197,181
Non-controlling interest and perpetual debentures(11)	22,484	40,985	46,575	43,697	19,524
Total controlling stockholders' equity	150,627	163,168	190,692	213,873	194,176
Other Financial Information:					
Net working capital(12)	10,389	15,108	16,358	12,380	9,051
Book value per share(5)(10)(13)	6.85	7.32	8.30	8.34	6.48
Operating margin	16.1%	13.9%	11.6%	8.0%	6.1%
Operating EBITDA(14)	48,466	48,752	45,787	36,153	29,317
Ratio of Operating EBITDA to interest expense(14)	8.38	5.53	4.49	2.68	1.80
Investment in property, machinery and equipment, net	16,067	21,779	20,511	6,655	4,726
Depreciation and amortization	13,961	17,666	19,699	20,313	18,474
Net cash flow provided by continuing operations(15)	47,845	45,625	38,455	33,728	21,838
Basic earnings (loss) per CPO(5)(6)(7)	3.87	3.51	0.30	0.18	(1.65)
U.S. GAAP(16)(17):					
Statement of Operations Information:					
Net sales	Ps 203,660	Ps 226,742	Ps 224,804	Ps 197,801	Ps 178,260
Operating income (loss)(17)	32,804	28,623	(42,233)	10,396	5,484
Controlling interest net income (loss)	26,384	21,367	(61,886)	(5,904)	(7,170)
Basic earnings (loss) per share	1.23	0.96	(2.31)	(0.21)	(0.23)
Diluted earnings (loss) per share	1.23	0.96	(2.31)	(0.21)	(0.23)
Balance Sheet Information:					
Total assets	351,927	563,565	605,072	558,541	504,065
Perpetual debentures(11)	14,037	33,470	41,495	39,859	16,310

Table of Contents

	As of and for the year ended December 31,				
	2006	2007	2008	2009	2010
	(in millions of Pesos, except ratios and share and per share amounts)				
Long-term debt(11)	69,375	164,497	162,810	203,602	197,068
Non-controlling interest	7,581	8,010	5,105	3,865	3,334
Total controlling stockholders equity	153,239	172,217	151,294	165,539	151,538

- (1) Cost of sales includes depreciation, as well as freight expenses of raw materials used in our producing plants. 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, which are included as part of our administrative and selling expenses line item, 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 our distribution expenses line item, except for distribution or delivery expenses related to our ready-mix concrete business, which are included in our cost of sales.
- (2) Beginning in 2007, current and deferred Employees' Statutory Profit Sharing (ESPS) is included within Other expense, net. Until December 31, 2006, ESPS was presented in a specific line item within the income taxes section of the statement of operations. The Selected Consolidated Financial Information data for 2006 were reclassified to conform to the presentation required beginning in 2007.
- (3) Comprehensive financing result includes financial expenses, financial income, results from financial instruments, including derivatives and marketable securities, foreign exchange result and monetary position result. See Item 5 Operating and Financial Review and Prospects.
- (4) On October 1, 2009, we completed the sale of our Australian operations to a subsidiary of Holcim Ltd. for approximately \$2.02 billion Australian Dollars (approximately U.S.\$1.7 billion). Discontinued operations includes the results of our Australian operations, net of income tax, for the nine-month period ended September 30, 2009, the twelve-month period ended December 31, 2008 and the six-month period ended December 31, 2007. Accordingly, our financial information under MFRS and under U.S. GAAP presented above for the years ended December 31, 2007, 2008 and 2009 was restated to present our Australian operations as Discontinued Operations. See note 3B to our consolidated financial statements included elsewhere in this annual report.
- (5) Our capital stock consists of Series A shares and Series B shares. Each of our CPOs represents two Series A shares and one Series B share. As of December 31, 2010, approximately 97.8% of our outstanding share capital was represented by CPOs. Each of our ADSs represents ten CPOs.
- (6) Earnings (loss) per share are calculated based upon the weighted average number of shares outstanding during the year, as described in note 18 to our 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 MFRS.
- (7) Basic earnings per share in the table above for the years ended December 31, 2007, 2008 and 2009 are comprised of basic earnings per share of continuing operations of Ps1.16, Ps0.01 and Ps0.21, respectively, and basic earnings per share of discontinued operations of Ps0.01 in 2007, Ps0.08 in 2008 and a loss per share of Ps0.16 in 2009. Likewise, diluted earnings per share for the years ended December 31, 2007, 2008 and 2009 are comprised of diluted earnings per share of continuing operations of Ps1.16, Ps0.01 and Ps0.21, respectively, and diluted basic earnings per share of discontinued operations of Ps0.01 in 2007, Ps0.08 in 2008 and a loss per share of discontinued operations of Ps0.16 in 2009. In 2006 and 2010, the results of operations and basic and diluted earnings (loss) per share are comprised solely of results from continuing operations. In 2010, diluted earnings per share are not presented because, pursuant to MFRS, diluted earnings per share shall not be disclosed when the result from continuing operations for the period is a loss.
- (8) Dividends declared at each year's annual shareholders' meeting are reflected as dividends of the preceding year.
- (9) In years prior to the 2008 fiscal year, our board of directors proposed, and our shareholders approved, dividend proposals, whereby our shareholders had a choice between stock dividends or cash dividends declared in respect of the prior year's results, with the stock issuable to shareholders who receive the stock dividend being issued at a 20% discount from then current market prices. The dividends declared per share or per CPO in these years,

Table of Contents

- expressed in Pesos, were as follows: 2006, Ps0.81 per CPO (or Ps0.27 per share); 2007, Ps0.84 per CPO (or Ps0.28 per share); and 2008, Ps0.87 per CPO (or Ps0.29 per share). As a result of dividend elections made by shareholders, in 2006, Ps161 million in cash was paid and approximately 212 million additional CPOs were issued in respect of dividends declared for the 2005 fiscal year; in 2007, Ps147 million in cash was paid and approximately 189 million additional CPOs were issued in respect of dividends declared for the 2006 fiscal year; and in 2008, Ps214 million in cash was paid and approximately 284 million additional CPOs were issued in respect of dividends declared for the 2007 fiscal year. For purposes of the table, dividends declared at each year's annual shareholders' meeting for each period are reflected as dividends for the preceding year. We did not declare a dividend for fiscal years 2008, 2009 and 2010. At our 2008, 2009 and 2010 annual shareholders' meetings, held on April 23, 2009, April 23, 2010, and February 24, 2011, respectively, our shareholders approved recapitalizations of retained earnings. New CPOs issued pursuant to each of the recapitalizations were allocated to shareholders on a pro-rata basis. As a result, shares equivalent to approximately 334 million CPOs, approximately 384 million CPOs and approximately 401 million CPOs were allocated to shareholders on a pro-rata basis in connection with the 2008, 2009 and 2010 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.
- (10) Based upon the total number of shares outstanding at the end of each period, expressed in millions of shares, and includes shares subject to financial derivative transactions, but does not include shares held by our subsidiaries.
- (11) Non-controlling interest, as of December 31, 2006, 2007, 2008, 2009 and 2010, includes U.S.\$1,250 million (Ps14,642 million), U.S.\$3,065 million (Ps33,470 million), U.S.\$3,020 million (Ps41,495 million), U.S.\$3,045 million (Ps39,859 million) and U.S.\$1,320 million (Ps16,310 million), respectively, that represents the nominal amount of the fixed-to-floating rate callable perpetual debentures, denominated in Dollars and Euros, issued by consolidated entities. In accordance with MFRS, these securities qualify as equity due to their perpetual nature and the option to defer the coupons. However, for purposes of our U.S. GAAP reconciliation, we record these debentures as debt and coupon payments thereon as part of financial expenses in our statement of operations.
- (12) Net working capital equals trade receivables, less allowance for doubtful accounts plus inventories, net, less trade payables.
- (13) Book value per share is calculated by dividing the total controlling stockholders' equity by the number of shares outstanding.
- (14) Operating EBITDA equals operating income before amortization expense and depreciation. Operating EBITDA and the ratio of Operating EBITDA to interest expense are presented because we believe that they are widely accepted as financial indicators of our ability to internally fund capital expenditures and service or incur debt. Operating EBITDA and such ratios 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. Operating EBITDA is reconciled below to operating income under MFRS as reported in the statements of operations, before giving effect to any non-controlling interest, and to net cash flows provided by continuing operations as reported in the statements of cash flows, which we consider to be the most comparable measure as determined under MFRS. Interest expense under MFRS does not include coupon payments and issuance costs of the perpetual debentures issued by consolidated entities of approximately Ps152 million for 2006, approximately Ps1,847 million for 2007, approximately Ps2,596 million for 2008, approximately Ps2,704 million for 2009 and approximately Ps1,624 million for 2010, as described in note 16D to our consolidated financial statements included elsewhere in this annual report.

	2006	For the year ended December 31,			2010
		2007	2008	2009	
		(in millions of Pesos)			
Reconciliation of operating EBITDA to Net cash flows provided by continued operations					
Operating EBITDA	Ps 48,466	Ps 48,752	Ps 45,787	Ps 36,153	Ps 29,317
Less:					
Operating depreciation and amortization expense	13,961	17,142	19,699	20,313	18,474
Operating income	Ps 34,505	Ps 31,610	Ps 26,088	Ps 15,840	Ps 10,843

Table of Contents

	For the year ended December 31,				2010
	2006	2007	2008	2009	
	(in millions of Pesos)				
Plus / minus:					
Changes in working capital excluding income taxes	2,270	(877)	1,299	(2,599)	100
Operating depreciation and amortization expense	13,961	17,142	19,699	20,313	18,474
Other cash expenses, net	(2,891)	(3,484)	(8,631)	174	(7,579)
Net cash flows provided by continued operations after income tax	47,845	44,391	38,455	33,728	21,838

- (15) For the two years ended December 31, 2006 and 2007, statements of cash flows were not required under MFRS; therefore net resources provided by operating activities included in this item for such years refer to the Statements of Changes in Financial Position and represent controlling interest net income plus items not affecting cash flow plus investment in working capital excluding effects from acquisitions and including inflation effects and unrealized foreign exchange effects.
- (16) We have restated the information at and for the year ended December 31, 2006 under U.S. GAAP using the inflation factor derived from the national consumer price index, or NCPI, in Mexico, as required by Regulation S-X under the Exchange Act, instead of using the weighted average restatement factors used by us until December 31, 2007 according to MFRS and applied to the information presented under MFRS of prior years. These figures are presented in constant Pesos as of December 31, 2007, the last date in which inflationary accounting was applied (see note 2A to our consolidated financial statements included elsewhere in this annual report). The amounts for the years ended December 31, 2008, 2009 and 2010 are presented in nominal Pesos.
- (17) Operating loss under U.S. GAAP for the year ended December 31, 2008 includes impairment losses of approximately Ps67,202 million (U.S.\$4,891 million).

Table of Contents**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

We are a publicly traded stock corporation with variable capital, or *sociedad anónima bursátil de capital variable*, organized under the laws of Mexico, with our principal executive offices in Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, Garza García, Nuevo León, México 66265. Our main phone number is (011-5281) 8888-8888.

CEMEX, S.A.B. de C.V. was founded in 1906 and was registered with the Mercantile Section of the Public Registry of Property and Commerce in Monterrey, N.L., Mexico, on June 11, 1920 for a period of 99 years. At our 2002 annual shareholders meeting, this period was extended to the year 2100. 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, 2010 of approximately 96.1 million tons. We are the largest ready-mix concrete company in the world with annual sales volumes of approximately 51 million cubic meters and one of the largest aggregates companies in the world with annual sales volumes of approximately 158 million tons, in each case based on our annual sales volumes in 2010. We are also one of the world's largest traders of cement and clinker, having traded approximately 7.9 million tons of cement and clinker in 2010. CEMEX, S.A.B. de C.V. is a holding company primarily engaged, through our operating subsidiaries, in the production, distribution, marketing and sale of cement, ready-mix concrete, aggregates and clinker throughout the world.

We operate globally with operations in North America, Europe, South America, Central America and the Caribbean, Africa and the Middle East and Asia. As of December 31, 2010, we had total assets of approximately Ps515 billion (U.S.\$42 billion) and an equity market capitalization of approximately Ps131.8 billion (U.S.\$10.7 billion).

As of December 31, 2010, our main cement production facilities were located in Mexico, the United States, Spain, the United Kingdom, Germany, Poland, Croatia, Latvia, Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Egypt, the Philippines and Thailand. As of December 31, 2010, 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 cement equivalent capacity, which counts each ton of white cement capacity as approximately two tons of gray cement capacity.

	As of December 31, 2010		
	Assets after eliminations (in billions of Pesos)	Number of cement plants	Installed cement production capacity (millions of tons per annum)
North America			
Mexico	63	15	29.3
United States	220	13	17.2
Europe			
Spain	50	8	11.0
United Kingdom	31	3	2.8
Germany	11	2	4.9
France	15		
Rest of Europe(1)	22	6	7.0
South America, Central America and the Caribbean(2)	30	11	12.8
Africa and the Middle East(3)	15	1	5.4

Table of Contents

	As of December 31, 2010		
	Assets after eliminations (in billions of Pesos)	Number of cement plants	Installed cement production capacity (millions of tons per annum)
Asia(4)	10	3	5.7
Cement and Clinker Trading Assets and Other Operations	48		

The above table includes our proportional interest in the installed capacity of companies in which we hold a non-controlling interest.

- (1) Includes our subsidiaries in Ireland, Poland, Croatia, Austria, Hungary, the Czech Republic, Latvia and other assets in the European region, and, for purposes of the columns labeled Assets after eliminations and Installed cement production capacity, includes our approximate 33% interest, as of December 31, 2010, in a Lithuanian cement producer that operated one cement plant with annual installed capacity of 1.3 million tons of cement as of December 31, 2010.
- (2) Includes our subsidiaries in Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Guatemala, Argentina and other assets in the Caribbean region.
- (3) Includes our subsidiaries in Egypt, the United Arab Emirates and Israel.
- (4) Includes our subsidiaries in the Philippines, Thailand, Malaysia, Bangladesh and other assets in the Asian region.

During the last two decades, 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. The following have been our most significant acquisitions over the last five years:

On July 1, 2007, we completed for accounting purposes the acquisition of 100% of the Rinker shares for a total consideration of approximately U.S.\$14.2 billion (excluding the assumption of approximately U.S.\$1.3 billion of Rinker's debt). Rinker, then headquartered in Australia, was a leading international producer and supplier of materials, products and services used primarily in the construction industry, with operations primarily in the United States and Australia, and limited operations in China. Rinker operations in the United States consisted of two cement plants located in Florida with an installed capacity of 1.9 million tons of cement and 172 ready-mix concrete plants. In Australia, through its Readymix subsidiary, Rinker's Australian operations, which we have since sold, comprised 344 operating plants including 84 quarries and sand mines, 243 concrete plants and 17 concrete pipe and product plants, as of the date of acquisition. In China, through its Readymix subsidiary, Rinker operated four concrete plants in the northern cities of Tianjin and Qingdao.

On March 1, 2005, we completed our acquisition of RMC for a total purchase price of approximately U.S.\$4.3 billion, excluding approximately U.S.\$2.2 billion of assumed debt. RMC, headquartered in the United Kingdom, was one of Europe's largest cement producers and one of the world's largest suppliers of ready-mix concrete and aggregates, with operations in 22 countries, primarily in Europe and the United States. The assets acquired included 13 cement plants with an approximate installed capacity of 17 million tons, located in the United Kingdom, the United States, Germany, Croatia, Poland and Latvia.

As part of our strategy, we periodically review and reconfigure our operations in implementing our post-merger integration process, and we sometimes divest assets that we believe are less important to our strategic objectives. The following have been our most significant divestitures and reconfigurations over the last five years:

On August 27, 2010, we completed the sale of seven aggregates quarries, three resale aggregate distribution centers and one concrete block manufacturing facility in Kentucky to Bluegrass Materials Company, LLC for U.S.\$88 million in proceeds.

Table of Contents

On October 1, 2009, we completed the sale of our Australian operations to a subsidiary of Holcim Ltd. The net proceeds from this sale were approximately \$2.02 billion Australian Dollars (approximately U.S.\$1.7 billion).

On June 15, 2009, we sold three quarries (located in Nebraska, Wyoming and Utah) and our 49% joint venture interest in the operations of a quarry located in Granite Canyon, Wyoming, to Martin Marietta Materials, Inc. for U.S.\$65 million.

On December 26, 2008, we sold our Canary Islands operations (consisting of cement and ready-mix concrete assets in Tenerife and 50% of the shares in two joint-ventures, Cementos Especiales de las Islas, S.A. (CEISA) and Inprocoi, S.L.) to several Spanish subsidiaries of Cimpor Cimentos de Portugal SGPS, S.A. for 162 million (approximately U.S.\$227 million).

During 2008, we sold in several transactions our operations in Italy consisting of four cement grinding mill facilities for an aggregate amount of approximately 148 million (approximately U.S.\$210 million).

As required by the Antitrust Division of the United States Department of Justice, pursuant to a divestiture order in connection with the Rinker acquisition, in December 2007, we sold to the Irish producer CRH plc, ready-mix concrete and aggregates plants in Arizona and Florida for approximately U.S.\$250 million, of which approximately U.S.\$30 million corresponded to the sale of assets from our pre-Rinker acquisition operations.

During 2006 we sold our 25.5% interest in the Indonesian cement producer PT Semen Gresik for approximately U.S.\$346 million including dividends declared of approximately U.S.\$7 million.

On March 2, 2006, we sold 4K Beton A/S, our Danish subsidiary, which operated 18 ready-mix concrete plants in Denmark, to Unicon A/S, a subsidiary of Cementir Group, an Italian cement producer, for approximately 22 million (approximately U.S.\$29 million). As part of the transaction, we purchased from Unicon A/S two companies engaged in the ready-mix concrete and aggregates business in Poland for approximately 12 million (approximately U.S.\$16 million). We received net cash proceeds of approximately 6 million (approximately U.S.\$8 million), after cash and debt adjustments, from this transaction.

On December 22, 2005, we terminated our 50/50 joint ventures with Lafarge Asland in Spain and Portugal, which we acquired in the RMC acquisition. Under the terms of the termination agreement, Lafarge Asland received a 100% interest in both joint ventures and we received approximately U.S.\$61 million in cash, as well as 29 ready-mix concrete plants and five aggregates quarries in Spain.

As a condition to closing the RMC acquisition, we agreed with the U.S. Federal Trade Commission, or FTC, to divest several ready-mix concrete and related assets. On August 29, 2005, we sold RMC's operations in the Tucson, Arizona area to California Portland Cement Company for a purchase price of approximately U.S.\$16 million.

On July 1, 2005, we and Ready Mix USA established two jointly-owned limited liability companies, CEMEX Southeast, LLC, a cement company, and Ready Mix USA LLC, a ready-mix concrete company, to serve the construction materials market in the southeast region of the United States. Under the terms of the limited liability company agreements and related asset contribution agreements, we contributed two cement plants (Demopolis, Alabama and Clinchfield, Georgia) and 11 cement terminals to CEMEX Southeast, LLC, representing approximately 98% of its contributed capital, while Ready Mix USA contributed cash to CEMEX Southeast, LLC representing approximately 2% of its contributed capital. In addition, we contributed our ready-mix concrete, aggregates and concrete block assets in the Florida panhandle and southern Georgia to Ready Mix USA LLC, representing approximately 9% of its contributed capital, while Ready Mix USA contributed all its ready-mix concrete and aggregate operations in Alabama, Georgia, the Florida panhandle and Tennessee, as well as its concrete block operations in Arkansas, Tennessee, Mississippi, Florida and Alabama to Ready

Table of Contents

Mix USA LLC, representing approximately 91% of its contributed capital. We own a 50.01% interest, and Ready Mix USA owns a 49.99% interest, in the profits and losses and voting rights of CEMEX Southeast, LLC, while Ready Mix USA owns a 50.01% interest, and we own a 49.99% interest, in the profits and losses and voting rights of Ready Mix USA LLC. In a separate transaction, on September 1, 2005, we sold 27 ready-mix concrete plants and four concrete block facilities located in the Atlanta, Georgia metropolitan area to Ready Mix USA LLC for approximately U.S.\$125 million.

On January 11, 2008, in connection with the assets acquired from Rinker, and as part of our agreements with Ready Mix USA, a privately owned ready-mix concrete producer with operations in the Southeastern United States (described below), CEMEX contributed and sold to Ready Mix USA LLC, our ready-mix concrete joint venture with Ready Mix USA certain assets located in Georgia, Tennessee and Virginia, which had a fair value of approximately U.S.\$437 million. We received U.S.\$120 million in cash for the assets sold to Ready Mix USA LLC, and the remaining assets were treated as a U.S.\$260 million contribution by us to Ready Mix USA LLC. As part of the same transaction, Ready Mix USA contributed U.S.\$125 million in cash to Ready Mix USA LLC, which in turn received bank loans of U.S.\$135 million. Ready Mix USA LLC made a special distribution in cash to us of U.S.\$135 million. Ready Mix USA manages all the assets acquired. Following this transaction, Ready Mix USA LLC continues to be owned 50.01% by Ready Mix USA and 49.99% by CEMEX. See Item 4 Information on the Company North America Operation in the United States Overview for a description of Ready Mix USA LLC's asset sale. On September 30, 2010, Ready Mix USA exercised its put option right. As a result, we will acquire Ready Mix USA's interest in CEMEX Southeast, LLC and Ready Mix USA LLC, which have cement, aggregates, ready-mix and block assets located in the southeast region of the U.S. The acquisition will take place upon the closing of the transaction, which is expected in September 2011, after the performance of the obligations by both parties under the put option agreement. CEMEX's purchase price for Ready Mix USA's interests, including a non-compete and a transition services agreement, will be approximately U.S.\$355 million. As of March 31, 2011, Ready Mix USA, LLC had approximately \$23 million (unaudited) in net debt (debt minus cash and cash equivalents), which is subject to be consolidated upon closing of the transaction.

