

## Risk Factors

*Many factors could have an adverse 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 United States, 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 experiencing further economic declines. The construction downturn has been more severe in countries that experienced the largest housing market expansion during the years of high credit availability (such as the United States, Spain, Ireland and the United Kingdom). 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 United States and Mexico, 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 United States, the recession was longer and deeper than the previous two recessions during the 1990s and early 2000s, and the economic uncertainty continues despite some recent positive signals. In 2011, housing starts, the primary driver of cement demand in the residential sector, reached a total of 606,900, according to the U.S. Census Bureau, which was 3.4% higher than the 2010 total of 586,900. 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 provided for approximately U.S.\$85 billion for infrastructure spending. However, spending under this program has not been 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. In 2011, contract awards increased 6% compared to 2010, according to FW Dodge; our U.S. operations' domestic cement sales volumes, however, decreased 2% in 2011 compared to 2010.

The Mexican economy was also significantly and adversely affected by the financial crisis. Mexico's dependence on the U.S. economy remains very important, and therefore, any downside to the economic outlook in the United States may hinder economic growth in Mexico. The crisis also adversely affected local credit markets resulting in an increased cost of capital that had a negative impact on companies' ability to meet their financial needs. During 2008, the Mexican Peso depreciated by 20.5% against the Dollar. During 2009 and 2010, the Mexican Peso had a mild recovery, appreciating by approximately 5% and 6%, respectively, against the Dollar. During 2011, the Mexican Peso depreciated by approximately 11.5% 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 negatively affect the construction sector and demand for our products.

Many Western European countries, including the United Kingdom, 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 United Kingdom. According to OFICEMEN, the Spanish cement trade organization, domestic cement demand in Spain declined 17% in 2011 compared to 2010. Our domestic cement and ready-mix concrete sales volumes in Spain decreased approximately 19% and 21%, respectively, in 2011 compared to 2010. In the construction sector, the residential adjustment could last longer than anticipated, while non-residential construction could experience a sharper decline than expected. Furthermore, the austerity measures being implemented by some European countries could result in further declines in construction activity and demand for our products. In addition, a default by Greece, Italy or Portugal on their debt or their exit from the Euro could have a negative impact on other countries in Europe in which we operate, which could adversely affect demand for our products and, as a consequence, adversely affect our business and results of operations. 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, Italy and several other European countries have resulted in increased volatility and risk perception in the financial markets.

The Central and South American economies are also exposed to the risk of a decrease in overall economic activity. A new financial downturn, lower exports to the United States 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 consumption and/or prices for our products, thereby adversely affecting our business and results of operations. 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 prices and demand for our products, which could adversely affect our business and results of operations.

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, or 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 political instability in Egypt in 2010 and 2011, which resulted in former President Hosni Mubarak resigning from his post on February 11, 2011, is continuing and has caused a reduction in overall economic activity in Egypt, which is negatively 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.

***Concerns regarding the European debt crisis and market perception concerning the instability of the Euro could affect our operating profits.***

We conduct business in many countries that use the Euro as their currency, or the Eurozone. Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries.

These concerns could lead to the reintroduction of individual currencies in one or more Eurozone countries, or in more extreme circumstances, the possible dissolution of the Euro currency entirely. Should the Euro

dissolve entirely, the legal and contractual consequences for holders of Euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of our Euro-denominated assets and obligations. In addition, concerns over the effect of this financial crisis on financial institutions in Europe and globally could have an adverse effect on the global capital markets, and more specifically on our ability, and the ability of our customers, suppliers and lenders to finance their respective businesses, to access liquidity at acceptable financing costs, if at all, and on the demand for our products.

***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 requires us 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 period of four consecutive fiscal quarters (measured semi-annually) up to and including the period ending December 31, 2012 and (ii) 2.00:1 for the remaining periods of four consecutive fiscal quarters (measured semi-annually) to December 31, 2013. In addition, the Financing Agreement allows us a maximum consolidated leverage ratio of total debt (including the Debentures) to EBITDA for each period of four consecutive fiscal quarters (measured semi-annually) not to exceed 7.00:1 for the period that ended December 31, 2011, 6.5:1 for the period ending June 30, 2012, 5.75:1 for the period ending December 31, 2012, 5.00:1 for the period ending June 30, 2013 and 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. For the period ended December 31, 2011, we reported to the lenders under the Financing Agreement a consolidated coverage ratio of 1.88:1 and a consolidated leverage ratio of 6.64:1, each as calculated pursuant to the Financing Agreement. Pursuant to the Financing Agreement, we are prohibited from making aggregate annual capital expenditures in excess of U.S.\$800 million.