In connection with our ongoing efforts to strengthen our capital structure and regain financial flexibility, we are continuing a process aimed at divesting several assets management regards as non-core, and we are currently engaged in marketing for sale additional assets in our portfolio, which we do not consider strategic.

Geographic Breakdown of Our 2010 Net Sales

The following chart indicates the geographic breakdown of our net sales, before eliminations resulting from consolidation, for the year ended December 31, 2010:

Table of Contents

For a description of a breakdown of total revenues by geographic markets for each of the years ended December 31, 2008, 2009 and 2010, please see Item 5 Operating and Financial Review and Prospects.

Our Business Strategy

We seek to continue to strengthen our global leadership by growing profitably through our integrated positions along the cement value chain and maximizing our overall performance by employing the following strategies:

Focus on our core business of cement, ready-mix concrete and aggregates

We plan to continue focusing on our core businesses, the production and sale of cement, ready-mix concrete and aggregates, and the vertical integration of these businesses, leveraging our global presence and extensive operations worldwide. We believe that managing our cement, ready-mix concrete and aggregates operations as an integrated business allows us to capture a greater portion of the cement value chain, as our established presence in ready-mix concrete secures a distribution channel for our cement products. Moreover, we believe that vertical integration brings us closer to the end consumer. We believe that this strategic focus has historically enabled us to grow our existing businesses and expand our operations internationally, particularly in high-growth markets and higher-margin products. In less than 20 years, we have evolved from primarily a Mexican cement producer to a global building materials company with a diversified product portfolio across a balanced mix of developed and emerging economies.

We intend to continue focusing on our most promising, structurally attractive markets with considerable infrastructure needs and housing requirements, where we have substantial market share and benefit from competitive advantages. Despite the current economic and political turmoil, we believe that some of our principal markets (particularly the United States, Mexico, Colombia, Central America, Eastern Europe, Egypt and the Philippines) are poised for economic growth, as significant investments are made in infrastructure, notably by the economic stimulus programs that have been announced by governments in these markets.

We are focused on managing costs and maintaining profitability in the current economic environment, and we believe that we are well-positioned to benefit when the construction cycle recovers. A combination of continued government stimulus spending and renewed focus on infrastructure investment in many of our markets, along with some recovery for housing and for non-residential construction sectors, could translate into substantial growth in demand for our products.

We will continue to analyze our current portfolio and monitor opportunities for asset divestitures, as evidenced by the disposals we have made in the last few years in the U.S., Spain, Italy and Australia.

Table of Contents

Provide our customers with the best value proposition

We want CEMEX to be the supplier of choice for our customers, whether global construction firms or individuals building their family's first home. We want to provide them with the most efficient and effective building solutions for their construction project, large or small. We seek a clear understanding of what they require to meet their needs.

We believe that by pursuing our objective of integrating our business along the cement value chain, we can improve and broaden the value proposition that we provide to our customers. We believe that by offering integrated solutions, we can provide our customers more reliable sourcing as well as higher quality services and products.

We continue to focus on developing new competitive advantages that will differentiate us from our competitors. For example, by directly bidding for, and managing the implementation of, concrete pavement projects, we are consolidating our leadership position in the infrastructure segment in Mexico. These concrete pavement projects include the refurbishment of major highways in Mexico, and in urban areas, such as Tijuana and Mexico City, among others.

We 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. Our porous paving concrete, for example, is best suited for sidewalks and roadways because it allows rainwater to filter into the ground, reducing flooding and helping to maintain groundwater levels. In contrast, our significantly less permeable and highly resistant concrete products are well-suited for applications in coastal, marine and other harsh environments.

Our global building materials trading network, which is one of the largest in the world, plays a fundamental and evolving role in fulfilling our objectives. Our network of strategically located terminals allows us to build strong relationships with reliable suppliers and shippers around the world, which we believe translates into a superior value proposition for our customers. We can direct building materials (primarily cement, clinker and slag) from markets with excess capacity to markets where they are needed most and, in the process, optimize the allocation of our worldwide production capacity.

Maximize our operating efficiency

We have a long history of successfully operating world-class cement production facilities in developed and emerging markets and have demonstrated our ability to produce cement at a lower cost compared to industry standards in most of these markets. We continue to strive to reduce our overall cement production related costs and corporate overhead through disciplined cost management policies and through improving efficiencies by removing redundancies. We also implemented several worldwide standard platforms as part of this process. In addition, we implemented centralized management information systems throughout our operations, including administrative, accounting, purchasing, customer management, budget preparation and control systems, which have helped us to reduce costs. In a number of our core markets, such as Mexico, we launched aggressive initiatives aimed at reducing the use of fossil fuels, consequently reducing our overall energy costs.

Furthermore, significant economies of scale in key markets allow us to obtain competitive freight contracts for key components of our cost structure, such as fuel and coal, among others. Our cost-reduction program has helped further streamline our businesses and, in important markets, such as the United States, we have made a concerted effort to structure our asset portfolio to better capture any potential upturn in demand through optimized processes, streamlined cost structures and efficient management systems.

Through a worldwide import and export strategy, we will continue to seek to optimize capacity utilization and maximize profitability by redirecting our products from countries experiencing economic downturns to target export markets where demand may be greater. Our global trading system enables us to coordinate our export activities globally and take advantage of demand opportunities and price movements worldwide. Should demand for our products in the United States improve, we believe we are well-positioned to service this market through our established presence in the southern and southwestern regions of the country and our ability to import to the United States.

Table of Contents

Our industry relies heavily on natural resources and energy, and we use cutting-edge technology to increase energy efficiency, reduce carbon dioxide emissions and optimize our use of raw materials and water. We are committed to measuring, monitoring and improving our environmental performance. In the last few years, we have implemented various procedures to improve the environmental impact of our activities as well as our overall product quality, such as a reduction of carbon dioxide emissions, an increased use of alternative fuels to reduce our reliance on primary fuels, an increased number of sites with local environmental impact plans in place and the use of alternative raw materials in our cement.

Strengthen our capital structure and regain our financial flexibility

In light of the current global economic environment and our substantial amount of indebtedness, we have been focusing, and expect to continue to focus, on strengthening our capital structure and regaining financial flexibility through reducing our debt, improving cash flow generation and extending maturities. This ongoing effort has included the following key strategic initiatives:

Global Refinancing. On August 14, 2009, we entered into the Financing Agreement. The Financing Agreement extended the maturities of approximately U.S.\$15.1 billion in syndicated and bilateral bank facilities and private placement obligations and provides for a semi-annual amortization schedule, with a final maturity of approximately U.S.\$6.8 billion on February 14, 2014. We have since then successfully completed several capital markets transactions, including: (i) in September 2009, the sale of a total of 1,495 million CPOs, directly or in the form of ADSs in a global offering for approximately U.S.\$1.8 billion in net proceeds, (ii) in December 2009, the issuance of approximately Ps4.1 billion (approximately U.S.\$315 million) in mandatory convertible securities, or the Mandatory Convertible Securities, in exchange for CBs, (iii) in December 2009 and January 2010, the issuance by CEMEX Finance LLC of U.S.\$1,750 million aggregate principal amount of its 9.50% Senior Secured Notes due 2016 and 350 million aggregate principal amount of its 9.625% Senior Secured Notes due 2017, or together, the December 2009 Notes, (iv) in March 2010, the issuance of U.S.\$715 million of our 4.875% Convertible Subordinated Notes due 2015, or the 2010 Optional Convertible Subordinated Notes, (v) in May 2010, the issuance by CEMEX España, acting through its Luxembourg branch, of U.S.\$1,067,665,000 aggregate principal amount of its 9.25% Senior Secured Notes due 2020 and 115,346,000 aggregate principal amount of its 8.875% Senior Secured Notes due 2017, or together, the May 2010 Notes, in exchange for a majority in principal amount of our then outstanding perpetual debentures pursuant to an exchange offer, or the 2010 Exchange Offer, (vi) in January 2011, the issuance of U.S.\$1.0 billion of the January 2011 Notes, (vii) in March 2011, the 2011 Private Exchange, (viii) in March 2011, the issuance of U.S.\$977.5 million aggregate principal amount of 3.25% Convertible Subordinated Notes due 2016 and U.S.\$690 million aggregate principal amount of 3.75% Convertible Subordinated Notes due 2018 and (ix) in April 2011, the issuance of U.S.\$800 million aggregate principal amount of the April 2011 Notes. As of December 31, 2010, after giving *pro forma* effect to (1) the issuance of the January 2011 Notes, the 2011 Optional Convertible Subordinated Notes and the April 2011 Notes, (2) the 2011 Prepayments and (3) the 2011 Private Exchange, the weighted average life of our indebtedness was 4.6 years and we had reduced indebtedness under the Financing Agreement by approximately U.S.\$7.5 billion. We believe that our financial profile and resulting amortization schedule will enable us to operate in the normal course of business and take advantage of a potential upturn in the business cycle in our core markets. In addition, we expect that our financial profile will allow us to conduct our planned asset divestitures under better terms and conditions.

Asset Divestitures. We have continued a process to divest assets in order to reduce our debt and streamline operations, taking into account our cash liquidity needs and prevailing economic conditions and their impact on the value of the asset or business unit being divested. In addition to the October 1, 2009 sale of our operations in Australia for approximately \$2.02 billion Australian Dollars (approximately U.S.\$1.7 billion), we sold our operations in the Canary Islands and Italy for approximately 310 million (U.S.\$437 million) in 2008, and on June 15, 2009, we sold three quarries (located in Nebraska, Wyoming and Utah) and our 49% joint venture interest in the operations of a quarry located in Granite Canyon, Wyoming, to Martin Marietta Materials, Inc. for approximately U.S.\$65 million. On August 27, 2010, we completed the sale of seven aggregates quarries, three resale aggregates distribution centers and one concrete block manufacturing facility in Kentucky to Bluegrass Materials Company, LLC for approximately U.S.\$88 million, which were used to reduce our outstanding debt and to enhance our liquidity position, and were sold at a loss of U.S.\$38 million. These assets were acquired by CEMEX in

Table of Contents

2007 as part of the acquisition of Rinker. We considered these facilities and properties to be non-core assets for our integrated cement, concrete, aggregates and building materials operations throughout the United States.

Global Cost-Reduction Program. In response to decreased demand in most of our markets as a result of the global economic recession, in 2008 we identified and began implementing a global cost-reduction program intended to reduce our annual cost structure to a level consistent with the decline in demand for our products. During 2009, we completed the implementation of the initial stage of our global cost-reduction program, resulting in approximately U.S.\$900 million of estimated annual cost savings. We estimate that approximately 60% of these cost-reduction savings are sustainable in the long-term; the remainder is short-term cost savings resulting from the scaling down of our operations in response to reduced demand for our products in the construction industry. Our global cost-reduction program encompasses different undertakings, including headcount reductions, capacity closures across the cement value chain and a general reduction in global operating expenses. During 2010, we continued with our cost-reduction initiatives and achieved an additional U.S.\$150 million in annual cost savings. In addition, we are currently implementing additional initiatives intended to improve our operating results by approximately U.S.\$250 million during 2011. During the first half of 2011, CEMEX launched a company-wide program aimed at enhancing competitiveness, providing a more agile and flexible organizational structure and supporting an increased focus on the company's markets and customers. CEMEX is targeting to generate approximately U.S.\$400 million in annualized cost savings intended to improve our operating results by the end of 2012 through the implementation of this program, which contemplates an improvement in underperforming operations, a reduction in SG&A costs and the optimization of the company's organizational structure.

In connection with the implementation of our cost-reduction program, and as part of our ongoing efforts to eliminate redundancies at all levels and streamline corporate structures to increase our efficiency and reduce operating expenses, we have reduced our global headcount by approximately 24%, from 61,545 employees as of December 31, 2007 to 46,533 employees as of December 31, 2010. Both figures exclude personnel from our operations in Australia sold in October 2009 and our operations in Venezuela, which were expropriated in 2008.

In addition, during 2009, we temporarily shut down (for a period of at least two months) several cement production lines in order to rationalize the use of our assets and reduce the accumulation of our inventories. On January 22, 2010, we announced the permanent closure of our Davenport cement plant located in northern California, which had an installed cement production capacity of approximately 0.9 million tons per annum. The plant had been closed on a temporary basis since March 2009 due to economic conditions. We have been serving our customers in the region through our extensive network of terminals in northern California, which are located in Redwood City, Richmond, West Sacramento and Sacramento. Since March 2009, our state-of-the-art cement facility in Victorville, California has provided and will continue to provide cement to this market more efficiently than the Davenport plant. Similar actions were taken in our ready-mix concrete and aggregates businesses. Such rationalizations included, among others, our operations in Mexico, the United States, Spain and the United Kingdom. Opened in 1906, Davenport was the least efficient of our 14 plants in the United States. We have no other set plans for the Davenport facility at this time. During the first quarter of 2011, due to the low levels of construction activity and increased costs, we have implemented a minimum margin strategy in our Arizona operations, through the closure of under-utilized facilities, the reduction of headcount, among other actions pursuing improvement in the profitability of our operations in the region.

Furthermore, we reduced our energy costs by actively managing our energy contracting and sourcing, and by increasing the use of alternative fuels. We believe that these cost-reduction measures better position us to quickly adapt to potential increases in demand and thereby benefit from the operating leverage we have built into our cost structure going forward.

Lower Capital Expenditures. In light of the continued weak demand for our products throughout most of our markets, we reduced (as agreed with our creditors under the Financing Agreement) capital expenditures related to maintenance and expansion of our operations to approximately U.S.\$555 million during 2010, from approximately U.S.\$636 million during 2009, and approximately U.S.\$2.2 billion during 2008. This reduction in capital expenditures has been implemented to maximize our free cash flow generation available for debt service and debt reduction, consistent with our ongoing efforts to strengthen our capital structure, improve our conversion of operating EBITDA to free cash flow and regain our financial flexibility. Pursuant to the Financing Agreement, we cannot make aggregate capital expenditures in excess of U.S.\$800 million for the year ending December 31, 2011 and for each year thereafter until the debt under the Financing Agreement has been repaid in full. We believe that these restrictions in capital expenditures do not affect our world-class operating and quality standards.

Table of Contents

Having completed our initial refinancing process and several capital markets transactions to reduce our outstanding indebtedness under the Financing Agreement, implemented our initial cost-reduction measures and executed significant divestitures, we continue to focus on reducing existing indebtedness.

Recruit, retain and cultivate world-class managers

Our senior management team has a strong track record operating diverse businesses throughout the cement value chain in emerging and developed economies globally.

We will continue to focus on recruiting and retaining motivated and knowledgeable professional managers. We encourage managers to regularly review our processes and practices, and to identify innovative management and business approaches to improve our operations. By rotating our managers from one country to another and from one area of our operations to another, we can increase their diversity of experience and knowledge of our business.

Foster our sustainable development

Our priorities include sustainable construction, low-income housing and infrastructure, carbon strategy, environmental and biodiversity management, strengthen local communities, partnership with key stakeholders and health and safety.

Lead in Sustainable Construction. We aim to take the lead in sustainable construction, which involves developing better building products and solutions that can be more sustainably produced, facilitate more efficient construction processes, and contribute to the overall sustainability of buildings and other infrastructure. Moreover, we support the design and transformation of buildings to consume significantly less energy, water, and other resources in their use, maintenance, renovation, and dismantling. In 2010, we introduced a carbon footprint tool – first of its kind in the building materials industry – that allows the company to measure the greenhouse gas emissions of all of our cement, ready-mix concrete, and aggregates products. It has been implemented in sites representing 58% of our total worldwide production.

Low income Housing and Infrastructure. We embrace our responsibility to support social and economic progress, especially in the developing countries where we operate. We believe we can make a difference by helping support affordable housing and better, more modern and durable community infrastructure such as roads and sidewalks, schools, hospitals, parks, and other public spaces. In Mexico, for example, during 2010 close to 10 million square meters of urban and highway concrete paving were completed, and more than 1,500 houses were built with support of CEMEX *Vivienda*.

Enhance our Carbon Strategy. Climate change poses significant challenges to our society, and we are committed to applying our skills, technologies, and determination to contribute to the development of a low-carbon economy. We have been successful in increasing fossil fuels substitution rates to 20.3% in 2010, almost double the 2008 level. We have recently introduced a new target of 35% substitution rate by 2015, by far the most ambitious in our industry.

Excellence in Environmental and Biodiversity Management. We are committed to mitigating the impacts that our plants, quarries, and logistics have on their surrounding communities and ecosystems. Toward this end, we have a set of global initiatives that include monitoring and controlling air emissions; managing land and conserving biodiversity within and around sites; minimizing disturbances such as noise, vibration, and traffic; optimizing water use; and reducing and recycling waste. Overall, we have quarry rehabilitation plans in place at 85% of our active cement and aggregates sites, and we are on track to achieve our target of 100% by 2015. We continued our successful partnership with BirdLife International in 2010 and completed a multi-year, comprehensive scoping study on the biodiversity status of CEMEX's operations worldwide to facilitate a process that aims to enhance biodiversity conservation throughout our operations. The study mapped 543 sites and assessed their proximity to areas of high biodiversity value. In the 131 sites that overlap with areas of high biodiversity value we will implement biodiversity action plans within the next five years.

Strengthen Local Communities. By engaging in ongoing dialogue, we understand the needs and concerns of the communities in which we operate. We then leverage our core business strengths, including our institutional knowledge and experience, our employees' talent and time, and our social investments, to support the social and

Table of Contents

economic development of those communities. Specifically, we contribute to disaster relief; promote employee volunteering; foster local environmental awareness; and support educational, cultural, and sports activities. In September 2010, the United Nations recognized CEMEX for its contributions towards achieving the Millennium Development Goals. Among the community development programs for which CEMEX is being recognized is Centros Productivos de Autoempleo, an initiative that establishes community centers where low-income families can produce basic building materials for the construction or expansion of their homes. By 2010, *Patrimonio Hoy*, our flagship low-income housing support program, with presence in five countries (Mexico, Colombia, Nicaragua, Costa Rica and the Dominican Republic), has assisted more than 300,000 families to improve their housing conditions.

Partnership with Key Stakeholders. We continuously interact with a wide variety of stakeholders to discuss and address society's most pressing needs. Within our sustainability model, we have defined four core stakeholder groups: our people, our neighbors, our business partners, and our world. Beyond this, we actively engage with our sustainability reporting advisory panel, a group of leading experts, who provide important and valuable advice.

High Priority to Health and Safety. The safety, health, and well-being of our employees, contractors, and third parties affected by our operations are our highest priority. That is why we have introduced industry-leading safety systems to identify and address risks, implemented innovative employee health initiatives to promote well-being, and instituted line-manager ownership of health and safety to ensure that programs are implemented and led as effectively as possible.

Global Safety Leadership Training: In 2009, we developed LEGACY, a two-day safety leadership program, which provides our managers around the world with the tools and skills they need to promote safer operations. As of December 31, 2010, we had trained more than 2,100 supervisors and managers and had 140 employees who served as LEGACY trainers.

Driving and Contractor Safety: We participate in the Cement Sustainability Initiative and measure our compliance with best practices in driving and contractor safety to reduce fatal injuries from road traffic incidents, one of the leading causes of fatalities within our industry. During 2010, we set a performance baseline and established a five-year plan of preventive action that focuses on achieving 100% compliance with Cement Sustainability Initiative recommended practices for our driving safety performance and the performance of high-risk contractors throughout our operations. In 2010, 98% of our operations had local safety training programs for drivers, compared with 97% in 2009 and 81% in 2008.

Health Management: During 2010, we increased the percentage of our operations that have implemented a local health management system to 79%, from 76% in 2009 and 52% in 2008. To complement these systems, we developed our global Health Essentials campaign, which provides managers in all business units with practical and easy-to-use materials on 12 key topics including heart and back health, stress management and nutrition. In 2010, approximately 54% of our employees participated in annual medical exam programs.

In 2010, as a result of our efforts, we decreased total lost-time injuries, or LTIs, for employees by 19%, achieving an LTI rate of approximately 2.6 for the year (based on a per million hours worked). Despite this improvement, 46 people, including employees, contractors and third parties, died in incidents related to our operations in 2010. We are intensifying our safety training and incident prevention measures. In 2011, we are thoroughly changing our approach to safety. Leaders at all levels of the company will be held personally accountable for improving the safety performance of their operations. In addition, we will launch a new Health and Safety Policy and implement our new Health and Safety Management System, which is aligned to Occupational Health and Safety Advisory Services 18001, and which we expect to improve our health and safety performance.

The following table sets forth our performance indicators with respect to safety by geographic location for the year ended December 31, 2010:

Table of Contents

	North America	Europe	South America, Central and the Caribbean	Africa and Middle East	Asia	Total CEMEX
Total fatalities, employees, contractors and other third parties (#)	25	4	7	7	3	46
Fatalities employees (#)	1		1			2
Fatality rate employees ⁽¹⁾	0.43		2.36			0.43
Lost-Time injuries (LTI), employees (#)	170	50	39	5	4	268
Lost-Time injuries (LTI), contractors (#)	64	26	16	14	3	123
Lost-Time injury (LTI) frequency rate, employees per million hours worked	3.1	1.7	3.6	0.9	1.1	2.6

(1) Incidents per 10,000 people in a year.

In conjunction with these priorities, in 2010, CEMEX was both sponsor and participant at COP16, the 16th Conference of the Parties of the United Nations Framework Convention on Climate Change. We hosted a series of events that showcased our efforts at reducing GHG emissions and protecting biodiversity, and also demonstrated the significant role ready-mix concrete can play in a low-carbon world. Our sponsorship funds helped to offset a significant portion of the conference's carbon emissions and support the Mexico-based Environmental Leadership for Competitiveness Program, where more than 500 small and medium size companies were benefited.

We are members of the World Business Council for Sustainable Development's Cement Sustainability Initiative and the Urban Infrastructure Initiative.

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 in 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, 2010, 58 of our 62 operative production plants used the dry process and four used the wet process. Our operative production plants that use the wet process are located in Colombia, Nicaragua and the United Kingdom. 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

Table of Contents

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, Dominican Republic and Egypt.

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.

As part of our development and innovation strategy, in April 2011, we launched Promptis, our first global brand of ready-mix concrete. Promptis has been designed to retain workability for over 90 minutes, thus allowing the material to be easily handled before reaching its early compressive strength in as fast as 4 hours, allowing customers to increase efficiency in their projects.

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. Customers use our aggregates for a wide array of uses, from a key component in the construction and maintenance of highways, walkways, and railways to an indispensable ingredient in concrete, asphalt, and mortar.

Aggregates are obtained from land-based sources such as sand and gravel pits and rock quarries or by dredging marine deposits. See Description of our raw materials reserves.

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.

Table of Contents

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.

Aggregates and other raw materials for our own production processes are obtained mainly from our own sources. However, we may cover our aggregates and other raw material needs through the supply from third-parties. For the year ended December 31, 2010, approximately 11% 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 to our business units. On 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, 2010, we have employed third-parties (i) to review our cement raw materials reserves estimates in the United Kingdom, Germany, Croatia, Poland, Latvia, Philippines, Thailand and Puerto Rico, and (ii) to review our aggregates reserves estimates in Spain, Germany, France, Poland, Latvia, Austria, Czech Republic, Croatia, Hungary, Egypt, Israel, Malaysia, Panama and Nicaragua.

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 in 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.

Table of Contents

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 in general good condition, adequate for efficient operations.

During 2010, our total quarry material production was approximately 210 million tons, of which approximately 62% was used for own consumption to produce cement, ready-mix concrete, and/or other products which are later sold to the public and the remaining 38% was directly sold to customers.

Our estimates distinguish between owned and leased reserves, the later determined over the term of the lease contract, and include only those permitted reserves which are proven and probable. As of December 31, 2010, the total surface of property in our quarries operations (including cement raw materials quarries and aggregates quarries), was approximately 109,380 hectares, of which approximately 73% was owned by us and approximately 27% was managed through lease contracts.

As of December 31, 2010, we operated 144 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 58 years, assuming 2006-2010 average annual cement production (last five years average production).

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	5 years Average		
			Owned	Leased	Proven	Probable	Total		2010 Annual Production	Annual Production	Own Use
North America											
Mexico ⁽¹⁾	Limestone	18	8,920	24	1,282	305	1,587	70	21.0	22.7	91%
	Clay	16	8,445		149	157	307	89	3.5	3.4	100%
United States ⁽²⁾	Limestone	13	21,972		1,018	287	1,305	63	16.9	20.6	76%
	Clay	2	132	7	24		24	89	0.3	0.3	100%
Europe											
Spain	Limestone	12	462	117	268	45	313	41	6.3	7.7	100%
	Clay	5	64	12	7	6	14	18	0.5	0.7	100%
	Others	2	102	9	1	13	14	65	0.1	0.2	100%
United Kingdom	Limestone	3	681	107	127	17	144	57	2.2	2.5	100%
	Clay	2	98		7	29	36	59	0.6	0.6	100%
Germany	Limestone	3	628	49	34	130	163	42	3.6	3.8	91%
Rest of Europe	Limestone	5	930	23	123	45	168	23	6.7	7.3	97%
	Clay	1	70		9	13	22	110	0.3	0.4	100%

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Central and South America and the Caribbean											
Colombia	Limestone	9	2,896		44	1	46	11	3.5	4.2	100%
	Clay	2	183		1		1	52	0.0	0.0	100%
Rest of Central and South America and the Caribbean	Limestone	15	962	134	307	475	782	123	8.0	6.4	100%
	Clay	8	540	60	57	36	94	195	0.6	0.5	100%
	Others	1		1,543	3		3	14	0.1	0.2	80%
Africa and the Middle East											

Table of Contents

Location	Mineral	Number of Quarries	Property Surface (hectares)		Reserves (Million tons)			Years to Depletion	5 years Average to 2010 Annual Production		Own Use
			Owned	Leased	Proven	Probable	Total		Production	Production	
Egypt	Limestone	2		173	300		300	55	5.7	5.5	100%
	Clay	4		616	118		118	75	1.5	1.6	100%
	Others	5		299	27		27	179	0.1	0.2	100%
Asia											
Philippines	Limestone	4	112	33	45	34	79	17	4.4	4.7	100%
	Clay	3	36		0	3	3	14	0.2	0.2	100%
	Others	5	58	25	8	26	35	49	0.7	0.7	100%
Rest of Asia	Limestone	1	7		5	2	7	6	0.0	1.3	100%
	Clay	3	9		0.2		0.2	3	0.0	0.1	100%
CEMEX Consolidated	Limestone	85	37,571	660	3,553	1,341	4,894	56	78.4	86.7	
	Clay	46	9,576	695	374	245	619	79	7.4	7.8	
	Others	13	160	1,875	40	40	80	60	1.0	1.3	
Totals		144	47,307	3,230	3,967	1,626	5,593	58	86.8	95.8	

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

(2) Our cement raw materials operations in the U.S. include two limestone quarries that also produce hard rock aggregates.

As of December 31, 2010, we operated 488 aggregates quarries across our global operations, not including our facilities dedicated to serve our ready-mix and aggregates businesses. We estimate that our proven and probable aggregates reserves, on a consolidated basis, have an average remaining life of 26 years, assuming 2006-2010 average production (last five years average aggregates production).

The table set forth below, present our total permitted proven and probable aggregates reserves by geographic segment and material type extracted or produced in our aggregates quarries operations.

Location	Mineral	Number of Quarries	Property Surface (hectares)		Reserves (Million tons)			Years to Depletion	5 years Average to 2010 Annual Production		Own Use
			Owned	Leased	Proven	Probable	Total		Production	Production	
North America											
Mexico	Hardrock	4	978	25	82		82	25	3.8	3.2	71%
	Others	10	128	230	21	2	23	5	4.6	4.7	69%
United States	Hardrock	14	8,415	4,527	240	115	354	25	7.0	14.2	27%
	Sand & Gravel	90	8,126	9,727	560	151	711	22	19.2	32.6	37%
	Others	16	2,344	1,218	52	158	209	35	4.4	5.9	18%
Europe											
Spain	Hardrock	22	164	42	267	30	298	43	5.7	7.0	56%
	Sand & Gravel	8	504	162	61	5	66	20	2.0	3.2	64%
	Others	1		48	2	2	4	17	0.2	0.2	0%
United Kingdom	Hardrock	30	723	1,129	660	57	716	73	10.4	9.8	51%
	Sand & Gravel	95	3,938	2,471	79	215	294	41	6.3	7.2	51%
Germany	Hardrock	4	85	55	19	2	21	12	1.7	1.8	14%
	Sand & Gravel	40	1,931	915	77	50	127	14	10.2	9.4	40%
	Others	6	25	645	95	33	128	27	4.7	4.8	4%
France	Hardrock	9	141	571	119	15	133	49	2.4	2.7	15%
	Sand & Gravel	31	1,415	1,685	170	50	219	24	7.9	9.3	40%

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Rest of Europe	Hardrock	16	339	669	109	6	115	28	2.4	4.1	11%
	Sand & Gravel	45	1,608	798	162	50	212	16	11.8	13.7	41%
	Others	20	587	61	61	8	69	21	2.2	3.3	29%
Central and South America and the Caribbean											
Colombia	Sand & Gravel	5	557		16	4	20	11	1.2	1.9	100%

Table of Contents

Location	Mineral	Number of Quarries	Property Surface (hectares)		Reserves (Million tons)			Years to 2010 Annual Depletion	2010 Annual Production	5 years Average Annual Production	Own Use	
			Owned	Leased	Proven	Probable	Total					
Rest of Central and South America and the Caribbean												
	Hardrock	1	150			16	3	19	47	0.4	0.4	0%
	Others	8	53	1,161		11	50	61	50	1.3	1.2	36%
Africa and the Middle East												
Egypt												
	Others	2		2		1		1	2	0.5	0.5	88%
Rest of Africa and Middle East												
	Hardrock	6		341		100	41	141	14	10.4	9.8	43%
	Sand & Gravel	2		43		2		2	4	0.3	0.4	27%
Asia												
Rest of Asia												
	Others	3	69	37		18	6	25	12	2.1	2.1	52%
CEMEX Consolidated												
	Hardrock	106	10,996	7,359		1,611	269	1,880	36	44.1	52.89	
	Sand & Gravel	316	18,078	15,802		1,127	524	1,651	21	59.0	77.7	
	Others	66	3,206	3,402		261	259	520	23	20.1	22.8	
	Totals	488	32,280	26,563		2,999	1,052	4,050	26	123.2	153.3	

Related Products

We rely on our close relationship with our customers to offer them complementary products for their construction needs, from rods, blocks, concrete tubing, and asphalt to electrical supplies, paint, tile, lumber and other fixtures.

User Base

Cement is the primary building material in the industrial and residential construction sectors of most of the markets in which we operate. The lack of available cement substitutes further enhances the marketability of our product. The primary end-users of cement in each region in which we operate vary but usually include, among others, wholesalers, ready-mix concrete producers, industrial customers and contractors in bulk. Additionally, sales of bagged cement to individuals for self-construction and other basic needs are a significant component of the retail sector. The end-users of ready-mix concrete generally include homebuilders, commercial and industrial building contractors and road builders. Major end-users of aggregates include ready-mix concrete producers, mortar producers, general building contractors and those engaged in road building activity, asphalt producers and concrete product producers. In summary, because of their many favorable qualities, builders worldwide use our cement, ready-mix concrete and aggregates for almost every kind of construction project, from hospitals and highways to factories and family homes.

Our Corporate Structure

We are a holding company, and operate our business through subsidiaries that, in turn, hold interests in our cement and ready-mix concrete operating companies, as well as other businesses. The following chart summarizes our corporate structure as of December 31, 2010. The chart also shows, for each company, our approximate direct or indirect percentage equity or economic ownership interest. The chart has been simplified to show only our major holding companies in the principal countries in which we operate and does not include our intermediary holding companies and our operating company subsidiaries.

Table of Contents

- (1) Includes approximate 99.87% interest pledged as part of the Collateral.
- (2) Includes approximate 99.99% interest pledged as part of the Collateral.

Table of Contents

- (3) Includes approximate 100% interest pledged as part of the Collateral.
- (4) CEMEX, S.A.B. de C.V. and Centro Distribuidor de Cemento, S.A. de C.V. indirectly hold 100% of New Sunward through other intermediate subsidiaries.
- (5) Includes the interest of New Sunward, CEMEX, S.A.B. de C.V. and other subsidiaries of the group.
- (6) Includes approximate 99.63% interest pledged as part of the Collateral.
- (7) Includes CEMEX España s 69.39% interest and the CEMEX France Gestion (S.A.S.) 30.61% interest.
- (8) Formerly RMC.
- (9) EMBRA AS is an operational company and also the holding company for operations in Finland, Norway and Sweden.
- (10) Includes CEMEX Asia Holdings 70% economic interest and the 30% interest of CEMEX España.
- (11) Represents CEMEX Asia Holdings indirect economic interest.
- (12) Represents our economic interest in three UAE companies, CEMEX Topmix LLC, CEMEX Supermix LLC and CEMEX Falcon LLC. We own a 49% equity interest in each of these companies, and we have purchased the remaining 51% of the economic benefits through agreements with other shareholders.
- (13) Includes CEMEX (Costa Rica) S.A. s 98% interest and CEMEX España s 2% indirect interest.
- (14) Registered business name is CEMEX Ireland.
- (15) On June 18, 2008, the Government of Venezuela promulgated a Nationalization Decree, mandating that the cement production industry in Venezuela be reserved for the Government of Venezuela. On August 18, 2008, an Expropriation Decree was issued by the President of Venezuela.
- (16) As of December 4, 2009, Dalmacijacement d.d. changed its name to CEMEX Hrvatska d.d.
- (17) Represents our 33.95% interest in ordinary shares and our 11.64% interest in preferred shares.

North America

For the year ended December 31, 2010, our business in North America, which includes our operations in Mexico and the United States, represented approximately 40% of our net sales before eliminations. As of December 31, 2010, our business in North America represented approximately 48% of our total installed cement capacity and approximately 55% of our total assets. With the acquisition of Rinker, our North American operations increased significantly.

Our Operations in Mexico

Overview. Our operations in Mexico represented approximately 23% of our net sales in Peso terms, before eliminations resulting from consolidation, for the year ended December 31, 2010, and approximately 12% of our total assets as of December 31, 2010.

As of December 31, 2010, we owned 100% of the outstanding capital stock of CEMEX México. CEMEX México is a direct subsidiary of CEMEX, S.A.B. de C.V. and is both a holding company for some of our operating companies in Mexico and an operating company involved in the manufacturing and marketing of cement, plaster, gypsum, groundstone and other construction materials and cement by-products in Mexico. CEMEX México, indirectly, is also the holding company for our international operations. CEMEX México, together with its subsidiaries, accounts for a substantial part of the revenues and operating income of our operations in Mexico.

In September 2006, we announced a plan to construct a new kiln at our Tepeaca cement plant in Puebla, Mexico. The current production capacity of the Tepeaca cement plant is approximately 3.3 million tons of cement per year. The construction of the new kiln, which is designed to increase our total production capacity in the Tepeaca cement plant to approximately 7.4 million tons of cement per year, is expected to be completed in 2013.

Table of Contents

We anticipate spending a total of approximately U.S.\$570 million on the construction of this new kiln, which includes capital expenditures of approximately U.S.\$303 million in 2008, approximately U.S.\$30 million in 2009 and approximately U.S.\$1 million in 2010. In addition, we expect to spend approximately U.S.\$2 million in 2011 and approximately U.S.\$108 million thereafter. We expect that this investment will be fully funded with free cash flow generated during the construction period.

In 2001, we launched the Construrama program, a registered brand name for construction material stores. Through the Construrama program, we offer to an exclusive group of our Mexican distributors the opportunity to sell a variety of products under the Construrama brand name, a concept that includes the standardization of stores, image, marketing, products and services. As of December 31, 2010, approximately 900 independent concessionaries with more than 2,500 stores were integrated into the Construrama program, with nationwide coverage.

The Cement Industry in Mexico. According to INEGI, Mexico's construction GDP remained flat in 2010 compared to 2009. For the full year 2010, total construction investment increased 0.7%, primarily as a result of a 6% increase in infrastructure spending, offset by an estimated decrease in the residential and non-residential sectors of 1.5% and 4.0%, respectively.

Cement in Mexico is sold principally through distributors, with the remaining balance sold through ready-mix concrete producers, manufacturers of pre-cast concrete products and construction contractors. Cement sold through distributors is mixed with aggregates and water by the end user at the construction site to form concrete. Ready-mix concrete producers mix the ingredients in plants and deliver it to local construction sites in mixer trucks, which pour the concrete. Unlike more developed economies, where purchases of cement are concentrated in the commercial and industrial sectors, retail sales of cement through distributors in 2010 accounted for approximately 65% of Mexico's demand. Individuals who purchase bags of cement for self-construction and other basic construction needs are a significant component of the retail sector. We estimate that about 30% of total demand in Mexico comes from individuals who address their own construction needs. We believe that this large retail sales base is a factor that significantly contributes to the overall performance of the Mexican cement market.

The retail nature of the Mexican cement market also enables us to foster brand loyalty, which distinguishes us from other worldwide producers selling primarily in bulk. We own the registered trademarks for our brands in Mexico, such as Tolteca, Monterrey, Maya, Anáhuac, Campana Gallo, and Centenario. We believe that these brand names are important in Mexico since cement is principally sold in bags to retail customers who may develop brand loyalty based on differences in quality and service. In addition, we own the registered trademark for the Construrama brand name for construction material stores.

Competition. In the early 1970s, the cement industry in Mexico was regionally fragmented. However, over the last 40 years, cement producers in Mexico have increased their production capacity and the Mexican cement industry has consolidated into a national market, thus becoming increasingly competitive. The major cement producers in Mexico are CEMEX; Holcim Apasco, an affiliate of Holcim Ltd.; Sociedad Cooperativa Cruz Azul, a Mexican operator; Cementos Moctezuma, an associate of Ciments Molins; Grupo Cementos Chihuahua, a Mexican operator in which we own a 49% interest; and Lafarge Cementos, a subsidiary of Lafarge. The major ready-mix concrete producers in Mexico are CEMEX, Holcim Apasco, Sociedad Cooperativa Cruz Azul and Cementos Moctezuma.

Potential entrants into the Mexican cement market face various impediments to entry, including:

the time-consuming and expensive process of establishing a retail distribution network and developing the brand identification necessary to succeed in the retail market, which represents the bulk of the domestic market;

the lack of port infrastructure and the high inland transportation costs resulting from the low value-to-weight ratio of cement;

the distance from ports to major consumption centers and the presence of significant natural barriers, such as mountain ranges, which border Mexico's east and west coasts;

the extensive capital expenditure requirements; and

Table of Contents

the length of time required for construction of new plants, which is approximately two years.

Our Operating Network in Mexico

During 2010, we operated 13 out of a total of 15 plants (two were temporarily shut down given market conditions) and 92 distribution centers (including seven marine terminals) located throughout Mexico. We operate

Table of Contents

modern plants on the Gulf of Mexico and Pacific coasts, allowing us to take advantage of low-land transportation costs to export to U.S., Caribbean, Central and South American markets.

Products and Distribution Channels

Cement. Our cement operations represented approximately 54% of net sales for our operations in Mexico before eliminations resulting from consolidation in 2010. Our domestic cement sales volume represented approximately 97% of our total cement sales volume in Mexico for 2010. As a result of the retail nature of the Mexican market, our operations in Mexico are not dependent on a limited number of large customers. The five most important distributors in the aggregate accounted for approximately 9% of our total cement sales in Mexico by volume in 2010.

Ready-Mix Concrete. Our ready-mix operations represented approximately 22% of net sales for our operations in Mexico before eliminations resulting from consolidation in 2010. Our ready-mix operations in Mexico purchase all their cement requirements from our cement operations in Mexico. Ready-mix concrete is sold through our own internal sales force and facilities network.

Aggregates. Our aggregates operations represented approximately 3% of net sales for our operations in Mexico before eliminations resulting from consolidation in 2010.

Exports. Our operations in Mexico export a portion of their cement production, mainly in the form of cement and to a lesser extent in the form of clinker. Exports of cement and clinker by our operations in Mexico represented approximately 3% of our total cement sales volume in Mexico for 2010. In 2010, approximately 18% of our cement and clinker exports from Mexico were to the United States, 68% to Central America and the Caribbean and 14% to South America.

The cement and clinker exports by our operations in Mexico to the U.S. are marketed through subsidiaries of CEMEX Corp., the holding company of CEMEX, Inc. All transactions between CEMEX and the subsidiaries of CEMEX Corp., which act as our U.S. importers, are conducted on an arm's-length basis.

Our exports of Mexican gray cement from Mexico to the United States were subject to an anti-dumping order that was imposed by the Commerce Department on August 30, 1990. In March 2006, the Mexican and U.S. governments entered into an agreement to eliminate U.S. anti-dumping duties on Mexican cement imports following a three-year transition period beginning in 2006. In 2006, 2007 and 2008, Mexican cement imports into the U.S. were subject to volume limitations of 3 million tons, 3.1 million and 3.0 million tons per year, respectively. Quota allocations to Mexican companies that import cement into the U.S. are made on a regional basis. The transitional anti-dumping duty during the three-year transition period was lowered to U.S.\$3.00 per ton, effective as of April 3, 2006, from the previous amount of approximately U.S.\$26.00 per ton. Restrictions imposed by the United States on Mexican cement imports were eliminated in April 2009. For a more detailed description of the terms of the agreement between the Mexican and U.S. governments, please see Item 4 Information on the Company Regulatory Matters and Legal Proceedings Anti-Dumping.

Production Costs. Our cement plants in Mexico primarily utilize petcoke, but several are designed to switch to fuel oil and natural gas with minimum downtime. We have entered into two 20-year contracts with PEMEX pursuant to which PEMEX has agreed to supply us with a total of 1.75 million tons of petcoke per year, including TEG coke consumption, through 2022 and 2023. Petcoke is petroleum coke, a solid or fixed carbon substance that remains after the distillation of hydrocarbons in petroleum and that may be used as fuel in the production of cement. The PEMEX petcoke contracts have reduced the volatility of our fuel costs. In addition, since 1992, our operations in Mexico have begun to use alternative fuels, to further reduce the consumption of residual fuel oil and natural gas. These alternative fuels represented approximately 9% of the total fuel consumption for our operations in Mexico in 2010.

In 1999, we reached an agreement with the TEG consortium for the financing, construction and operation of a 230 megawatt (MW) energy plant in Tamuin, San Luis Potosí, Mexico. We entered into this agreement in order to reduce the volatility of our energy costs. The total cost of the project was approximately U.S.\$360 million. The power plant commenced commercial operations in April 2004. In February 2007, the original members of the consortium sold their participations in the project to a subsidiary of The AES Corporation. As part of the original

Table of Contents

agreement, we committed to supply the energy plant with all fuel necessary for its operations, a commitment that has been hedged through a 20-year agreement we entered into with PEMEX. These agreements were reestablished under the same conditions in 2007 with the new operator and the term was extended until 2027. The agreement with PEMEX, however, was not modified and terminates in 2024. Consequently, for the last 3 years of the agreement, we intend to purchase the required fuel in the market. For the years ended December 31, 2008, 2009 and 2010, the power plant has supplied approximately 65%, 74% and 73%, respectively, of our overall electricity needs during such years for our cement plants in Mexico.