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 Rating Services, Moody's Investors Service, Inc. and Fitch Ratings; (ii) our consolidated leverage ratio for the two most recently completed semi-annual testing periods is less than or equal to 3.5:1; and (iii) 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 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 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, we cannot assure you that we will be able to meet the conditions for these restrictions to cease to apply prior to the final maturity date under the Financing Agreement.

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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, S.A.B. de C.V., 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, S.A.B. de C.V.; (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, S.A.B. de C.V. 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.

We cannot assure you 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, other financing arrangements and the Senior Secured Notes.***

As part of the Financing Agreement, we pledged or transferred to trustees under security trusts, as collateral, the Collateral, and all proceeds of the 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, 2011, after giving *pro forma* effect to the 2012 Exchange Offers and the 2012 CB Payments, the Collateral and all proceeds of such Collateral secured (i) Ps196,916 million (U.S.\$14,106 million) aggregate principal amount of debt under the Financing Agreement and other financing arrangements, and (ii) Ps9,812 million (U.S.\$703 million) aggregate principal amount of notes issued in connection with our Debentures, in each case, including any such obligations held by us. These subsidiaries collectively own, directly or indirectly, substantially all of our operations worldwide. Provided that no default has occurred which is continuing under the Financing Agreement, the Collateral will be released automatically if we meet specified debt reduction and financial covenant targets.

***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. If we are unable to secure refinancing on favorable terms or at all, we may not be able to comply with our upcoming payment obligations. Our ability to comply with our debt maturities and financial covenants 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.***

As of December 31, 2011, after giving *pro forma* effect to the 2012 Exchange Offers and the 2012 CB Payments, our total debt plus other financial obligations was Ps249,841 million (U.S.\$17,897 million), not including approximately Ps6,785 million (U.S.\$486 million) of notes issued in connection with the Debentures, but including our debt subject to the Financing Agreement, which was approximately Ps100,442 million

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(U.S.\$7,195 million). Of such total debt plus other financial obligations amount, approximately Ps8,280 million (U.S.\$593 million) is maturing during 2012; Ps8,140 million (U.S.\$583 million) is maturing during 2013; Ps103,357 million (U.S.\$7,404 million) is maturing during 2014 (including the last principal payment under the Financing Agreement of approximately U.S.\$6,707 million due on February 14, 2014); Ps22,192 million (U.S.\$1,590 million) is maturing during 2015; Ps35,803 million (U.S.\$2,565 million) is maturing during 2016; and Ps72,065 million (U.S.\$5,162 million) is maturing after 2016.

If we are unable to comply with our upcoming principal maturities under our indebtedness (including the Financing Agreement), or refinance or extend maturities of our indebtedness, our debt could be accelerated. Acceleration of our debt would have a material adverse effect on our business and financial condition. The failure to achieve a refinancing or extension of maturity of the Financing Agreement prior to its maturity in February 2014 would have a material adverse effect on our liquidity and on our ability to meet our other obligations.

Our ability to comply with our financial covenants and 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, including industry peers. In addition, high levels of consolidation in our industry in some jurisdictions may further limit potential assets sales to interested parties due to antitrust considerations. If we are unable to complete asset divestitures and our cash flow or capital resources prove inadequate, we could face liquidity problems and may not be able to comply with financial covenants and payment obligations under our indebtedness.

In addition, our levels of debt, contractual restrictions, and our need to deleverage may limit our planning flexibility and our ability to react to changes in our business and the industry, and may place us at a competitive disadvantage compared to competitors who may have 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.

***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.

As of December 31, 2011, we had U.S.\$637 million funded under our securitization programs in Spain, the United States, France (which incorporated the sale of trade receivables in the United Kingdom) and Mexico. We cannot assure you 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

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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. 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, we cannot assure you that we will be able to successfully raise additional debt or equity capital on terms that are favorable to us or at all.