In April 2007, we and Acciona formed an alliance to develop a wind farm project for the generation of 250 MW in Juchitan, Oaxaca, Mexico. We acted as sponsors of the project, which was named EURUS. Acciona provided the required financing, constructed the facility and currently operates the wind farm. The installation of 167 wind turbines in the farm was finished on November 15, 2009. The agreements between us and Acciona establish that our cement plants in Mexico should acquire a portion of the energy generated by the wind farm for a period of at least 20 years, which began in February 2010, when EURUS reached the committed limit capacity. The power plant had a cost of approximately U.S.\$550 million.

We have, from time to time, purchased hedges from third parties to reduce the effect of volatility in energy prices in Mexico. See Item 5 Operating and Financial Review and Prospects – Liquidity and Capital Resources.

Description of Properties, Plants and Equipment. As of December 31, 2010, we had 15 wholly-owned cement plants located throughout Mexico, with a total installed capacity of 29.3 million tons per year. We have exclusive access to limestone quarries and clay reserves near each of our plant sites in Mexico. We estimate that, as of December 31, 2010, the limestone and clay permitted proven and probable reserves of our operations in Mexico had an average remaining life of approximately 70 and 89 years, respectively, assuming 2006-2010 average annual cement production levels. As of December 31, 2010, all our production plants in Mexico utilized the dry process.

As of December 31, 2010, we had a network of 85 land distribution centers in Mexico, which are supplied through a fleet of our own trucks and rail cars, as well as leased trucks and rail facilities, and operated seven marine terminals. In addition, we had 325 ready-mix concrete plants throughout 79 cities in Mexico, more than 2,600 ready-mix concrete delivery trucks and 16 aggregates quarries.

As part of our Global Cost-Reduction Program we have made temporary capacity adjustments and rationalizations in four of our cement plants in Mexico. In addition, in 2010, we closed approximately 6% of our production capacity in our ready-mix plants throughout Mexico.

Capital Expenditures. We made capital expenditures of approximately U.S.\$497 million in 2008, U.S.\$84 million in 2009 and U.S.\$87 million in 2010 in our operations in Mexico. We currently expect to make capital expenditures of approximately U.S.\$84 million in our operations in Mexico during 2011.

Our Operations in the United States

Overview. Our operations in the United States represented approximately 17% of our net sales in Peso terms, before eliminations resulting from consolidation, and approximately 43% of our total assets, for the year ended December 31, 2010. As of December 31, 2010, we held 100% of CEMEX, Inc., the main holding company of our operating subsidiaries in the United States.

As of December 31, 2010, we had a cement manufacturing capacity of approximately 17.2 million tons per year in our operations in the United States, including nearly 1.2 million tons in proportional interests through non-controlling holdings. As of December 31, 2010, we operated a geographically diverse base of 13 cement plants located in Alabama, California, Colorado, Florida, Georgia, Kentucky, Ohio, Pennsylvania, Tennessee and Texas. As of that date, we also had 46 rail or water served active cement distribution terminals in the United States. As of December 31, 2010, we had 326 ready-mix concrete plants located in the Carolinas, Florida, Georgia, Texas, New Mexico, Nevada, Arizona, California, Oregon and Washington and aggregates facilities in North Carolina, South Carolina, Arizona, California, Florida, Georgia, New Mexico, Nevada, Oregon, Texas, and Washington, not including the assets of Ready Mix USA LLC, as described below.

Table of Contents

On July 1, 2005, we and Ready Mix USA, a privately owned ready-mix concrete producer with operations in the southeastern United States, established two jointly-owned limited liability companies, CEMEX Southeast, LLC, a cement company, and Ready Mix USA LLC, a ready-mix concrete company, to serve the construction materials market in the southeast region of the United States. Under the terms of the limited liability company agreements and related asset contribution agreements, we contributed two cement plants (Demopolis, Alabama and Clinchfield, Georgia) and 11 cement terminals to CEMEX Southeast, LLC, then representing approximately 98% of its contributed capital, while Ready Mix USA contributed cash to CEMEX Southeast, LLC, then representing approximately 2% of its contributed capital. In addition, we contributed our ready-mix concrete, aggregates and concrete block assets in the Florida panhandle and southern Georgia to Ready Mix USA LLC, then representing approximately 9% of its contributed capital, while Ready Mix USA contributed all its ready-mix concrete and aggregates operations in Alabama, Georgia, the Florida panhandle and Tennessee, as well as its concrete block operations in Arkansas, Tennessee, Mississippi, Florida and Alabama to Ready Mix USA LLC, then representing approximately 91% of its contributed capital. We own a 50.01% interest, and Ready Mix USA owns a 49.99% interest, in the profits and losses and voting rights of CEMEX Southeast, LLC, while Ready Mix USA owns a 50.01% interest, and we own a 49.99% interest, in the profits and losses and voting rights of Ready Mix USA LLC. CEMEX Southeast, LLC is managed and fully consolidated by us, and Ready Mix USA LLC is managed by Ready Mix USA and is accounted for by us under the equity method.

Under the Ready Mix USA LLC joint venture, we are required to contribute to the Ready Mix USA joint venture any ready-mix concrete and concrete block assets we acquire inside the joint venture region, while any aggregates assets acquired inside the region may be added to the Ready Mix USA joint venture at the option of the non-acquiring member. Building materials, pipe, transport and storm water treatment assets are not subject to the contribution clause under the Ready Mix USA joint venture. The value of the contributed assets is to be determined based on a formula by the Ready Mix USA joint venture.

On September 1, 2005, we had sold 27 ready-mix concrete plants and four concrete block facilities located in the Atlanta, Georgia metropolitan area to Ready Mix USA LLC for approximately U.S.\$125 million.

On January 11, 2008, in connection with the assets acquired from Rinker, and as part of our agreements with Ready Mix USA, CEMEX contributed and sold to Ready Mix USA LLC, certain assets located in Georgia, Tennessee and Virginia, which had a fair value of approximately U.S.\$437 million. We received U.S.\$120 million in cash for the assets sold to Ready Mix USA LLC and the remaining assets were treated as a U.S.\$260 million contribution by us to Ready Mix USA LLC. As part of the same transaction, Ready Mix USA contributed U.S.\$125 million in cash to Ready Mix USA LLC, which, in turn, received bank loans of U.S.\$135 million. Ready Mix USA LLC made a special distribution in cash to us of U.S.\$135 million. Ready Mix USA manages all the assets acquired. Following this transaction, Ready Mix USA LLC continues to be owned 50.01% by Ready Mix USA and 49.99% by CEMEX. The assets contributed and sold by CEMEX include: 11 concrete plants, 12 limestone quarries, four concrete maintenance facilities, two aggregate distribution facilities and two administrative offices in Tennessee; three granite quarries and one aggregates distribution facility in Georgia; and one limestone quarry and one concrete plant in Virginia. All these assets were acquired by us through our acquisition of Rinker.

Beginning on June 30, 2008, Ready Mix USA had a put option right, which, upon exercise, would require us to acquire Ready Mix USA's interest in CEMEX Southeast, LLC and Ready Mix USA LLC at a price equal to the greater of a) eight times the companies' operating cash flow for the trailing twelve months, b) eight times the average of these companies' operating cash flow for the previous three years, or c) the net book value of the combined companies' assets. On September 30, 2010, Ready Mix USA exercised its put option right. As a result, we will acquire Ready Mix USA's interest in CEMEX Southeast, LLC and Ready Mix USA LLC, which have cement, aggregates, ready-mix and block assets located in the southeast region of the U.S. The acquisition will take place upon the closing of the transaction, which is expected in September 2011, after the performance of the obligations by both parties under the put option agreement. CEMEX's purchase price for Ready Mix USA's interests, including a non-compete and a transition services agreement, will be approximately U.S.\$355 million. As of March 31, 2011, Ready Mix USA, LLC had approximately \$23 million (unaudited) in net debt (debt minus cash and cash equivalents), which is subject to be consolidated upon closing of the transaction. Ready Mix USA will continue to manage Ready Mix USA, LLC, the joint venture in which it has a majority interest, until the closing of the transaction. As of December 31, 2010, CEMEX has not recognized a liability, as the fair value of the net assets

Table of Contents

exceeds the purchase price. Had the purchase price exceeded the fair value of the net assets acquired, a loss would have been recognized.

On February 22, 2010, Ready Mix USA LLC completed the sale of 12 active quarries and certain other assets to SPO Partners & Co. for U.S.\$420 million. The active quarries, which consist of two granite quarries in Georgia, nine limestone quarries in Tennessee, and one limestone quarry in Virginia, are operated by Ready Mix USA LLC and were deemed non strategic by CEMEX and Ready Mix USA LLC. The proceeds from the sale were partly used to reduce debt held by Ready Mix USA LLC, and to effect a cash distribution of approximately U.S.\$100 million to each joint venture partner, including CEMEX.

On September 18, 2007, we announced our intention to begin the permitting process for the construction of a 1.7 million ton cement manufacturing facility near Seligman, Arizona. The state-of-the-art facility will manufacture cement to serve the future growth of Arizona, including the Phoenix metropolitan area. As a result of current market conditions and consistent with the reduction of our expansion capital expenditure program, we have delayed the completion of this project. As of December 31, 2009, we had spent a total of approximately U.S.\$14 million on this project, and we did not incur capital expenditures in 2010. We do not plan to incur capital expenditures in the construction of the Seligman Crossing Plant during 2011. During the first quarter of 2011, due to the low levels of construction activity and increased costs, we have implemented a minimum margin strategy in our Arizona operations, through the closure of under-utilized facilities, the reduction of headcount, among other actions pursuing improvement in the profitability of our operations in the region.

In February 2006, we announced a plan to construct a second kiln at our Balcones cement plant in New Braunfels, Texas in order to increase our cement production capacity to support strong demand amidst a shortfall in regional supplies of cement. The production capacity of the Balcones cement plant was approximately 1.1 million tons per year. The construction of the new kiln, which was designed to increase our total production capacity in the Balcones cement plant to approximately 2.2 million tons per year, was completed in the third quarter of 2008, although minor expenditures were made in 2009 and 2010. We spent a total of approximately U.S.\$373 million in the construction of this new kiln, including U.S.\$27 million in 2006, U.S.\$187 million in 2007, U.S.\$147 million in 2008, U.S.\$10 million in 2009 and U.S.\$2 million in 2010.

In October 2005, Rinker announced that it had commenced detailed plant engineering for the construction of a second kiln at the cement plant in Brooksville, Florida in order to increase the cement production capacity by 50%. The production capacity of the Brooksville South plant was approximately 0.7 million tons per year. The construction of the new kiln was completed in the third quarter of 2008, with minor expenditures made during 2009. We and Rinker together spent approximately U.S.\$244 million in the construction of this new kiln, including U.S.\$2 million in 2005, U.S.\$58 million in 2006, U.S.\$121 million in 2007, U.S.\$58 million in 2008 and U.S.\$5 million during 2009.

With the acquisition of Mineral Resource Technologies, Inc. in August 2003, we believe that we achieved a competitive position in the fly ash market. Fly ash is a mineral residue resulting from the combustion of powdered coal in electric generating plants. Fly ash has the properties of cement and may be used in the production of more durable concrete. Mineral Resource Technologies, Inc. is one of the four largest fly ash companies in the United States, providing fly ash to customers in 25 states. We also own regional pipe and precast businesses, along with concrete block and paver plants in the Carolinas and Florida.

The Cement Industry in the United States. Demand for cement is derived from the demand for ready-mix concrete and concrete products which, in turn, is dependent on the demand for construction. The construction industry is composed of three major sectors, namely, the residential sector, the industrial-and-commercial sector, and the public sector. The public sector is the most cement intensive sector, particularly for infrastructure projects such as streets, highways and bridges. While overall cement demand is sensitive to the business cycle, demand from the public sector is more stable and has helped to soften the decline in demand from the residential and industrial and commercial sectors during the current recession.

The construction industry has recently experienced the worst downturn in over 70 years as the fallout from the collapse of the housing sector caused massive losses in the financial sector, which resulted in extremely tight credit conditions and a deep U.S. recession that started in December 2007 and ended in June 2009. Under these conditions, cement demand declined 44% from 2006 to 2009. Expansionary monetary and fiscal policies resulted in

Table of Contents

more stable conditions in 2010, with real GDP growth of 2.9%. As a result, cement demand stabilized in 2010, declining, however, 1% from 2009. After a 73% decline in housing starts from 2005 to 2009, the housing sector stabilized in the second half of 2009 and improved slightly in 2010, with housing starts up 6%. Nominal construction spending for the industrial and commercial sector lagged the decline in the economy by a year, with declines of 26% in 2009 and 33% in 2010. Industrial and commercial contract awards, which drive future spending for this segment, declined 19% in 2010, but the pace of its year-over-year decline moderated to 10% in the final quarter of 2010 when compared to 40% in the first quarter of 2010. Nominal construction spending for the public sector remained more resilient during the recession, increasing 9% in 2008 and 1% in 2009 before declining 6% in 2010. Overall, we believe that cement demand should start growing again as the economic recovery leads to more job creation and better credit conditions.

Competition. The cement industry in the U.S. is highly competitive. We compete with national and regional cement producers in the U.S. Our principal competitors in the United States are Holcim, Lafarge, Buzzi-Unicem, Heidelberg Cement and Ash Grove Cement.

The independent U.S. ready-mix concrete industry is highly fragmented. According to the National Ready Mixed Concrete Association (NRMCA), it is estimated that there are about 6,000 ready-mix concrete plants that produce ready-mix concrete in the U.S. and about 70,000 ready-mix concrete mixer trucks that deliver the concrete to the point of placement. The NRMCA estimates that the value of ready-mix concrete produced by the industry is approximately U.S.\$30 billion per year. Given that the concrete industry has historically consumed approximately 75% of all cement produced annually in the U.S., many cement companies choose to develop concrete plant capabilities.

Aggregates are widely used throughout the U.S. for all types of construction because they are the most basic materials for building activity. The U.S. aggregates industry is highly fragmented and geographically dispersed. According to the U.S. Geological Survey, during 2010 an estimated 3,900 companies operated approximately 6,000 sand and gravel sites and 1,600 companies operated 4,000 crushed stone quarries and 91 underground mines in the 50 U.S. states.

Our Operating Network in the United States. The maps below reflect the location of our operating assets, including our cement plants and cement terminals in the United States (including the assets held through the Ready Mix USA LLC joint venture) as of December 31, 2010.

Table of Contents

Products and Distribution Channels

Cement. Our cement operations represented approximately 31% of our operations in the United States net sales before eliminations resulting from consolidation in 2010. We deliver a substantial portion of cement by rail. Occasionally, these rail shipments go directly to customers. Otherwise, shipments go to distribution terminals where customers pick up the product by truck or we deliver the product by truck. The majority of our cement sales are made directly to users of gray Portland and masonry cements, generally within a radius of approximately 200 miles of each plant.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 27% of our operations in the United States net sales before eliminations resulting from consolidation in 2010. Our ready-mix concrete operations in the U.S. purchase most of their cement requirements from our cement operations in the U.S. and roughly half of their aggregates requirements from our aggregates operations in the U.S. In addition, our 49.99%-owned Ready Mix USA LLC joint venture has purchased most of its cement requirements from our cement operations in the U.S. Our ready-mix concrete products are mainly sold to residential, commercial and public contractors and to building companies.

Aggregates. Our aggregates operations represented approximately 18% of our operations in the United States net sales before eliminations resulting from consolidation in 2010. We estimate that, as of December 31, 2010, the hard rock and sand and gravel permitted proven and probable reserves of our operations in the United States had an average remaining life of approximately 25 and 22 years, respectively, assuming 2006-2010 average annual cement production levels. Our aggregates are consumed mainly by our internal operations and by our trade customers in the ready-mix, concrete products and asphalt industries. Ready Mix USA LLC has purchased most of its aggregates requirements from third parties.

Production Costs. The largest cost components of our plants are electricity and fuel, which accounted for approximately 37% of our U.S. operations total production costs in 2010. We are currently implementing a program to gradually replace coal with more economic fuels such as petcoke and tires, which has resulted in reduced energy costs. By retrofitting our cement plants to handle alternative energy fuels, we have gained more flexibility in supplying our energy needs and have become less vulnerable to potential price spikes. In 2010, the use of alternative fuels offset the effect on our fuel costs of a significant increase in coal prices. Power costs in 2010 represented

Table of Contents

approximately 16% of our cement operations in the United States cash manufacturing cost, which represents production cost before depreciation. We have improved the efficiency of our operations in the United States electricity usage, concentrating our manufacturing activities in off-peak hours and negotiating lower rates with electricity suppliers.

Description of Properties, Plants and Equipment. As of December 31, 2010, we operated 13 cement manufacturing plants in the U.S., with a total installed capacity of 17.2 million tons per year, including nearly 1.2 million tons representing our proportional interests through associates. We estimate that, as of December 31, 2010, the limestone and clay permitted proven and probable reserves of our operations in the United States had an average remaining life of approximately 63 and 89 years, respectively, assuming 2006-2010 average annual cement production levels. As of that date, we operated a distribution network of 46 cement terminals, 4 of which are deep-water terminals. All our cement production facilities in 2010 were wholly-owned except for the Louisville, Kentucky plant, which is owned by Kosmos Cement Company, a joint venture in which we own a 75% interest and a subsidiary of Dyckerhoff AG owns a 25% interest, and the Demopolis, Alabama and Clinchfield, Georgia plants, which are owned by CEMEX Southeast, LLC, an entity in which we own a 50.01% interest and Ready Mix USA owns a 49.99% interest. As of December 31, 2010, we had 326 wholly-owned ready-mix concrete plants and 83 aggregates quarries.

As of December 31, 2010, we also had interests in 187 ready-mix concrete plants and 10 aggregates quarries, which are owned by Ready Mix USA LLC.

As of December 31, 2010, we distributed fly ash through 14 terminals and 11 third-party-owned utility plants, which operate both as sources of fly ash and distribution terminals. As of that date, we also owned 150 concrete block, paver, pipe, precast, asphalt and gypsum products distribution facilities, and had interests in 21 concrete block facilities, which are owned by Ready Mix USA LLC.

We have continued to take a number of actions to streamline our operations and improve productivity, including temporary capacity adjustments and rationalizations in some of our cement plants, and shutdowns of ready-mix and block plants and aggregates quarries. We are currently utilizing approximately 61% of our ready-mix plants capacity, 63% of our block manufacturing capacity and 81% of our aggregates quarries in the U.S.

On January 22, 2010, we announced the permanent closure of our Davenport cement plant located in northern California. The plant had been closed on a temporary basis since March 2009 due to the economic conditions. We have been serving our customers in the region through our extensive network of terminals in northern California, which are located in Redwood City, Richmond, West Sacramento and Sacramento. Our state-of-the-art cement facility in Victorville, California will continue to provide cement to this market more efficiently than the Davenport plant, as it has done so since March 2009. Opened in 1906, Davenport was the least efficient of our 14 plants in the United States to operate. We have no other set plans for the Davenport facility at this time.

On February 22, 2010, we announced that our Ready Mix USA LLC joint venture had completed the sale of 12 active quarries to SPO Partners & Co. The active quarries consist of two granite quarries in Georgia, nine limestone quarries in Tennessee, and one limestone quarry in Virginia.

Capital Expenditures. We made capital expenditures of approximately U.S.\$391 million in 2008, U.S.\$60 million in 2009 and U.S.\$75 million in 2010 in our operations in the U.S. We currently expect to make capital expenditures of approximately U.S.\$55 million in our operations in the U.S. during 2011. We do not expect to be required to contribute any funds with respect to the assets of the companies jointly-owned with Ready Mix USA as capital expenditures during 2011.

Europe

For the year ended December 31, 2010, our business in Europe, which includes our operations in Spain, the United Kingdom and our Rest of Europe segment, as described below, represented approximately 34% of our net sales before eliminations resulting from consolidation. As of December 31, 2010, our business in Europe represented approximately 27% of our total installed capacity and approximately 25% of our total assets.

Table of Contents

Our Operations in Spain

Overview. Our operations in Spain represented approximately 4% of our net sales in Peso terms, before eliminations resulting from consolidation, and approximately 10% of our total assets, for the year ended December 31, 2010.

As of December 31, 2010, we held 99.88% of CEMEX España, our operating subsidiary in Spain. Our cement activities in Spain are conducted by CEMEX España. Our ready-mix concrete activities in Spain are conducted by Hormicemex, S.A., a subsidiary of CEMEX España, and our aggregates activities in Spain are conducted by Aricemex S.A., a subsidiary of CEMEX España. CEMEX España is also a holding company for most of our international operations.

In March 2006, we announced a plan to invest approximately 47 million in the construction of a new cement mill and dry mortar production plant in the Port of Cartagena in Murcia, Spain, including approximately 11 million in 2006, 19 million in 2007, 3 million in 2008, and 0.2 million in 2009. The first phase, which includes the cement mill with production capacity of nearly one million tons of cement per year, was completed in the last quarter of 2007. Execution of the second phase, which includes the new dry mortar plant with a production capacity of 200,000 tons of dry mortar per year, is at an initial stage, with no material investments made during 2010 or expected to be made during 2011.

During 2007, we increased our installed capacity for white cement at our Buñol plant, located in the Valencia region, through the installation of a new production line which became operational in the third quarter of 2007.

In February 2007, we announced that Cementos Andorra, a joint venture between us and Spanish investors (the Burgos family), intends to build a new cement production facility in Teruel, Spain. The new cement plant is expected to have an annual capacity in excess of 650,000 tons and will be completed depending on the improvement of market conditions in Spain. Our investment in the construction of the plant is expected to be approximately 138 million, including approximately 28 million in 2007, 58 million in 2008, 30 million in 2009, 3 million in 2010 and an expected 3 million in 2011. We hold a 99.34% interest in Cementos Andorra, and the Burgos family holds a 0.66% interest.

On December 26, 2008, we sold our Canary Islands operations (consisting of cement and ready-mix concrete assets in Tenerife and our 50% equity interest in two joint-ventures, Cementos Especiales de las Islas, S.A. (CEISA) and Inprocoi, S.L.) to several Spanish subsidiaries of Cimpor Cimentos de Portugal SGPS, S.A. for 162 million (approximately U.S.\$227 million).

The Cement Industry in Spain. According to our latest estimates, in 2010, investment in construction sector in Spain fell by about 12% when compared to 2009, primarily as a result of a severe correction in the housing sector, which fell by about 16%. According to the latest estimates from the Asociación de Fabricantes de Cemento de España, or OFICEMEN, the Spanish cement trade organization, cement consumption in Spain in 2010 decreased 15% compared to 2009.

During the past several years, the level of cement imports into Spain has been influenced by the strength of domestic demand and fluctuations in the value of the Euro against other currencies. According to OFICEMEN, cement imports increased 9.5% in 2006 and decreased 10.5% in 2007, 40% in 2008, 62% in 2009 and 17% in 2010. Clinker imports have been significant, with increases of 19.7% in 2006 and 26.8% in 2007, but experienced a sharp decline of 46% in 2008, 60% in 2009 and 36% in 2010. Imports primarily have had an impact on coastal zones, since transportation costs make it less profitable to sell imported cement in inland markets.

Spain has traditionally been one of the leading exporters of cement in the world, exporting up to 13 million tons per year. In recent years, Spanish cement and clinker export volumes have fluctuated, reflecting the rapid changes of demand in the Mediterranean basin as well as the strength of the Euro and the changes in the domestic market. According to OFICEMEN, these export volumes decreased 22% in 2006 and 3% in 2007, increased 102% in 2008, 22% in 2009 and 33% in 2010.

Table of Contents

Competition. According to our estimates, as of December 31, 2010, we were one of the five largest multinational producers of clinker and cement in Spain. Competition in the ready-mix concrete industry is intense in large urban areas. The overall high degree of competition in the Spanish ready-mix concrete industry is reflected in the multitude of offerings from a large number of concrete suppliers. We have focused on developing value added products and attempting to differentiate ourselves in the marketplace. The distribution of ready-mix concrete remains a key component of CEMEX España's business strategy.

Our Operating Network in Spain

Table of Contents

Products and Distribution Channels

Cement. Our cement operations represented approximately 61% of net sales for our operations in Spain before eliminations resulting from consolidation in 2010. CEMEX España offers various types of cement, targeting specific products to specific markets and users. In 2010, approximately 15% of CEMEX España's domestic sales volume consisted of bagged cement, and the remainder of CEMEX España's domestic sales volume consisted of bulk cement, primarily to ready-mix concrete operators, which include CEMEX España's own subsidiaries, as well as industrial customers that use cement in their production processes and construction companies.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 21% of net sales for our operations in Spain before eliminations resulting from consolidation in 2010. Our ready-mix concrete operations in Spain in 2010 purchased almost 91% of their cement requirements from our cement operations in Spain, and approximately 75% of their aggregates requirements from our aggregates operations in Spain.

Aggregates. Our aggregates operations represented approximately 8% of net sales for our operations in Spain before eliminations resulting from consolidation in 2010.

Exports. Exports of cement by our operations in Spain, which represented approximately 31% of net sales for our operations in Spain before eliminations resulting from consolidation, increased substantially in 2010 compared to 2009, primarily as a result of strategically increased exports to other countries, especially those located in Africa, to mitigate local volume declines. Export prices are usually lower than domestic market prices, and costs are usually higher for export sales. Of our total export sales from Spain in 2010, 3% consisted of white cement, 47% of gray cement and 50% of clinker. In 2010, 10% of our exports from Spain were to Europe and the Middle East, 89% to Africa and 1% to other countries.

Production Costs. We have improved the efficiency of our operations in Spain by introducing technological improvements that have significantly reduced our energy costs, including the use of alternative fuels, in accordance with our cost reduction efforts. In 2010, we burned organic waste, tires and plastics as fuel, achieving, in 2010, a 33% substitution rate for petcoke in our gray and white clinker kilns for the year. During 2011, we expect to increase the quantity of these alternative fuels and to reach a substitution level of around 45%.

Description of Properties, Plants and Equipment. As of December 31, 2010, our operations in Spain included 8 cement plants located in Spain, with an installed cement capacity of 11 million tons, including 1.1 million tons of white cement. As of that date, we also owned two cement mills and operated one mill under a lease contract, 23 distribution centers, including eight land and 15 marine terminals, 106 ready-mix concrete plants, 27 aggregates quarries and 12 mortar plants. As of December 31, 2010, we owned eight limestone quarries located in close proximity to our cement plants and five clay quarries in our cement operations in Spain. We estimate that, as of December 31, 2010, the limestone and clay permitted proven and probable reserves of our operations in Spain had an average remaining life of approximately 41 and 18 years, respectively, assuming 2006-2010 average annual cement production levels.

As part of our global cost-reduction program we have made temporary capacity adjustments and rationalizations in several cement plants in Spain. During 2010, four out of our eight cement plants have partially stopped cement production. In addition to these partial stoppages, our Villanova plant, located in Tarragona, and our Escombreras grinding mill, located in Cartagena, were closed temporarily during 2009, and will only resume production on a need basis. Moreover, the San Vicente plant, located in Alicante, and the Muel grinding mill, located in Aragón, have been permanently shutdown. Additionally, approximately 7% of our ready-mix concrete plants in Spain have been also temporarily closed.

Table of Contents

Capital Expenditures. We made capital expenditures of approximately U.S.\$177 million in 2008, U.S.\$74 million in 2009 and U.S.\$46 million in 2010 in our operations in Spain. We currently expect to make capital expenditures of approximately U.S.\$39 million in our operations in Spain during 2011, including those related to the construction of the new cement production facility in Teruel, described above.

Our Operations in the U.K.

Overview. Our operations in the U.K. represented approximately 8% of our net sales in Peso terms, before eliminations resulting from consolidation, and approximately 6% of our total assets, for the year ended December 31, 2010.

As of December 31, 2010, we held 100% of CEMEX Investments Limited (formerly RMC), the main holding company of our operating subsidiaries in the United Kingdom. We are a leading provider of building materials in the U.K. with vertically integrated cement, ready-mix concrete, aggregates and asphalt operations. We are also an important provider of concrete and precast materials solutions such as concrete blocks, concrete block paving, roof tiles, flooring systems and sleepers for rail infrastructure.

The Construction Industry in the U.K. According to the U.K.'s Office for National Statistics, the level of GDP in 2010 as a whole in the U.K. was 1.4% higher than in 2009. Total construction output rose 5% in 2010, as compared to a 11% decline in 2009 over the preceding year. Both private and public sector housing grew, as did the rest of the public construction sector and infrastructure construction. According to the British Cement Association, domestic cement demand increased approximately 3% in 2010 compared to 2009. However, activity in the industrial sector was subdued, and commercial construction activity and repair and maintenance activity both experienced a decline.

Competition. Our primary competitors in the U.K. are Lafarge, Heidelberg, Tarmac, and Aggregate Industries (a subsidiary of Holcim), each with varying regional and product strengths.

Our Operating Network in the U.K.

Table of Contents

Products and Distribution Channels

Cement. Our cement operations represented approximately 16% of net sales for our operations in the U.K. before eliminations resulting from consolidation for the year ended December 31, 2010. About 82% of our U.K. cement sales were of bulk cement, with the remaining 18% in bags. Our bulk cement is mainly sold to ready-mix concrete, concrete block and pre-cast product customers and contractors. Our bagged cement is primarily sold to national builders merchants. During 2010, our operations in the U.K. imported approximately 40 thousand metric tons of clinker from our cement operations in Spain.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 27% of net sales for our operations in the U.K. before eliminations resulting from consolidation in 2010. Special products, including self-compacting concrete, fiber-reinforced concrete, high strength concrete, flooring concrete and filling concrete, represented 15% of our 2010 U.K. sales volume. Our ready-mix concrete operations in the U.K. in 2010 purchased approximately 67% of their cement requirements from our cement operations in the U.K. and approximately 77% of their aggregates requirements from our aggregates operations in the U.K. Our ready-mix concrete products are mainly sold to public, commercial and residential contractors.

Aggregates. Our aggregates operations represented approximately 25% of net sales for our operations in the U.K. before eliminations resulting from consolidation in 2010. In 2010, our U.K. aggregates sales were divided as follows: 49% were sand and gravel, 41% limestone and 10% hard stone. In 2010, 15% of our aggregates volumes were obtained from marine sources along the U.K. coast. In 2010, approximately 44% of our U.K. aggregates production was consumed by our own ready-mix concrete operations as well as our asphalt, concrete block and precast operations. We also sell aggregates to major contractors to build roads and other infrastructure projects.

Production Costs

Cement. In 2010, fixed production costs were reduced by 6% and variable costs by 2% in the U.K. We continued to implement our cost reduction programs and increased the use of alternative fuels by 15% in 2010.

Ready-Mix Concrete. In 2010, we reduced our total U.K. production costs by approximately 8% by continuing to implement our cost reduction plans and down-sizing to match lower sales.

Aggregates. In 2010, we reduced fixed production costs by approximately 8% through ongoing cost reductions initiatives commenced in 2009 in response to the market decline.

Description of Properties, Plants and Equipment. As of December 31, 2010, we owned three cement plants and one clinker grinding facility in the U.K. (including Barrington, which remains mothballed since November 2008, but excludes Rochester, which closed permanently in October 2009 and was dismantled during 2010). Assets in operation at year-end 2010 represent an installed cement capacity of 2.8 million tons per year. We estimate that, as of December 31, 2010, the limestone and clay permitted proven and probable reserves of our operations in the U.K. had an average remaining life of approximately 57 and 59 years, respectively, assuming 2006-2010 average annual cement production levels. As of December 31, 2010, we also owned 6 cement import terminals and operated 235 ready-mix concrete plants and 63 aggregates quarries in the U.K. In addition, we had operating units dedicated to the asphalt, concrete blocks, concrete block paving, roof tiles, sleepers and flooring businesses in the U.K.

In order to ensure increased availability of blended cements, which are more sustainable based on their reduced clinker factor and use of by-products from other industries, we have built a new grinding and blending facility at the Port of Tilbury, located on the Thames River east of London. The new facility, which started operations during May 2009, has an annual grinding capacity of approximately 1.2 million tons per annum. In total, we spent approximately U.S.\$93 million in the construction of this new grinding mill: U.S.\$28 million in 2007, U.S.\$41 million in 2008, U.S.\$22 million in 2009 and U.S.\$2 million in 2010.

As part of our global cost-reduction program we have made temporary capacity adjustments and rationalizations in our Barrington cement plant, which shut down cement production. In addition, we have closed approximately 5% of our ready-mix concrete plants.

Table of Contents

Capital Expenditures. We made capital expenditures of approximately U.S.\$132 million in 2008, U.S.\$58 million in 2009 and U.S.\$53 million in 2010 in our operations in the U.K. We currently expect to make capital expenditures of approximately U.S.\$37 million in our operations in the U.K. during 2011.

Our Operations in Germany

Overview. As of December 31, 2010, we held 100% of CEMEX Deutschland AG, our main subsidiary in Germany. We are a leading provider of building materials in Germany, with vertically integrated cement, ready-mix concrete, aggregates and concrete products operations (consisting mainly of prefabricated concrete ceilings and walls).

The Cement Industry in Germany. According to Euroconstruct, total construction output in Germany increased by 3.4% in 2010. Data from the Federal Statistical Office indicate an increase in construction investments of 2.8% for 2010. Construction in the residential sector also increased by 4.4%. Due to the extremely early and harsh winter in Germany, construction works declined significantly in December 2010. According to preliminary calculations, the national cement consumption in Germany in 2010 dropped by 2.9% to 24.6 million tons, while the ready-mix concrete market showed a decrease of 3.7% and the decrease in the aggregates market was 2.2%.

Competition. Our primary competitors in the cement market in Germany are Heidelberg, Dyckerhoff (a subsidiary of Buzzi-Unicem), Lafarge, Holcim and Schwenk, a local German competitor. These competitors, along with CEMEX, represent a market share of about 82%, as estimated by us for 2009. The ready-mix concrete and aggregates markets in Germany are fragmented and regionally heterogeneous, with many local competitors. The consolidation process in the ready-mix concrete markets and aggregates market is moderate.

Our Operating Network in Germany

Table of Contents

Description of Properties, Plants and Equipment. As of December 31, 2010, we operated two cement plants in Germany (not including the Mersmann plant). As of December 31, 2010, our installed cement capacity in Germany was 4.9 million tons per year (excluding the Mersmann plant cement capacity). We estimate that, as of December 31, 2010, the limestone permitted proven and probable reserves of our operations in Germany had an average remaining life of approximately 42 years, assuming 2006-2010 average annual cement production levels. As of that date, our operations in Germany included three cement grinding mills, 177 ready-mix concrete plants, 44 aggregates quarries, two land distribution centers for cement, five land distribution centers for aggregates, and three maritime terminals, two for cement and one for aggregates. In 2006, we closed the kiln at the Mersmann cement plant, and we do not contemplate resuming operations at this plant.

Capital Expenditures. We made capital expenditures of approximately U.S.\$49 million in 2008, U.S.\$31 million in 2009 and U.S.\$47 million in 2010 in our operations in Germany, and we currently expect to make capital expenditures of approximately U.S.\$32 million in 2011.

Our Operations in France

Overview. As of December 31, 2010, we held 100% of CEMEX France Gestion (S.A.S.), our main subsidiary in France. We are a leading ready-mix concrete producer and a leading aggregates producer in France. We distribute the majority of our materials by road and a significant quantity by waterways, seeking to maximize the use of this efficient and sustainable alternative.

The Cement Industry in France. According to INSEE (National Institute of Statistics and Economic Studies in France), total construction output in France declined by 5% in 2010. The decrease was primarily driven by an estimated decrease of 3.7% in the public works sector and a decrease of 17% in the non-residential sector, while residential construction increased approximately 1.2%. According to the French cement producers association, total cement consumption in France reached 19.8 million tons in 2010, a decrease of 3% compared to 2009.

Competition. Our main competitors in the ready-mix concrete market in France include Lafarge, Holcim, Italcementi and Vicat. Our main competitors in the aggregates market in France include Lafarge, Italcementi, Colas (Bouygues) and Eurovia (Vinci). Many of our major competitors in ready-mix concrete are subsidiaries of French cement producers, whereas we must rely on sourcing cement from third parties.

Our Operating Network in France

Table of Contents

Description of Properties, Plants and Equipment. As of December 31, 2010, we operated 247 ready-mix concrete plants in France, one maritime cement terminal located in LeHavre, on the northern coast of France, 20 land distribution centers and 43 aggregates quarries.

Capital Expenditures. We made capital expenditures of approximately U.S.\$41 million in 2008, U.S.\$15 million in 2009 and U.S.\$23 million in 2010 in our operations in France, and we currently expect to make capital expenditures of approximately U.S.\$16 million during 2011.

Our Operations in the Rest of Europe

Our operations in the Rest of Europe which, as of December 31, 2010, consisted of our operations in Croatia, Poland, Latvia, the Czech Republic, Ireland, Austria, Hungary, Finland, Norway and Sweden, as well as our other European assets and our approximately 33% non-controlling interest in a Lithuanian company. These operations represented approximately 8% of our 2010 net sales in Peso terms, before eliminations resulting from consolidation, and approximately 4% of our total assets in 2010.

Our Operations in the Republic of Ireland

Overview. As of December 31, 2010, we held 61.2% of Readymix plc, our main subsidiary in the Republic of Ireland. Our operations in the Republic of Ireland produce and supply sand, stone and gravel as well as ready-mix concrete, mortar and concrete blocks. As of December 31, 2010, we operated 37 ready-mix concrete plants, 27 aggregates quarries and 15 block plants located in the Republic of Ireland, Northern Ireland and the Isle of Man. We import and distribute cement in the Isle of Man.

The Construction Industry in the Republic of Ireland. According to Euroconstruct, total construction output in the Republic of Ireland is estimated to have decreased by 28% in 2010. The decrease reflected the continued contraction in the housing sector. We estimate that total cement consumption in the Republic of Ireland and Northern Ireland reached 2.1 million tons in 2010, a decrease of 25% compared to total cement consumption in 2009.

Competition. Our main competitors in the ready-mix concrete and aggregates markets in the Republic of Ireland are CRH, the Lagan Group and Kilsaran.

Capital Expenditures. We made capital expenditures of approximately U.S.\$49 million in 2008, U.S.\$0.3 million in 2009 and U.S.\$1 million in 2010 in our operations in the Republic of Ireland. We currently expect to make capital expenditures of approximately U.S.\$1 million in our Irish operations during 2011.

Our Operations in Poland

Overview. As of December 31, 2010, we held 100% of CEMEX Polska Sp. ZO.O, or CEMEX Polska, our main subsidiary in Poland. We are a leading provider of building materials in Poland serving the cement, ready-mix concrete and aggregates markets. As of December 31, 2010, we operated two cement plants and one grinding mill in Poland, with a total installed cement capacity of three million tons per year. As of December 31, 2010, we also operated 41 ready-mix concrete plants, nine aggregates quarries, ten land distribution centers and two maritime terminals in Poland.

The Cement Industry in Poland. According to the Central Statistical Office in Poland, total construction output in Poland increased by 3.5% in 2010. In addition, according to our estimates, total cement consumption in Poland reached approximately 15.7 million tons in 2010, an increase of 2% compared to 2009.

Competition. Our primary competitors in the cement, ready-mix concrete and aggregates markets in Poland are Heidelberg, Lafarge, CRH and Dyckerhoff.

Capital Expenditures. We made capital expenditures of approximately U.S.\$104 million in 2008, U.S.\$7 million in 2009 and U.S.\$10 million in 2010 in our operations in Poland, and we currently expect to make capital expenditures of approximately U.S.\$31 million in Poland during 2011.

Table of Contents

Our Operations in South-East Europe

Overview. As of December 31, 2010, we held 100% of CEMEX Hrvatska d.d., our operating subsidiary in Croatia. We are the largest cement producer in Croatia based on installed capacity as of December 31, 2010, according to our estimates. As of December 31, 2010, we operated three cement plants in Croatia, with an installed capacity of 2.4 million tons per year. As of that date, we also operated 12 land distribution centers, four maritime cement terminals, eight ready-mix concrete facilities and one aggregates quarry in Croatia, Bosnia & Herzegovina, Slovenia, Serbia and Montenegro.

The Cement Industry in Croatia. According to our estimates, total cement consumption in Croatia alone reached almost 1.8 million tons in 2010, a decrease of 23% compared to 2009.

Competition. Our primary competitors in the cement market in Croatia are Nexe and Holcim.

Capital Expenditures. We made capital expenditures of approximately U.S.\$14 million in 2008, U.S.\$8 million in 2009 and U.S.\$10 million in 2010 in our operations in South-East Europe, and we currently expect to make capital expenditures of approximately U.S.\$4 million in the region during 2011.

Our Operations in the Czech Republic

Overview. As of December 31, 2010, we held 100% of CEMEX Czech Operations, s.r.o., our operating subsidiary in the Czech Republic. We are a leading producer of ready-mix concrete and aggregates in the Czech Republic. We also distribute cement in the Czech Republic. As of December 31, 2010, we operated 54 ready-mix concrete plants and nine aggregates quarries in the Czech Republic. As of that date, we also operated one cement grinding mill and one cement terminal in the Czech Republic.

The Cement Industry in the Czech Republic. According to the Czech Statistical Office, total construction output in the Czech Republic decreased by 7.8% in 2010. The decrease was primarily driven by a continued slowdown in civil engineering works. According to the Czech Cement Association, total cement consumption in the Czech Republic reached 3.8 million tons in 2010, a decrease of 10% compared to 2009.

Competition. Our main competitors in the cement, ready-mix concrete and aggregates markets in the Czech Republic are Heidelberg, Dyckerhoff, Holcim, Skanska and Lafarge.

Capital Expenditures. We made capital expenditures of approximately U.S.\$12 million in 2008, U.S.\$2 million in 2009 and U.S.\$5 million in 2010 in our operations in the Czech Republic, and we currently expect to make capital expenditures of approximately U.S.\$10 million in the Czech Republic during 2011.

Our Operations in Latvia

Overview. As of December 31, 2010, we held 100% of SIA CEMEX, our operating subsidiary in Latvia. We are the only cement producer and a leading ready-mix cement producer and supplier in Latvia. From our cement plant in Latvia we also supply markets in Estonia, Lithuania, Finland, northwest Russia and Belarus. As of December 31, 2010, we operated one cement plant in Latvia with an installed cement capacity of 1.2 million tons per year. As of that date, we also operated five ready-mix concrete plants in Latvia and one aggregates quarry.

In April 2006, we initiated an expansion project for our cement plant in Latvia in order to increase our cement production capacity by approximately 0.8 million tons per year to support strong demand in the region. The plant was fully commissioned during July 2010. We expect our total capital expenditure in the capacity expansion of this plant will be approximately U.S.\$411 million, which includes U.S.\$11 million, U.S.\$86 million, U.S.\$174 million, U.S.\$113 million and U.S.\$22 million invested during 2006, 2007, 2008, 2009 and 2010, respectively; and we expect to incur U.S.\$5 million during 2011.