The Financing Agreement restricts us from incurring additional debt, subject to a number of exceptions. The limitation on incurrence of 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 as permitted under the Financing Agreement.

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

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.***

As of December 31, 2011, after giving *pro forma* effect to the 2012 Exchange Offers, we had issued a total of U.S.\$6,096 million and €644 million aggregate principal amount of Senior Secured Notes under the indentures governing such notes, including those held by us. The indentures governing the Senior Secured Notes and the other instruments governing our consolidated indebtedness impose significant operating and financial restrictions on us. These restrictions will limit our ability, among other things, to: (i) incur debt; (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, as well as certain other existing debt obligations, as a result of the cross-default provisions contained in the instruments governing such debt obligations. In the event of a default under the indentures governing the Senior Secured Notes, holders of the 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 cannot assure you 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 cannot assure you that our assets will be sufficient to repay in full those amounts, 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.

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

CEMEX, S.A.B. de C.V. is a holding company with no significant assets other than the stock of its direct and indirect subsidiaries and its holdings of cash and marketable securities. In general, CEMEX, S.A.B. de C.V.'s ability to repay debt and pay dividends depends on the continued transfer to it of dividends and other income from its wholly-owned and non-wholly-owned subsidiaries. The ability of CEMEX, S.A.B. de C.V.'s subsidiaries to pay dividends and make other transfers to it is limited by various regulatory, contractual and legal constraints. The Financing Agreement restricts CEMEX, S.A.B. de C.V.'s ability to declare or pay cash dividends. In addition, the indentures governing the Senior Secured Notes also limit CEMEX, S.A.B. de C.V.'s ability to pay dividends.

The ability of CEMEX, S.A.B. de C.V.'s subsidiaries to pay dividends, and make loans and other transfers to it is generally subject to various regulatory, legal and economic limitations. Depending on the jurisdiction of organization of the relevant subsidiary, such limitations may include solvency and legal reserve requirements, dividend payment restrictions based on interim financial results or minimum net worth and withholding taxes on loan interest payments. For example, our subsidiaries in Mexico are subject to Mexican legal requirements, which provide that a corporation may declare and pay dividends only out of the profits reflected in the year-end financial statements that are 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.

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

CEMEX, S.A.B. de C.V. currently does not expect that existing regulatory, legal and economic restrictions on its subsidiaries' ability to pay dividends and make loans and other transfers to us will negatively affect its



ability to meet its cash obligations. However, the jurisdictions of organization of CEMEX, S.A.B. de C.V.'s subsidiaries may impose additional and more restrictive regulatory, legal and/or economic limitations. In addition, CEMEX, S.A.B. de C.V.'s subsidiaries may not be able to generate sufficient income to pay dividends or make loans or other transfers to it in the future. Any material additional future limitations on our subsidiaries could adversely affect CEMEX, S.A.B. de C.V.'s ability to service our debt and meet its other cash obligations.

***We are subject to restrictions 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 debt and other financial obligations denominated in U.S. Dollars with revenues generated in Pesos or other currencies, as we do not generate sufficient revenue in Dollars from our operations to service all our debt and other financial obligations denominated in U.S. Dollars. 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 total debt plus other financial obligations is denominated in Dollars. As of December 31, 2011, after giving *pro forma* effect to the 2012 Exchange Offers and the 2012 CB Payments, our debt and other financial obligations denominated in U.S. Dollars represented approximately 79% of our total debt plus other financial obligations, which does not include approximately U.S.\$397 million of U.S. Dollar-denominated Debentures. Our U.S. Dollar-denominated debt must be serviced with funds generated by our subsidiaries. Although the acquisition of Rinker Group Limited, or Rinker, in 2007 increased our U.S. assets substantially, we nonetheless continue to rely on our non-U.S. assets to generate revenues to service our U.S. Dollar-denominated debt. Consequently, we have to use revenues generated in Pesos, Euros or other currencies to service our U.S. 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 2011, Mexico, the United Kingdom, Germany, France, the rest of Northern Europe region (which includes our subsidiaries in Ireland, the Czech Republic, Austria, Poland, Hungary and Latvia, and which we refer to as our Rest of Northern Europe region), Spain, Egypt, the rest of the Mediterranean region (which includes our subsidiaries in Croatia, UAE and Israel, and which we refer to as our Rest of the Mediterranean region) and Colombia, our main non-U.S. Dollar-denominated operations, together generated approximately 67% of our total net sales in Peso terms (approximately 22%, 8%, 8%, 7%, 7%, 4%, 3%, 4% and 4%, respectively) before eliminations resulting from consolidation. In 2011, approximately 16% of our net sales in Peso terms were generated in the United States. During 2011, the Peso depreciated approximately 11.5% against the Dollar, the Euro depreciated approximately 2.8% against the Dollar and the Pound remained almost flat against the Dollar. If we enter into 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, 2011, after giving *pro forma* effect to the 2012 Exchange Offers and the 2012 CB Payments, our debt and other financial obligations denominated in Euros represented approximately 19% of our total debt plus other financial obligations, which does not include the approximately €70 million aggregate principal amount of Euro-denominated Debentures.