Capital Expenditures. In total, we made capital expenditures of approximately U.S.\$187 million in 2008, U.S.\$115 million in 2009 and U.S.\$24 million in 2010 in our operations in Latvia, and we currently expect to make capital expenditures of approximately U.S.\$10 million in our operations in Latvia during 2011.

Table of Contents

Our Equity Investment in Lithuania

Overview. As of December 31, 2010, we owned an approximate 33% interest in Akmenes Cementas AB, a cement producer in Lithuania, which operates one cement plant in Lithuania with an installed cement capacity of 1.3 million tons per year.

Our Operations in Austria

Overview. As of December 31, 2010, we held 100% of CEMEX Austria AG, our main subsidiary in Austria. We are a leading participant in the concrete and aggregates markets in Austria and also produce admixtures. As of December 31, 2010, we owned 38 ready-mix concrete plants and operated seven additional plants through joint ventures. We also owned 23 aggregates quarries, including six quarries which are currently operated by third parties, and had non-controlling interests in three quarries.

The Cement Industry in Austria. According to the European Commission, total construction investment in Austria declined by 4.2% in 2010. The decline was primarily driven by a reduction in public and commercial projects. According to our estimates, total cement consumption in Austria decreased by 5% in 2010.

Competition. Our main competitors in the ready-mix concrete and aggregates markets in Austria are Asamer, Lafarge, Lasselsberger, Porr, Strabag and Wopfinger.

Capital Expenditures. We made capital expenditures of approximately U.S.\$15 million in 2008, U.S.\$4 million in 2009 and U.S.\$3 million in 2010 in our operations in Austria. We currently expect to make capital expenditures of approximately U.S.\$3 million in our operations in Austria during 2011.

See **Regulatory Matters and Legal Proceedings** for a description of the ongoing arbitration relating to the proposed sale of our operations in Austria and Hungary.

Our Operations in Hungary

Overview. As of December 31, 2010, we held 100% of CEMEX Hungária Kft., our main subsidiary in Hungary. As of December 31, 2010, we owned 31 ready-mix concrete plants and six aggregates quarries, and we had non-controlling interests in eight other ready-mix concrete plants and two other aggregates quarries.

The Cement Industry in Hungary. According to the Hungarian Central Statistical Office, total construction output in Hungary decreased by 84.9% in 2010, as of November 2010. The decrease was primarily driven by a drop in the construction of buildings. Total cement consumption in Hungary was 2.8 million tons in 2010, a decrease of 18% compared to 2009.

Competition. Our main competitors in the ready-mix concrete and aggregates markets in Hungary are Holcim, Heidelberg, Strabag and Lasselsberger.

Capital Expenditures. We made capital expenditures of approximately U.S.\$4 million in 2008 and U.S.\$2 million in 2010. No significant capital expenditures were made in 2009 in our operations in Hungary. We currently expect to make capital expenditures of approximately U.S.\$1 million in our operations in Hungary during 2011.

See **Regulatory Matters and Legal Proceedings** for a description of the ongoing arbitration relating to the proposed sale of our Austrian and Hungarian operations.

Our Operations in Other European Countries

Overview. As of December 31, 2010, we operated ten marine cement terminals in Finland, Norway and Sweden through Embra AS, a leading bulk-cement importer in the Nordic region.

Capital Expenditures. We made capital expenditures of approximately U.S.\$1 million during 2008, U.S.\$0.1 million during 2009 and U.S.\$0.5 million during 2010 in our operations in other European countries. We currently do not expect to make any significant capital expenditures during 2011 in our other operations in Europe.

Table of Contents

South America, Central America and the Caribbean

For the year ended December 31, 2010, our business in South America, Central America and the Caribbean, Colombia, Argentina, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico and Jamaica, as well as other assets in the Caribbean, represented approximately 11% of our net sales before eliminations resulting from consolidation. As of December 31, 2010, our business in South America, Central America and the Caribbean represented approximately 13% of our total installed capacity and approximately 6% of our total assets. See Regulatory Matters and Legal Proceedings for a description of the ongoing arbitration relating to our Venezuelan operations.

Our Operations in Colombia

Overview. As of December 31, 2010, we owned approximately 99.7% of CEMEX Colombia, S.A., or CEMEX Colombia, our main subsidiary in Colombia. As of December 31, 2010, CEMEX Colombia was the second-largest cement producer in Colombia, based on installed capacity, according to the Institute of Cement Producers in Colombia. For the year ended December 31, 2010, our operations in Colombia represented approximately 4% of our net sales before eliminations resulting from consolidation and approximately 2% of our total assets.

CEMEX Colombia has a significant market share in the cement and ready-mix concrete market in the Urban Triangle of Colombia comprising the cities of Bogotá, Medellín and Cali. During 2010, these three metropolitan areas accounted for approximately 42.9% of Colombia's cement consumption. CEMEX Colombia's Ibaguè plant, which uses the dry process and is strategically located in the Urban Triangle, is Colombia's largest and had an installed capacity of 2.6 million tons as of December 31, 2010. CEMEX Colombia, through its Bucaramanga and Cúcuta plants, is also an active participant in Colombia's northeastern market. CEMEX Colombia's strong position in the Bogotá ready-mix concrete market is largely due to its access to a ready supply of aggregates deposits in the Bogotá area.

The Cement Industry in Colombia. According to the Institute of Cement Producers in Colombia, the installed capacity for cement in Colombia in 2010 was 16.8 million tons. According to the National Statistic Department (DANE), total cement consumption in Colombia reached 8.5 million tons during 2010, an increase of 7.2 % from 2009, while cement exports from Colombia reached 0.7 million tons. We estimate that close to 50% of cement in Colombia is consumed by the self-construction sector, while the housing sector accounts for 30% of total cement consumption and has been growing in recent years. The other construction segments in Colombia, including the public works and commercial sectors, account for the balance of cement consumption in Colombia.

Competition. The Grupo Empresarial Antioqueño, or Argos, owns or has interests in 11 of Colombia's 20 cement plants. Argos has established a leading position in the Colombian coastal markets through Cementos Caribe in Barranquilla, Compañía Colclinker in Cartagena and Tolcemento in Tolú. The other principal cement producer is Holcim Colombia.

Table of Contents

Our Operating Network in Colombia

Products and Distribution Channels

Cement. Our cement operations represented approximately 66% of net sales for our operations in Colombia before eliminations resulting from consolidation in 2010.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 24% of net sales for our operations in Colombia before eliminations resulting from consolidation in 2010.

Aggregates. Our aggregates operations represented approximately 3% of net sales for our operations in Colombia before eliminations resulting from consolidation in 2010.

Description of Properties, Plants and Equipment. As of December 31, 2010, CEMEX Colombia owned six cement plants, having a total installed capacity of 4.8 million tons per year. Two of these plants utilize the wet process and four plants utilize the dry process. In 2010, we replaced 12% of our total fuel consumed in CEMEX Colombia with alternative fuels, and we have an internal electricity generating capacity of 24.7 megawatts. We estimate that, as of December 31, 2010, the limestone and clay permitted proven and probable reserves of our operations in Colombia had an average remaining life of approximately 11 and 52 years, respectively, assuming 2006-2010 average annual cement production levels. The operating licenses for quarries in Colombia is renewed every 30 years; assuming renewal of such licenses, we estimate having sufficient limestone reserves for our operations in Colombia for over 100 years assuming 2006-2010 average annual cement production levels. As of December 31, 2010, CEMEX Colombia owned four land distribution centers, one mortar plant, 26 ready-mix concrete plants, and six aggregates operations. As of that date, CEMEX Colombia also owned five limestone quarries.

Capital Expenditures. We made capital expenditures of approximately U.S.\$19 million in 2008, U.S.\$5 million in 2009 and U.S.\$19 million in 2010 in our operations in Colombia. We currently expect to make capital expenditures of approximately U.S.\$11 million in our operations in Colombia during 2011.

Our Operations in Costa Rica

Overview. As of December 31, 2010, we owned a 99.1% interest in CEMEX (Costa Rica), S.A., or CEMEX Costa Rica, our operating subsidiary in Costa Rica and a leading cement producer in the country. As of

Table of Contents

December 31, 2010, CEMEX Costa Rica operated one cement plant in Costa Rica, with an installed capacity of 0.9 million tons, and operated a grinding mill in the capital city of San José. As of December 31, 2010, CEMEX Costa Rica operated six ready-mix concrete plants, one aggregates quarry and one land distribution center.

The Cement Industry in Costa Rica. Approximately 1.1 million tons of cement were sold in Costa Rica during 2010, according to the *Cámara de la Construcción de Costa Rica*, the construction industry association in Costa Rica. The cement market in Costa Rica is a predominantly retail market, and we estimate that over two thirds of cement sold is bagged cement.

Competition. The Costa Rican cement industry includes three producers: CEMEX Costa Rica, Holcim Costa Rica and Cementos David.

Exports. During 2010, cement exports by our operations in Costa Rica represented approximately 20% of our total production in Costa Rica. In 2010, 9% of our cement exports from Costa Rica were to El Salvador, and the remaining exports were to Nicaragua.

Capital Expenditures. We made capital expenditures of approximately U.S.\$7 million in 2008, U.S.\$3 million in 2009 and U.S.\$10 million in 2010 in our operations in Costa Rica. We currently expect to make capital expenditures of approximately U.S.\$5 million in our operations in Costa Rica during 2011.

Our Operations in the Dominican Republic

Overview. As of December 31, 2010, we held 100% of CEMEX Dominicana, S.A., or CEMEX Dominicana, our main subsidiary in the Dominican Republic and a leading cement producer in the country. CEMEX Dominicana's sales network covers the country's main consumption areas, which are Santo Domingo, Santiago de los Caballeros, La Vega, San Pedro de Macoris, Samana and Bavaro. CEMEX Dominicana also has a 14-year lease arrangement with the Dominican Republic government related to the mining of gypsum, which has enabled CEMEX Dominicana to supply all local and regional gypsum requirements.

The Cement Industry in the Dominican Republic. In 2010, cement consumption in the Dominican Republic reached 3.0 million tons.

Competition. Our principal competitors in the Dominican Republic are Domicem, a mixed Italian/local cement producer that started cement production in 2005; Cementos Cibao, a local competitor; Cemento Colón, an affiliated grinding operation of Argos; Cementos Santo Domingo, a cement grinding partnership between a local investor and Cementos La Union from Spain; and Cementos Andinos, a Colombian cement producer which has an installed grinding operation and a partially constructed cement kiln.

Description of Properties, Plants and Equipment. As of December 31, 2010, CEMEX Dominicana operated one cement plant in the Dominican Republic, with an installed capacity of 2.6 million tons per year. As of that date, CEMEX Dominicana also owned 10 ready-mix concrete plants, one aggregates quarry, two land distribution centers and two marine terminals.

Capital Expenditures. We made capital expenditures of approximately U.S.\$12 million in 2008, U.S.\$6 million in 2009 and U.S.\$11 million in 2010 in our operations in the Dominican Republic. We currently expect to make capital expenditures of approximately U.S.\$7 million in our operations in the Dominican Republic during 2011.

Our Operations in Panama

Overview. As of December 31, 2010, we held a 99.5% interest in Cemento Bayano, S.A., or Cemento Bayano, our main subsidiary in Panama and a leading cement producer in the country. As of December 31, 2010, Cemento Bayano operated one cement plant in Panama, with an installed capacity of 2.1 million tons per year. As of that date, Cemento Bayano also owned and operated 15 ready-mix concrete plants, three aggregates quarries and three land distribution centers.

On February 6, 2007, we announced our expansion project to build a new kiln at our Bayano plant in Panama. The project was completed in the fourth quarter of 2009 and reached stable operations in the first quarter of

Table of Contents

2010. Additional capital expenditures were required in 2010 due to a change in the scope of the project, and some expenditures are expected to be made in 2011. The new kiln increased our cement installed capacity to 2.1 million tons per year. As of December 31, 2010, we have spent approximately U.S.\$239 million on the new kiln, which includes U.S.\$31 million in 2007, U.S.\$104 million in 2008, U.S.\$83 million in 2009 and U.S.\$21 million in 2010. We currently expect to make capital expenditures of approximately U.S.\$19 million in 2011.

The Cement Industry in Panama. Approximately 1.4 million cubic meters of ready-mix concrete were sold in Panama during 2010, according to our estimates. Cement consumption in Panama decreased 7.8% in 2010, according to our estimates.

Competition. The cement industry in Panama includes two cement producers: Cemento Bayano and Cemento Panamá, an affiliate of Colombian Cementos Argos.

Capital Expenditures. We made capital expenditures of approximately U.S.\$118 million in 2008, U.S.\$88 million in 2009 and U.S.\$32 million in 2010 in our operations in Panama, which include those related to the expansion of the Bayano plant described above. We currently expect to make capital expenditures of approximately U.S.\$29 million in our operations in Panama during 2011.

Our Operations in Nicaragua

Overview. As of December 31, 2010, we owned 100% of CEMEX Nicaragua, S.A., or CEMEX Nicaragua, our operating subsidiary in Nicaragua. As of that date, CEMEX Nicaragua leased and operated one cement plant with an installed capacity of 0.6 million tons. Since March 2003, CEMEX Nicaragua has also leased a 100,000 ton milling plant in Managua, which has been used exclusively for petcoke milling.

The Cement Industry in Nicaragua. According to our estimates, approximately 0.6 million tons of cement, approximately 103 thousand cubic meters of ready-mix concrete and approximately 3.5 million tons of aggregates were sold in Nicaragua during 2010.

Competition. Two market participants compete in the Nicaraguan cement industry: CEMEX Nicaragua and Holcim (Nicaragua) S.A.

Description of Properties, Plants and Equipment. As of December 31, 2010, we operated one fixed ready-mix concrete plant and three mobile plants, three aggregates quarries and one distribution center in Nicaragua.

Capital Expenditures. We made capital expenditures of approximately U.S.\$4 million in 2008, U.S.\$0.7 million in 2009 and U.S.\$5 million in 2010 in our operations in Nicaragua. We currently expect to make capital expenditures of approximately U.S.\$3 million in our operations in Nicaragua during 2011.

Our Operations in Puerto Rico

Overview. As of December 31, 2010, we owned 100% of CEMEX de Puerto Rico, Inc., or CEMEX Puerto Rico, our main subsidiary in Puerto Rico. As of December 31, 2010, CEMEX Puerto Rico operated one cement plant, with an installed cement capacity of approximately 1.2 million tons per year. As of that date, CEMEX Puerto Rico also owned and operated 11 ready-mix concrete plants, one aggregates quarry and two land distribution centers.

The Cement Industry in Puerto Rico. In 2010, cement consumption in Puerto Rico reached 0.8 million tons.

Competition. The cement industry in Puerto Rico in 2010 was comprised of two cement producers: CEMEX Puerto Rico, and San Juan Cement Co., an affiliate of Italcementi, and Antilles Cement Co., an independent importer.

Capital Expenditures. We made capital expenditures of approximately U.S.\$5 million in 2008, U.S.\$0.9 million in 2009 and U.S.\$2 million in 2010 in our operations in Puerto Rico. We currently expect to make capital expenditures of approximately U.S.\$7 million in our operations in Puerto Rico during 2011.

Table of Contents

Our Operations in Guatemala

Overview. In January 2006, we acquired a 51% equity interest in a cement grinding mill facility in Guatemala for approximately U.S.\$17 million. As of December 31, 2010, the cement grinding mill had an installed capacity of 500,000 tons per year. In addition, we also owned and operated three land distribution centers and a clinker silo close to a maritime terminal in the City of Guatemala, as well as four owned ready-mix plants and one rented ready-mix plant.

Capital Expenditures. We made capital expenditures of approximately U.S.\$4 million in 2008, U.S.\$0.4 million in 2009 and U.S.\$2 million in 2010 in Guatemala, and we currently expect to make capital expenditures of approximately U.S.\$1 million in Guatemala during 2011.

Our Operations in Other South American, Central American and Caribbean Countries

Overview. As of December 31, 2010, we held 100% of Readymix Argentina S.A., which operates five ready-mix concrete plants in Argentina.

We believe that the Caribbean region holds considerable strategic importance because of its geographic location. As of December 31, 2010, we operated a network of eight marine terminals in the Caribbean region, which facilitated exports from our operations in several countries, including Mexico, Dominican Republic, Puerto Rico and the United States. Three of our marine terminals are located in the main cities of Haiti, two are in the Bahamas, and one is in Manaus, Brazil. We also have a non-controlling interest in two other terminals, one in Bermuda and another in the Cayman Islands.

As of December 31, 2010, we had non-controlling positions in Trinidad Cement Limited, with cement operations in Trinidad and Tobago, Barbados and Jamaica, as well as a non-controlling position in Caribbean Cement Company Limited in Jamaica, National Cement Ltd. in the Cayman Islands and Maxcem Bermuda Ltd. in Bermuda. As of December 31, 2010, we also held a 100% interest in CEMEX Jamaica Limited, which operates a calcinated lime plant in Jamaica with a capacity of 120,000 tons per year. As of December 31, 2010, we also held a non-controlling position in Societe des Ciments Antillais, a company with cement operations in Guadalupe and Martinique.

Capital Expenditures. We made capital expenditures in our other operations in South America, Central America and the Caribbean of approximately U.S.\$2 million in 2008, U.S.\$1 million in 2009 and U.S.\$2 million in 2010. We currently expect to make capital expenditures of approximately U.S.\$1 million in our other operations in South America, Central America and the Caribbean during 2011.

On April 8, 2010, we announced our plans to contribute, as an initial investment, up to U.S.\$100 million for a non-controlling interest in a new investment vehicle that was named Blue Rock Cement Holdings S.A., which would be managed by Blueprint Management Partners, and which intends to invest in heavy building materials and related assets. On April 19, 2011 this vehicle adopted the form of a S.à.r.l. (private limited liability company) and its name changed to TRG Blue Rock HBM Holdings S.à.r.l. (TRG Blue Rock). TRG Blue Rock is now managed by entities that are part of The Rohatyn Group, LLC (a privately owned firm that invests in the public equity and fixed income markets across the globe, including emerging markets of Latin America, Asia, Africa and Central and Eastern Europe). As of the date of this annual report, a project in Peru, which consists of the construction of a new cement plant with an initial production capacity of approximately one million metric tons per year, has been identified. According to the proposed project, it is expected that the plant would be completed during 2013, with a total investment of approximately U.S.\$230 million. Although we do not anticipate being in a control position to affect the decisions of TRG Blue Rock s management, given our investment and industry expertise, we are in discussions with TRG Blue Rock s management to enter into an operating contract providing for our assistance in the development, building and operation of the invested assets. Depending on the amount raised from third-party investors and the availability of financing, TRG Blue Rock s management may also decide to invest in other assets in the cement industry and/or related industries.

Africa and the Middle East

Table of Contents

For the year ended December 31, 2010, our business in Africa and the Middle East, which includes our operations in Egypt, the United Arab Emirates and Israel, represented approximately 8% of our net sales before eliminations resulting from consolidation. As of December 31, 2010, our business in Africa and the Middle East represented approximately 6% of our total installed capacity and approximately 3% of our total assets.

Our Operations in Egypt

Overview. As of December 31, 2010, we had a 95.8% interest in Assiut Cement Company, or CEMEX Egypt, our main subsidiary in Egypt. As of December 31, 2010, we operated one cement plant in Egypt, with an installed capacity of approximately 5.4 million tons. This plant is located approximately 280 miles south of Cairo and serves the upper Nile region of Egypt, as well as Cairo and the delta region, Egypt's main cement market. We estimate that, as of December 31, 2010, the limestone and clay permitted proven and probable reserves of our operations in Egypt had an average remaining life of approximately 55 and 75 years, respectively, assuming 2006-2010 average annual cement production levels. In addition, as of December 31, 2010, we operated five ready-mix concrete plants and seven land distribution centers and one maritime terminal in Egypt. For the year ended December 31, 2010, our operations in Egypt represented approximately 5% of our net sales before eliminations resulting from consolidation and approximately 2% of our total assets.

The Cement Industry in Egypt. According to our estimates, the Egyptian market consumed approximately 49.5 million tons of cement during 2010, based on government data (local and imported cement). Cement consumption increased by 2.7% in 2010, mainly driven by residential, tourism and commercial construction sectors. As of December 31, 2010, the cement industry in Egypt had a total of 13 cement producers, with an aggregate annual installed cement capacity of approximately 52 million tons. According to the Egyptian Cement Council, during 2010, Holcim and Lafarge (Cement Company of Egypt), CEMEX (Assiut) and Italcementi (Suez Cement, Torah Cement and Helwan Portland Cement), four of the largest cement producers in the world, represented approximately 51% of the total installed capacity in Egypt. Other significant competitors in the Egypt are Aribian Cement, Titan (Alexandria Portland Cement and Beni Suef Cement), Ameriyah (Cimpor), National, Sinai (Vicat), Sinai White cement (Cementir), Saud Valley, Aswan Medcom, Misr Beni Suef and Misr Quena Cement Companies.

Cement and Ready-Mix Concrete. For the year ended December 31, 2010, cement represented approximately 86% and ready-mix concrete represented approximately 9% of net sales for our operations in Egypt before eliminations resulting from consolidation.

Capital Expenditures. We made capital expenditures of approximately U.S.\$59 million in 2008, U.S.\$23 million in 2009 and U.S.\$25 million in 2010 in our operations in Egypt. We currently expect to make capital expenditures of approximately U.S.\$17 million in our Egyptian operations during 2011.

Our Operations in the United Arab Emirates (UAE)

Overview. As of December 31, 2010, we held a 49% equity interest (and 100% economic benefit) in three UAE companies: CEMEX Topmix LLC and CEMEX Supermix LLC, two ready-mix holding companies, and CEMEX Falcon LLC, which specializes in the trading and production of cement and slag. We are not allowed to have a controlling interest in these companies (UAE law requires 51% ownership by UAE nationals). However, through agreements with other shareholders in these companies, we have purchased the remaining 51% of the economic benefits in each of the companies. As a result, we own a 100% economic interest in all three companies. As of December 31, 2010, we owned 12 ready-mix concrete plants and a new cement and slag grinding facility in the UAE, serving the markets of Dubai, Abu Dhabi, and Sharjah.

Capital Expenditures. We made capital expenditures of approximately U.S.\$19 million in 2008, U.S.\$3 million in 2009 and U.S.\$2 million in 2010 in our operations in the UAE. We currently expect to make capital expenditures of approximately U.S.\$1 million in our operations in the UAE during 2011.

Our Operations in Israel

Overview. As of December 31, 2010, we held 100% of CEMEX Holdings (Israel) Ltd., our main subsidiary in Israel. We are a leading producer and supplier of raw materials for the construction industry in Israel. In addition to ready-mix concrete and aggregates, we produce a diverse range of building materials and

Table of Contents

infrastructure products in Israel. As of December 31, 2010, we operated 54 ready-mix concrete plants, eight aggregates quarries, one concrete products plant, one admixtures plant, one asphalt plant, one lime factory and one blocks factory in Israel.

Capital Expenditures. We made capital expenditures of approximately U.S.\$7 million in 2008, U.S.\$2 million in 2009 and U.S.\$6 million in 2010 in our Israeli operations, and we currently expect to make capital expenditures of approximately U.S.\$5 million in our Israeli operations during 2011.

Asia

For the year ended December 31, 2010, our operations in Asia, consisting of our operations in the Philippines, Thailand, Bangladesh, Taiwan, Malaysia, and the operation we acquired from Rinker in China, as well as our other assets in Asia, represented approximately 3% of our net sales before eliminations resulting from consolidation. As of December 31, 2010, our operations in Asia represented approximately 6% of our total installed capacity and approximately 2% of our total assets.

Sale of Our Operations in Australia

On October 1, 2009, we completed the sale of our operations in Australia to a subsidiary of Holcim Ltd. The net proceeds from this sale were approximately \$2.02 billion Australian Dollars (approximately U.S.\$1.7 billion), of which we used approximately U.S.\$1.37 billion to prepay indebtedness under the Financing Agreement and approximately U.S.\$248 million to strengthen our liquidity position. In addition, the sale of the operations in Australia resulted in the deconsolidation of approximately U.S.\$131 million in debt in connection with a credit facility for our operations in Australia. For the nine months ended September 30, 2009, net sales for our operations in Australia and operating income were approximately Ps13.0 billion (approximately U.S.\$964 million) and approximately Ps1.2 billion (approximately U.S.\$89 million), respectively, and for the nine-month period ended September 30, 2008, approximately Ps13.9 (approximately U.S.\$1.1 billion) billion and Ps1.3 billion (approximately U.S.\$99 million), respectively. Our consolidated statements of operations present the results of our operations in Australia, net of income tax, for the nine-month period ended September 30, 2009 and the twelve-month period ended December 31, 2008 in a single line item as

Discontinued operations. Accordingly, our consolidated statement of cash flows for the year ended December 31, 2008 was reclassified. See note 3B to our consolidated financial statements included elsewhere in this annual report.

Our Operations in the Philippines

Overview. As of December 31, 2010, on a consolidated basis through various subsidiaries, we held 100% of the economic benefits of our two operating subsidiaries in the Philippines, Solid and APO Cement Corporation (APO). For the year ended December 31, 2010, our operations in the Philippines represented approximately 2% of our net sales before eliminations resulting from consolidation and approximately 1% of our total assets.

The Cement Industry in the Philippines. According to the Cement Manufacturers Association of the Philippines (CEMAP), cement consumption in the Philippine market, which is primarily retail, totaled 15.5 million tons during 2010. Demand for cement in the Philippines increased by approximately 6.8% in 2010 compared to 2009.

As of December 31, 2010, the Philippine cement industry had a total of 18 cement plants. Annual installed clinker capacity is 21 million metric tons, according to CEMAP.

Competition. As of December 31, 2010, our major competitors in the Philippine cement market were Lafarge, Holcim, Taiheiyo, Pacific, Northern, Goodfound and Eagle.

Description of Properties, Plants and Equipment. As of December 31, 2010, our operations in the Philippines included two cement plants with a total capacity of 4.5 million tons per year, one quarry dedicated to supply raw materials to our cement plants, eight land distribution centers and four marine distribution terminals. We estimate that, as of December 31, 2010, the limestone and clay permitted proven and probable reserves of our operations in the Philippines had an average remaining life of approximately 17 and 14 years, respectively, assuming 2006-2010 average annual cement production levels.

Table of Contents

Cement. For the year ended December 31, 2010, our cement operations represented 100% of net sales for our operations in the Philippines before eliminations resulting from consolidation.

Capital Expenditures. We made capital expenditures of approximately U.S.\$15 million in 2008, U.S.\$6 million in 2009 and U.S.\$14 million in 2010 in our operations in the Philippines. We currently expect to make capital expenditures of approximately U.S.\$11 million in our operations in the Philippines during 2011.

Our Operations in Thailand

Overview. As of December 31, 2010, we held, on a consolidated basis, 100% of the economic benefits of CEMEX (Thailand) Co. Ltd., or CEMEX (Thailand), our operating subsidiary in Thailand. As of December 31, 2010, CEMEX (Thailand) owned one cement plant in Thailand, with an installed capacity of approximately 1.2 million tons.

The Cement Industry in Thailand. According to our estimates, at December 31, 2010, the cement industry in Thailand had a total of 12 cement plants, with an aggregate annual installed capacity of approximately 47 million tons, from which the capacity to produce 14 million tons has been temporarily shut down. We estimate that there are six major cement producers in Thailand, four of which represent approximately 97% of installed capacity and 94% of the market.

Competition. Our major competitors in Thailand, which have a significantly larger presence than CEMEX (Thailand), are Siam Cement, Holcim, TPI Polene and Italcementi.

Capital Expenditures. We made capital expenditures of approximately U.S.\$3 million in 2008 in our operations in Thailand. We made no significant capital expenditures in our operations in Thailand during 2009, and we made capital expenditures of approximately U.S.\$1 million in 2010. We currently expect to make capital expenditures of approximately U.S.\$1 million in Thailand during 2011.

Our Operations in Malaysia

Overview. As of December 31, 2010, we held on a consolidated basis 100% of the economic benefits of our operating subsidiaries in Malaysia. We are a leading ready-mix concrete producer in Malaysia, with a significant share in the country's major urban centers. As of December 31, 2010, we operated 15 ready-mix concrete plants, four asphalt plants and three aggregates quarries in Malaysia.

Competition. Our main competitors in the ready-mix concrete and aggregates markets in Malaysia are YTL, Lafarge and Heidelberg.

Capital Expenditures. We made capital expenditures of approximately U.S.\$3 million in 2008, U.S.\$1 million in 2009 and U.S.\$2 million in 2010 in our operations in Malaysia. We currently expect to make capital expenditures of approximately U.S.\$1 million in our operations in Malaysia during 2011.

Our Operations in Other Asian Countries

Overview. Since April 2001, we have been operating a grinding mill near Dhaka, Bangladesh. As of December 31, 2010, this mill had a production capacity of 520,000 tons per year. A majority of the supply of clinker for the mill is produced by our operations in the region. In addition, since June 2001, we have also operated a cement terminal in the port of Taichung located on the west coast of Taiwan.

As of December 31, 2010, we also operated four ready-mix concrete plants in China, located in the northern cities of Tianjin and Qingdao.

Capital Expenditures. We made capital expenditures in our operations in other Asian countries of approximately less than U.S.\$1 million in 2008, U.S.\$1 million in 2009 and U.S.\$1 million in 2010. We currently expect to make capital expenditures of approximately U.S.\$3 million in our operations in other Asian countries during 2011.

Table of Contents

Our Trading Operations

In 2010, we traded approximately 8.7 million tons of cementitious materials, including 7.9 million tons of cement and clinker. Approximately 82% of the cement and clinker trading volume in 2010 consisted of exports from our operations in Colombia, Costa Rica, Croatia, the Dominican Republic, Germany, Guatemala, Latvia, Mexico, Philippines, Poland, Puerto Rico, Spain and the U.S. The remaining approximately 18% was purchased from third parties in countries such as Belgium, China, Colombia, Croatia, Greece, Lithuania, Pakistan, Slovakia, South Korea, Taiwan, Thailand and Turkey. As of December 31, 2010, we had trading activities in 101 countries. In 2010, we traded approximately 0.8 million metric tons of granulated blast furnace slag, a non-clinker cementitious material.

Our trading network enables us to maximize the capacity utilization of our facilities worldwide while reducing our exposure to the inherent cyclicality of the cement industry. We are able to distribute excess capacity to regions around the world where there is demand. In addition, our worldwide network of strategically located marine terminals allows us to coordinate maritime logistics on a global basis and minimize transportation expenses. Our trading operations also enable us to explore new markets without significant initial capital expenditure.

Freight rates, which account for a large share of the total import supply cost, have been subject to significant volatility in recent years. Our trading operations, however, have obtained significant savings by contracting maritime transportation in due time and by using our own and chartered fleet, which transported approximately 18% of our cement and clinker import volume during 2010.

In addition, based on our spare fleet capacity, we provide freight service to third parties, thus providing us with valuable shipping market information and generating additional revenues.

Regulatory Matters and Legal Proceedings

A description of material regulatory and legal matters affecting us is provided below.

Anti-Dumping

Jamaica Anti-dumping Investigation. On September 9, 2010, Jamaica's Anti-Dumping and Subsidies Commission (the Jamaica Commission) issued a preliminary affirmative anti-dumping determination in its investigation of cement from the Dominican Republic. The Jamaica Commission based its determination on a preliminary finding of a threat of material injury to the sole domestic cement company (Caribbean Cement Company Limited, or CCCL). A majority of the Jamaica Commission preliminarily found that the case concerning present material injury was inconclusive. Significantly, the Jamaica Commission was not persuaded that provisional tariffs were necessary to prevent material injury to CCCL during the period between the preliminary determination and the final determination. Therefore, even though the Jamaica Commission preliminarily calculated an anti-dumping margin of 84.69% against the Dominican Republic, no duties were imposed. On December 8, 2010, the Jamaica Commission issued a negative ruling in the case brought by CCCL against imports of cement from the Dominican Republic. The Jamaica Commission found no evidence of material injury to the domestic industry and has closed the investigation. However, CCCL may file an appeal to this ruling.

As of April 30, 2011, there was no accrued liability for dumping duties. All liabilities accrued for past anti-dumping duties have been eliminated.

Antitrust Proceedings

Polish Antitrust Investigation. Between May 31, 2006 and June 2, 2006, officers of the Polish Competition and Consumer Protection Office, or the Protection Office, assisted by police officers, conducted a search of the Warsaw office of CEMEX Polska, one of our indirect subsidiaries in Poland, and of the offices of other cement producers in Poland. These searches took place as a part of the exploratory investigation that the head of the Protection Office started on April 26, 2006. On January 2, 2007, CEMEX Polska received a notification from the Protection Office informing it of the formal initiation of an antitrust proceeding against all cement producers in Poland, including CEMEX Polska and another of our indirect subsidiaries in Poland. The notification alleged that there was an agreement between all cement producers in Poland regarding prices and other sales conditions of cement, an agreed division of the market with respect to the sale and production of cement, and the exchange of confidential information, all of which limited competition in the Polish market with respect to the production and sale of cement. On December 9, 2009, the Protection Office delivered to CEMEX Polska its decision against Polish cement producers related to an investigation which covered a period from 1998 to 2006. The decision imposes fines on a number of Polish cement producers, including CEMEX Polska. The fine imposed on CEMEX Polska is approximately Polish Zloty 115.56 million (approximately U.S.\$43.51 million as of April 30, 2011, based on an exchange rate of Polish Zloty 2.6559 to U.S.\$1.00), which is approximately 10% of CEMEX Polska's total revenue in 2008. CEMEX

Table of Contents

Polska disagrees with the decision, denies that it committed the practices alleged by the Protection Office and filed an appeal before the Polish Court of Competition and Consumer Protection on December 23, 2009. The Polish Court of Competition and Consumer Protection confirmed that CEMEX Polska's appeal met preliminary formal requirements and that it would conduct the case. On February 7, 2011, CEMEX Polska received a formal response to its appeal from the Protection Office in which the Protection Office made an application to the Polish Court of Competition and Consumer Protection to reject CEMEX Polska's appeal. The response from the Protection Office argued that CEMEX Polska's appeal is not justified, and it maintained all of the statements and arguments from the Protection Office's decision issued on December 9, 2009. On February 21, 2011, CEMEX Polska sent a letter to the court in which it kept its position and argumentation from the appeal and widely opposed to arguments and statements included in the response of the Protection Office. The decision on the fines will not be enforced until two appeal instances are exhausted. According to the current Polish court practices these two appeal proceedings should take at least three years. On December 31, 2010, the accounting provision created in relation with this proceeding was Polish Zloty 72.3 million (approximately U.S.\$27.22 million as of April 30, 2011, based on an exchange rate of Polish Zloty 2.6559 to U.S.\$1.00).

Antitrust Investigations in Europe by the European Commission. On November 4, 2008, officers of the European Commission, in conjunction with officials of the national competition enforcement authorities, conducted unannounced inspections at our offices in Thorpe (United Kingdom) and Ratingen (Germany). Further to these inspections, on September 22 and 23, 2009 CEMEX's premises at Madrid, Spain were also subject to an inspection from the European Commission.

In conducting these investigations, the European Commission has alleged that we may have participated in anti-competitive agreements and/or concerted practices in breach of Article 101 of the Treaty on the Functioning of the European Union (formerly Article 81 of the EC Treaty) and Article 53 of the European Economic Area (EEA) Agreement in the form of restrictions of trade flows in the EEA, including restrictions on imports into the EEA from countries outside the EEA, market sharing, price coordination and connected anticompetitive practices in the cement and related products markets. Since the inspections, we have received requests for information from the European Commission in September 2009, October 2010 and December 2010, and we have fully cooperated by providing the relevant information on time.

On December 8, 2010, the European Commission informed us that it has decided to initiate formal proceedings in respect of the investigation of the aforementioned anticompetitive practices. These proceedings would affect Austria, Belgium, the Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom. The European Commission has indicated that we, as well as seven other companies, will be included in these proceedings. These proceedings may lead to an infringement decision, or if the objections raised by the European Commission are not substantiated, the case might be closed. This initiation of proceedings relieves the competition authorities of the Member States of the European Union of their competence to apply Article 101 of the Treaty on the Functioning of the European Union to the same case. We intend to defend our position vigorously in this proceeding and are fully cooperating and will continue to cooperate with the European Commission in connection with this matter.

If the allegations are substantiated, significant penalties may be imposed on our subsidiaries operating in such markets. In that case, pursuant to European Union Regulation 1/2003, the European Commission may impose penalties of up to 10% of the total turnover of the relevant companies for the last year preceding the imposition of the fine for which the financial statements have been approved by the shareholders meeting of the relevant companies.

On April 1, 2011, the European Commission notified CEMEX S.A.B. de C.V. a decision under Article 18(3) of Council Regulation (EC) No 1/2003 of December 16, 2002 on the implementation of the rules on competition set forth in Article 81 of the EC Treaty (current Articles 101 and 102 of the EC Treaty). CEMEX is preparing all the requested information in order to provide a timely and complete reply within the deadlines imposed by the European Commission. As of April 18, 2011, CEMEX submitted the reply to one of the questions and is due to submit the rest of the requested information by the end of June 2011.

Antitrust Investigations in Spain by the CNC. On September 22, 2009, the Investigative Department (*Dirección de Investigación*) of the Spanish Competition Commission (*Comisión Nacional de la Competencia*, CNC), applying exclusively national antitrust law, carried out another inspection, separate from the investigation conducted by the European Commission, in the context of possible anticompetitive practices in the production and distribution of mortar, ready-mix concrete and aggregates within the Chartered Community of Navarre (Navarre). We fully cooperated and provided the CNC inspectors all the information requested. On December 15, 2009, the CNC started a procedure against CEMEX España and four other companies with activities in Navarre for alleged practices prohibited under the Spanish competition law. The allegations against CEMEX España relate to several of our ready-mix plants located in Navarre, which we operated from January 2006 (as a result of the RMC acquisition) until September 2008, when we ceased operations for these plants.

On November 3, 2010, the CNC Investigative Department provided CEMEX España with a Statement of Facts (similar to a statement of objections under European Union competition law) that included allegations that could be construed as a possible infringement by CEMEX España of Spanish competition law in Navarre. The

Table of Contents

Statement of Facts was addressed to CEMEX España, but also indicated that its parent company, New Sunward, could be jointly and severally liable for the investigated behavior.

On December 10, 2010, after receiving CEMEX España's observations, the CNC Investigative Department notified us of a proposed decision, summarizing its findings in the investigation. This proposed decision, which suggests the existence of an infringement, has been submitted to the Council of the CNC, together with CEMEX España's opposition to all charges. This body will examine the case and the evidence proposed by all the parties and issue a final decision. On May 17, 2011, the CNC Council decided to accept CEMEX España's request to review the evidence presented by the other parties. As a result, the deadline for the CNC Council to issue a decision, which is 18 months from the formal start of the procedure on December 15, 2009, has been interrupted and will resume once the other parties present the proposed evidence requested by CEMEX España.

Under Spanish law, the maximum fine that could be imposed in this procedure would be 10% of the total turnover of CEMEX España for the calendar year preceding the imposition of the fine. CEMEX España denies any wrongdoing and is fully cooperating and will continue to cooperate with the CNC officials in connection with this matter.

Antitrust Investigations in Mexico. In January and March 2009, we were notified of two findings of presumptive responsibility against CEMEX issued by the Mexican Competition Authority (*Comisión Federal de Competencia* or CFC), alleging certain violations of Mexican antitrust laws. We believe these findings contain substantial violations of rights granted by the Mexican Constitution.

In February 2009, we filed a constitutional challenge (*juicio de amparo*) before the circuit court, as well as a denial of the allegations, with respect to the first case. The circuit court determined that CEMEX lacked standing since the notice of presumptive responsibility did not affect any of CEMEX's rights; therefore, CEMEX should wait until the CFC concludes its proceeding and issues a final ruling before raising its constitutional challenge again. However, in July 2010, in light of the possible violations to CEMEX's constitutional rights, the CFC terminated the existing proceeding and reinitiated a new proceeding against CEMEX to avoid such violations. We believe that Mexican law does not entitle the CFC to reinitiate a new proceeding but only to continue with the original one. In August 2010, we filed a separate constitutional challenge (*juicio de amparo*) before the District Court to argue against the reinitiated proceeding. The District Court in Monterrey determined that the order to reinitiate the proceeding and the notice of presumptive responsibility did not affect any of CEMEX's rights; CEMEX filed an appeal before the District Court in Monterrey, which will be sent to the circuit court, to argue against such determination.

With respect to the second case, in April 2009, we filed a constitutional challenge (*juicio de amparo*), and in May 2009, we filed a denial of the CFC's allegations. In November 2010, the Circuit Court in Monterrey, N.L., Mexico, ordered the case to be heard by a District Court in Mexico City claiming that it lacked appropriate jurisdiction. In December 2010, similar to the first case, the District Court in Mexico City determined that CEMEX lacked standing with its constitutional challenge (*juicio de amparo*) since the notice of presumptive responsibility did not affect any of CEMEX's rights; therefore, CEMEX should wait until the CFC concludes its proceeding and issues a final ruling before raising its constitutional challenge again. CEMEX expects to file an appeal before the District Court in Mexico City to argue against such determination. CEMEX filed an appeal before the District Court in Mexico City to argue against such determination.

Antitrust Cartel Litigation in Germany. On August 5, 2005, Cartel Damages Claims, SA, or CDC, filed a lawsuit in the District Court in Düsseldorf, Germany against CEMEX Deutschland AG and other German cement companies. CDC originally sought 102 million (approximately U.S.\$151.2 million as of April 30, 2011, based on an exchange rate of 0.6745 to U.S.\$1.00) in respect of damage claims by 28 entities relating to alleged price and quota fixing by German cement companies between 1993 and 2002, which entities had assigned their claims to CDC. CDC is a Belgian company established by two lawyers in the aftermath of the German cement cartel investigation that took place from July 2002 to April 2003 by Germany's Federal Cartel Office, with the express purpose of purchasing potential damages claims from cement consumers and pursuing those claims against the alleged cartel participants. In January 2006, another entity assigned alleged claims to CDC, and the amount of damages being sought by CDC increased to 113.5 million plus interest (approximately U.S.\$168.3 million plus interest as of April 30, 2011, based on an exchange rate of 0.6745 to U.S.\$1.00). On February 21, 2007, the District Court allowed this

Table of Contents

lawsuit to proceed without going into the merits of this case by issuing an interlocutory judgment. All defendants appealed, but the appeal was dismissed on May 14, 2008. The lawsuit will proceed in a court of first instance.

In the meantime, CDC acquired new claims by assignment and announced an increase in the claim to 131 million (approximately U.S.\$194.2 million as of April 30, 2011, based on an exchange rate of 0.6745 to U.S.\$1.00). As of April 30, 2011, we had accrued liabilities regarding this matter for a total amount of approximately 20 million (approximately U.S.\$29.7 million as of April 30, 2011, based on an exchange rate of 0.6745 to U.S.\$1.00).