***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, we cannot assure you that our use of such instruments will allow us to achieve these objectives due to the inherent risks in any derivatives transaction.

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, 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, 2011, our derivative financial instruments that had a potential impact on our total financial items consisted of equity forward contracts on third party shares and equity derivatives on shares of CEMEX, S.A.B. de C.V. (including our capped call transactions in connection with the 2010 Optional Convertible Subordinated Notes and the 2011 Optional Convertible Subordinated Notes, as well as the conversion options embedded in these notes), a forward instrument over the Total Return Index of the Mexican Stock Exchange and interest rate derivatives related to energy projects.

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 loss and our related ratios. For the years ended December 31, 2010 and 2011, the recognition of changes in the fair value of derivative financial instruments during the applicable period represented a net gain of approximately Ps329 million (U.S.\$26 million) and a net loss of approximately Ps905 million (U.S.\$72 million), respectively. 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 notes 2L, 15B, 15D and 15 E to our consolidated financial statements included elsewhere in this annual report.

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

We require various approvals, licenses, permits and certificates in the conduct of our business. We cannot assure you that we will not encounter significant problems in obtaining new or renewing existing licenses, permits and certificates required in the conduct of our business, or that we will continue to satisfy the conditions to which such licenses, permits, certificates are granted. There may also be delays on the part of regulatory and administrative bodies in reviewing our applications and granting approvals. If we fail to obtain and/or maintain the necessary permits, licenses and certificates required for the conduct of our business, we may be required to incur substantial costs or temporarily suspend the operation of one or more of our production facilities, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***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. 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.

***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 Iran, Iraq 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 will 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, additional impairment charges may be recognized.***

As of December 31, 2011, approximately 35% of our total assets were intangible assets, of which approximately 81% (Ps152,674 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 IFRS, under which goodwill and other intangible assets of indefinite life are not amortized and are tested for impairment when impairment indicators exist or at least once a year during the fourth quarter of each year, by determining the recoverable amount of the reporting units to which those intangible assets relate (a reporting unit comprises multiple cash generating units) which consists of the higher of the reporting units' fair value, less cost to sell such reporting units, and the reporting units' value in use, represented by the discounted amount of estimated future cash flows expected to be generated by the reporting units. An impairment loss is recognized under IFRS if the recoverable amount is lower than the net book value of the reporting unit. We determine the discounted amount of estimated future cash flows over periods of 5 to 10 years, depending on each specific country's economic cycle. If the value in use of a reporting unit is lower than its corresponding carrying amount, we determine its corresponding fair value using methodologies generally accepted in the markets to determine the value of entities, such as multiples of Operating EBITDA and/or by reference to other market transactions. 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 pre-tax discount rates, which are applied to pre-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 14B to our consolidated financial statements included elsewhere in this annual report.

For the year ended December 31, 2010, we recognized a goodwill impairment loss under IFRS of approximately Ps189 million (U.S.\$15 million) associated with our reporting unit in Puerto Rico, which we

acquired in July 2002. For the year ended December 31, 2011, we recognized a goodwill impairment loss under IFRS of approximately Ps145 million (U.S.\$12 million) associated with our reporting unit in Latvia, which we acquired in March 2005. See notes 14 and 14B to our consolidated financial statements included elsewhere in this annual report.