The District court in Düsseldorf, Germany had called for a hearing on the merits of this case, scheduled for May 26, 2011. This hearing has been cancelled and no new date for a hearing has been notified.

Antitrust Cases in Egypt. On October 4, 2007, all Egyptian cement producers (including CEMEX Egypt) were referred to the public prosecutor for an alleged agreement on price fixing. The country manager and director of sales of CEMEX Egypt were both named as defendants. The case was referred to criminal court on February 13, 2008, and the final court hearing was held on August 25, 2008. At this hearing, the court announced its decision imposing the maximum penalty of 10 million Egyptian Pounds (approximately U.S.\$1.7 million as of April 30, 2011, based on an exchange rate of Egyptian Pounds 5.9549 to U.S.\$1.00) on each entity accused. CEMEX Egypt was required to pay a fine of 20 million Egyptian Pounds (approximately U.S.\$3.4 million as of April 30, 2011, based on an exchange rate of Egyptian Pounds 5.9549 to U.S.\$1.00), since its two executives named above were found guilty. The case was appealed to the Court of Appeals, which confirmed the fine on December 31, 2008. We decided not to proceed with a further appeal to the Court of Cassation and paid the fine.

On July 29, 2009, two Egyptian contractors filed lawsuits against four cement producers, including CEMEX Egypt, demanding compensation of 20 million Egyptian Pounds (approximately U.S.\$3.4 million as of April 30, 2011, based on an exchange rate of Egyptian Pounds 5.9549 to U.S.\$1.00) from the four cement producers (5 million Egyptian Pounds or approximately U.S.\$839,644 as of April 30, 2011, based on an exchange rate of Egyptian Pounds 5.9549 to U.S.\$1.00 from each defendant). The plaintiffs are using as a precedent the case mentioned in the prior paragraph, and as a main proof of their allegation, an Egyptian Court decision convicting all cement producers in Egypt of antitrust activities and price fixing. At the latest hearing for one of the cases, on April 24, 2010 the court decided to refer the matter back to the prosecutor's office for further investigation and for a report on the investigations to be presented at the next hearing, which was held on January 11, 2011, thereafter the case was dismissed and all charges against CEMEX Egypt have been dropped. The plaintiffs had 60 days to file their appeals, if any, to this ruling. The plaintiffs filed a challenge before the Court of Cassation. The Court has not yet scheduled the first hearing of Cassation. The other case had its last hearing on December 16, 2009, where the claimants requested the court to release CEMEX Egypt from the claim. On May 11, 2010, the court released CEMEX Egypt from the claim, and the case is now closed. These cases are the first of their kind in Egypt due to the recent enactment of the Law on Competition Protection and Prevention of Monopolistic Practices No. 3 in 2005. Even if we prevail in the ongoing case, these claims may have a material adverse impact if they were to become a precedent and may create a risk of similar claims in the future.

Antitrust Cases in Florida. In October 2009, CEMEX Corp. and other cement and concrete suppliers were named as defendants in several purported class action lawsuits alleging price-fixing in Florida. The purported class action lawsuits are of two distinct types: The first type was filed by entities purporting to have purchased cement or ready-mix concrete directly from one or more of the defendants. The second group of plaintiffs are entities purporting to have purchased cement or ready-mix concrete indirectly from one or more of the defendants. Underlying all proposed suits is the allegation that the defendants conspired to raise the price of cement and concrete and hinder competition in Florida. On January 7, 2010, both groups of plaintiffs independently filed consolidated amended complaints substituting CEMEX, Inc. and some of its subsidiaries for the original defendant, CEMEX Corp. CEMEX and the other defendants moved to dismiss the consolidated amended complaints. On October 12, 2010, the court granted in part the defendants' motion, dismissing from the case all claims relating to cement and reducing the applicable time period of the plaintiffs' claims. On October 29, 2010, the plaintiffs filed further amended complaints pursuant to the court's decision. On December 2, 2010, CEMEX moved to dismiss the amended complaint filed by the indirect purchaser plaintiffs based on lack of standing. CEMEX also answered the complaint filed by the direct purchaser plaintiffs. On January 4, 2011, both the direct and indirect purchaser plaintiffs filed further amended complaints, which CEMEX answered on January 18, 2011. In March 2011, the direct and indirect purchaser plaintiffs filed motions for certification under Federal Rule of Civil Procedure 54(b),

Table of Contents

seeking the entry of final judgment pursuant to the court's October 12, 2010 order so they may appeal the dismissals to the Court of Appeals for the 11th Circuit. The court denied those motions on April 15, 2011. CEMEX continues to believe that the lawsuits are without merit and intends to defend them vigorously.

On October 26, 2010, CEMEX, Inc. received an Antitrust Civil Investigative Demand from the Office of the Florida Attorney General, which seeks documents and information in connection with an antitrust investigation by the Florida Attorney General into the ready-mix concrete industry in Florida. CEMEX is working with the Office of the Florida Attorney General to comply with the civil investigative demand, and it is unclear at this stage whether any formal proceeding will be initiated by the Office of the Florida Attorney General.

Environmental Matters

We 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 increasingly 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 standards expose us to the risk of substantial environmental costs and liabilities, including liabilities associated with divested assets and past activities, even conducted by prior owners or operators and, in some jurisdictions, without regard to fault or the lawfulness of the original activity.

To prevent, control and remediate environmental problems and maintain compliance with regulatory requirements, we maintain an environmental policy designed to monitor and control environmental matters. Our environmental policy requires each subsidiary to respect local laws and meet our own internal standards to minimize the use of non-renewable resources and the generation of hazardous and other wastes. We use processes that are designed to reduce the impact of our operations on the environment throughout all the production stages in all our operations worldwide. We believe that we are in substantial compliance with all material environmental laws applicable to us.

We regularly incur capital expenditures that have an environmental component or that are impacted by environmental regulations. However, we do not keep separate accounts for such mixed capital and environmental expenditures. Environmental expenditures that extend the life, increase the capacity, improve the safety or efficiency of assets or are incurred to mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred. For the year ended December 31, 2007, our environmental capital expenditures were not material. For the year ended December 31, 2009 and 2010, our sustainability capital expenditures (including our environmental expenditures and investments in alternative fuels and cementitious materials) were approximately U.S.\$77 million and approximately U.S.\$93 million, respectively. However, our environmental expenditures may increase in the future.

The following is a discussion of environmental regulations and related matters in our major markets.

Mexico. We were one of the first industrial groups in Mexico to sign an agreement with the *Secretaría del Medio Ambiente y Recursos Naturales*, or SEMARNAT, the Mexican government's environmental ministry, to carry out voluntary environmental audits in our 15 Mexican cement plants under a government-run program. In 2001, the Mexican environmental protection agency in charge of the voluntary environmental auditing program, the *Procuraduría Federal de Protección al Ambiente*, or PROFEPA, which is part of SEMARNAT, completed the audit of our 15 cement plants and awarded all our plants a *Certificado de Industria Limpia*, or Clean Industry Certificate, certifying that our plants are in full compliance with environmental laws. The Clean Industry Certificates are strictly renewed every two years. As of the date of this annual report, our cement plants have Clean Industry Certificates or are in the process of renewing them. We expect renewal of all currently expired Clean Industry Certificates.

For over a decade, the technology for recycling used tires into an energy source has been employed in our Ensenada and Huichapan plants. By the end of 2006, all our cement plants in Mexico were using tires as an alternative fuel. Municipal collection centers in Tijuana, Mexicali, Ensenada, Mexico City, Reynosa, Nuevo Laredo and Guadalajara currently enable us to recycle an estimated 10,000 tons of tires per year. Overall, approximately 9.1% of the total fuel used in our 15 operating cement plants in Mexico during 2010 was comprised of alternative fuels.

Table of Contents

Between 1999 and April 30, 2011, our operations in Mexico have invested approximately U.S.\$54.93 million in the acquisition of environmental protection equipment and the implementation of the ISO 14001 environmental management standards of the International Organization for Standardization, or ISO. The audit to obtain the renewal of the ISO 14001 certification took place during February 2010. All our operating cement plants in Mexico have obtained the renewal of the ISO 14001 certification for environmental management systems.

United States. CEMEX, Inc. is subject to a wide range of U.S. Federal, state and local laws, regulations and ordinances dealing with the protection of human health and the environment. These laws are strictly enforced and can lead to significant monetary penalties for noncompliance. These laws regulate water discharges, noise, and air emissions, including dust, as well as the handling, use and disposal of hazardous and non-hazardous waste materials. These laws also create a shared liability by responsible parties for the cost of cleaning up or correcting releases to the environment of designated hazardous substances. We therefore may have to remove or mitigate the environmental effects of the disposal or release of these substances at CEMEX, Inc.'s various operating facilities or elsewhere. We believe that our current procedures and practices for handling and managing materials are generally consistent with the industry standards and legal and regulatory requirements, and that we take appropriate precautions to protect employees and others from harmful exposure to hazardous materials. See Item 3 Key Information Risk Factors Our operations are subject to environmental laws and regulations.

As of April 30, 2011, CEMEX, Inc. and its subsidiaries had accrued liabilities specifically relating to environmental matters in the aggregate amount of approximately U.S.\$27.6 million. The environmental matters relate to (i) the disposal of various materials, in accordance with past industry practice, which might be categorized as hazardous substances or wastes, and (ii) the cleanup of sites used or operated by CEMEX, Inc., including discontinued operations, regarding the disposal of hazardous substances or wastes, either individually or jointly with other parties. Most of the proceedings are in the preliminary stages, and a final resolution might take several years. For purposes of recording the provision, CEMEX, Inc. considers that it is probable that a liability has been incurred and the amount of the liability is reasonably estimable, whether or not claims have been asserted, and without giving effect to any possible future recoveries. Based on information developed to date, CEMEX, Inc. does not believe it will be required to spend significant sums on these matters, in excess of the amounts previously recorded. The ultimate cost that might be incurred to resolve these environmental issues cannot be assured until all environmental studies, investigations, remediation work, and negotiations with or litigation against potential sources of recovery have been completed.

In 2007, the EPA launched a CAA enforcement initiative against the U.S. cement industry. The primary goal of the initiative is to assess the industry's historic compliance with the CAA's New Source Review program and to reduce emissions from the industry through the installation of add-on controls. CEMEX has actively engaged with the EPA on its investigations, which involve multiple CEMEX facilities, and has entered into two settlements involving a total of \$3.4 million in civil penalties and a commitment to incur certain capital expenditures for pollution control equipment at its Victorville, California and Fairborn, Ohio plants. Although some of these proceedings are still in the initial stages, based on our past experience with such matters and currently available information, we believe, although we cannot assure you, that such cases will not have a material impact on our business or operations.

In 2002, CEMEX Construction Materials Florida, LLC (formerly Rinker Materials of Florida, Inc.) (CEMEX Florida), a subsidiary of CEMEX, Inc., was granted a federal quarry permit and was the beneficiary of another federal quarry permit for the Lake Belt area in South Florida. The permit held by CEMEX Florida covered CEMEX Florida's SCL and FEC quarries. CEMEX Florida's Kendall Krome quarry is operated under the permit of which it was a beneficiary. The FEC quarry is the largest of CEMEX Florida's quarries measured by volume of aggregates mined and sold. CEMEX Florida's Miami cement mill is located at the SCL quarry and is supplied by that quarry, while the FEC and Kendall Krome quarries have supplied aggregates to CEMEX and third party users. In response to litigation brought by environmental groups concerning the manner in which the federal quarry permits were granted, in January 2009, the U.S. District Court for the Southern District of Florida ordered the withdrawal of the federal quarry permits of CEMEX Florida's SCL, FEC and Kendall Krome quarries. The judge ruled that there were deficiencies in the procedures and analysis undertaken by the Army Corps of Engineers, or the Corps, in connection with the issuance of the permits. Upon appeal, on January 21, 2010, the Eleventh Circuit Court of Appeals affirmed the district court's ruling withdrawing the federal quarry permits of the three CEMEX Florida quarries as well as other third-party federal quarry permits subject to the litigation. On January 29, 2010, the Corps

Table of Contents

completed a multi-year review commenced as a result of the above-mentioned litigation and issued a Record of Decision (ROD) supporting the issuance of new federal quarry permits for the FEC and SCL quarries. Excavation of new aggregates was stopped at the FEC and SCL quarries from January 20, 2009 until new permits were issued. The FEC permit was issued on February 3, 2010, and the SCL permit on February 18, 2010. The ROD also indicated that a number of potential environmental impacts must be addressed at the wetlands located at the Kendall Krome site before a new federal quarry permit may be issued for mining at that quarry. It is unclear how long it will take to fully address the Corps concerns regarding mining in the Kendall Krome wetlands. While no new aggregates will be quarried from wetland areas at Kendall Krome pending the resolution of the potential environmental issues, the FEC and SCL quarries will continue to operate. If CEMEX Florida were unable to maintain the new Lake Belt permits, CEMEX Florida would need to source aggregates, to the extent available, from other locations in Florida or import aggregates. This would likely affect operating income from our Florida operations. Any adverse impacts on the Florida economy arising from the cessation or significant restriction of quarrying operations in the Lake Belt area could also have a material adverse effect on our financial results.

Europe. In Great Britain, future expenditure on closed and current landfill sites has been assessed and quantified over the period in which the sites are considered to have the potential to cause environmental harm, generally consistent with the regulatory view of up to 60 years from the date of closure. The assessed expenditure relates to the costs of monitoring the sites and the installation, repair and renewal of environmental infrastructure. The costs have been quantified on a net present value basis in the amount of approximately £130.2 million (approximately U.S.\$216.6 million as of April 30, 2011, based on an exchange rate of £0.6010 to U.S.\$1.00) as of December 31, 2010, and we made an accounting provision for this amount at December 31, 2010.

In 2003, the European Union adopted a directive in order to help it fulfill its commitments under the Kyoto Protocol on climate change. This directive defines and establishes a GHG emissions allowance trading scheme within the European Union, i.e., it caps carbon dioxide emissions from installations involved in energy activities, the production and processing of ferrous metals, the cement and lime industries and the pulp, paper and board production businesses. Installations in these sectors have to monitor their emissions of CO₂ and surrender every year allowances (the right to emit one metric ton of CO₂) that cover their emissions. Allowances are issued by member states according to their National Allocation Plans, or NAPs. The NAPs not only set the total number of allowances for a given phase, but also define how they are allocated among participating installations. So far most allowances have been allocated for free, but some member states sell up to 10% of their total allowance volume in auctions or on exchanges. Allowances are tradable so as to enable companies that manage to reduce their emissions to sell their excess allowances to companies that exceed their allocated quota. Failure to meet the emissions caps can subject a company to heavy penalties.

Companies can also use credits issued under the flexible mechanisms of the Kyoto protocol to fulfill their European obligations. Credits for emission reduction projects obtained under these mechanisms are recognized, up to specified levels, under the ETS as allowances substitutes. The main source of those credits are projects registered under the so-called Clean Development Mechanism (CDM), but Joint Implementation (JI) credits are also eligible; the difference between these credits is dependent on which country is hosting the project: CDM projects are implemented in developing countries, JI projects in developed ones.

As required by the directive, each of the member states established a NAP that defines the free allocation to each industrial facility for Phase II (2008 through 2012). Although the overall yearly volume of allowances in Phase II is significantly lower than that during Phase I of the ETS (2005-2007), we do not see any significant risk that CEMEX will be short of allowances in Phase II. This assessment stems from various factors, notably a reasonable allocation policy in some countries, our efforts to reduce emissions per unit of clinker produced, reduced demand for our products due to the current economic circumstances, and the use of several risk-free financial instruments. We expect to be a net seller of allowances over Phase II. In addition, we are actively pursuing a strategy aimed at generating additional emission credits through the implementation of CDM projects in Latin America, North Africa and Southeast Asia. Despite having already sold a substantial amount of allowances for Phase II, we believe the overall volume of transactions is justified by our most conservative emissions forecast, meaning that the risk of having to buy allowances in the market in the remainder of Phase II is very low. As of April 30, 2011, the price of carbon dioxide allowances for Phase II on the spot market was approximately 16.75 per ton (approximately U.S.\$24.83 as of April 30, 2011, based on an exchange rate of 0.6745 to U.S.\$1.00). We are taking appropriate measures to minimize our exposure to this market while assuring the supply of our products to our customers.

Table of Contents

The Spanish NAP has been approved by the Spanish Government, reflecting the conditions that were set forth by the European Commission. The allocations made to our installations allow us to foresee a reasonable availability of allowances; nevertheless, there remains the uncertainty regarding the allocations that, against the reserve for new entrants, we intend to request for our new cement plant in Andorra (Teruel), whose construction has been postponed.

In the case of the U.K., Germany, Poland and Latvia, NAPs have been approved by the European Commission, and allowances have been issued to our existing installations.

On January 9, 2009, we received a positive answer from U.K. authorities to a request we filed in late 2008 to retain the allocation of allowances for our Barrington plant after this facility was closed permanently in November 2008 and its production moved to our South Ferriby plant.

On May 18, 2009, the Environment Ministry of the Republic of Latvia published the amount of allocation of EUAs from the New Entrants Reserve to our Broceni plant expansion project.

On May 29, 2007, the Polish government filed an appeal before the Court of First Instance in Luxembourg regarding the European Commission's rejection of the initial version of the Polish NAP. The Polish government has issued allowances at the level already accepted by the European Commission, which is lower than the Polish government proposal by 76 million EUA per year. However, on September 23, 2009, the same Court annulled the European Commission's decision that reduced the number of EUAs in the Polish NAP. The Court found that such reduction was not justified, arguing that the European Commission should not ignore the historical and forecasted data that Poland used to establish the basis of the NAP allocation. On March 19, 2010, the European Commission and the Government of Poland reached an agreement to maintain the originally approved cap for 2010 through 2012 (the remainder of the EU ETS Phase II period). On December 4, 2009, the European Commission appealed the Court of First Instance's decision to the European Supreme Court, as its resolution could impact similar cases against the European Commission raised by other Eastern European member states.

Croatia has implemented an emissions trading scheme designed to be compatible with the one in force in the European Union, although no emission allowances can be exchanged between the two schemes. The first period of compliance is 2010-2012, and the final NAP was published in July 2009. We do not expect the commencement of the Croatian emissions trading scheme to substantially affect our overall position, particularly as the allocation to CEMEX Croatia is larger than previously anticipated.

In December 2008, the European Commission, Council and Parliament reached an agreement on a new Directive that will govern emissions trading after 2012. One of the main features of the Directive is that a European-wide benchmark will be used to allocate free allowances among installations in the cement sector, according to their historical clinker production.

On April 27, 2011, the European Commission adopted a Decision that states the rules, including the benchmarks of greenhouse gas emissions performance, to be used by the Member States in calculating the number of allowances to be annually allocated for free to industrial sectors (such as cement) that are deemed to be exposed to the risk of carbon leakage. Based on the criteria contained in the adopted Decision we expect that the aggregate amount of allowances that will be annually allocated for free to CEMEX in Phase III of the ETS (2013 - 2020) will be sufficient to operate.

Tariffs

The following is a discussion of tariffs on imported cement in our major markets.

Mexico. Mexican tariffs on imported goods vary by product and have historically been as high as 100%. In recent years, import tariffs have been substantially reduced and currently range from none at all for raw materials to over 20% for finished products, with an average weighted tariff of approximately 3.7%. As a result of the North American Free Trade Agreement, or NAFTA, as of January 1, 1998, the tariff on cement imported into Mexico from the United States or Canada was eliminated. However, a tariff in the range of 7% ad valorem will continue to be imposed on cement produced in all other countries unless tariff reduction treaties are implemented or the Mexican government unilaterally reduces that tariff. While the reduction in tariffs could lead to increased competition from

Table of Contents

imports in our Mexican markets, we anticipate that the cost of transportation from most producers outside Mexico to central Mexico, the region of highest demand, will remain a barrier to entry.

United States. There are no tariffs on cement imported into the United States from any country, except Cuba and North Korea.

Europe. Member countries of the European Union are subject to the uniform European Union commercial policy. There is no tariff on cement imported into a country that is a member of the European Union from another member country or on cement exported from a European Union country to another member country. For cement imported into a member country from a non-member country, the tariff is currently 1.7% of the customs value. Any country with preferential treatment with the European Union is subject to the same tariffs as members of the European Union. Most Eastern European producers exporting cement into European Union countries currently pay no tariff.

Tax Matters

Mexico. Pursuant to amendments to the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*), which became effective on January 1, 2005, Mexican companies with direct or indirect investments in entities incorporated in foreign countries whose income tax liability in those countries is less than 75% of the income tax that would be payable in Mexico will be required to pay taxes in Mexico on passive income, such as dividends, royalties, interest, capital gains and rental fees obtained by such foreign entities, except for income derived from entrepreneurial activities in such countries, which is not subject to tax under these amendments. We filed two motions in the Mexican federal courts challenging the constitutionality of the amendments. Although we obtained a favorable ruling from the lower Mexican federal court, on September 9, 2008, the Mexican Supreme Court on appeal ruled against our constitutional challenge of the controlled foreign corporation tax rules in effect in Mexico for tax years 2005 to 2007. Since the Mexican Supreme Court's decision does not pertain to an amount of taxes due or other tax obligations, we will self-assess any taxes due through the submission of amended tax returns. We have not yet determined the amount of tax or the periods affected, but the amount could be material. If the Mexican tax authorities do not agree with our self-assessment of the taxes due for past periods, they may assess additional amounts of taxes past due, which could be material and may impact our cash flows.

The Mexican Congress approved several amendments to the Mexican Asset Tax Law (*Ley del Impuesto al Activo*) that came into effect on January 1, 2007. As a result of such amendments, all Mexican corporations, including us, were no longer allowed to deduct lia