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 IFRS. Such an impairment test could result in additional impairment charges which could be material to our financial statements.

***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. 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 ("Portland Cement NESHAP") for hazardous air pollutants under the federal Clean Air Act ("CAA"). 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 (the "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. In the administrative proceeding, the EPA agreed to reconsider certain aspects of both the Portland Cement NESHAP and NSPS rules. It did not, however, delay implementation of the rules, and it refused to reconsider certain aspects of the rules considered important to us. In the judicial proceeding, the D.C. Circuit Court of Appeals remanded the Portland Cement NESHAP and asked the EPA to recompute the standards; however, the court declined to stay the rule pending reconsideration and therefore the compliance date remains September 2013. Industry groups are currently negotiating with the EPA to delay the compliance date but we cannot assure you that it will be delayed. The court also rejected all challenges to the NSPS rule. If the rules take effect as currently constituted, or if the remand results in the EPA issuing a stricter Portland Cement NESHAP rule, such developments 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 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. 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. EPA re-proposed the CISWI rule in December of 2011. The re-proposed rule is less stringent in some respects than the previous final rule of March 2011; however, the proposed standards remain challenging. The EPA sought comments on the re-proposed rule, which were due February 21, 2012. The Portland Cement Association provided industry comments to the CISWI proposal. The pending

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administrative and judicial proceedings will be held in abeyance while EPA is re-considering the rule. If the rules take effect as proposed, they could have a material impact on our business or results of operations.

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. 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 we cannot assure you, that such matters will not have a material impact on us. The EPA has announced that it plans to finalize the rule by late 2012.

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 ("CO<sub>2</sub>") 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 this rule to have a material economic impact on us.

In 2010, the 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 ("CO<sub>2</sub>e"). Therefore, new cement plants and existing plants undergoing modification which are major sources for non-GHG pollutants regulated under the CAA would need to acquire a PSD permit for construction or modification activities that increase CO<sub>2</sub>e 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 CO<sub>2</sub>e or any existing source that emits 100,000 tons/year of CO<sub>2</sub>e and undergoes modifications that would emit 75,000 tons/year of CO<sub>2</sub>e, must comply with PSD obligations. Although this has been challenged in litigation, it is now in effect and CEMEX USA facilities are complying with these requirements. Complying with these PSD permitting requirements can involve significant costs and delay. The costs of future GHG-related regulation of our facilities through these efforts or others could have had 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. However, Republicans took control of the House of Representatives in the November 2010 elections, and it is highly unlikely that legislation addressing GHG emissions will be passed by Congress as long as Republicans remain in control of the House of Representatives. On the contrary, the House of Representatives has passed a numbers of measures that would invalidate EPA's

authority to establish GHG emissions for stationary sources. Nonetheless, any legislation imposing 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 and places responsibility with the California Air Resources Board ("CARB") to develop the implementing regulations which, among other things, requires the minimization of leakage to the extent feasible. In October 2011, CARB approved a cap-and-trade program that will go into effect in January 2013 for the utility and industrial sectors, which includes the cement sector. Based on the current regulatory framework, we expect that CARB will distribute free emission allowances to industrial facilities under an output based benchmark system based on each industrial sector's leakage risk. Emission allowances may be used to satisfy a covered entity's compliance obligation under the cap. The cement sector was classified in the high leakage risk category which uses a 100% leakage assistance factor over the 2013 through 2020 period. Thus, based on the current regulatory framework, we expect to be able to satisfy a substantial portion of our compliance obligation under the cap using free allowances over the years 2013 through 2020, which could reduce the cost of complying with the cap. The program is designed to incentivize industrial facilities to improve energy efficiency and substitute lower carbon fuels for fossil fuels and the company is actively pursuing these opportunities as part of its alternative fuels program. However, even with the expected distribution of free allowances to the cement industry and advancements in energy efficiency and fuel substitution, we cannot provide assurance that the overall costs of complying with a cap-and-trade program 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 exceed our emissions, assuming that the cement industry continues to be considered a trade exposed industry. However, a review of the qualifying criteria for being considered as a trade exposed industry is to take place in 2014 and it is possible that the cement industry could lose that status. As a result of continuing uncertainty regarding final allowances, 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, who are due to become members of the European Union on July 1, 2013 after which their scheme will in due course be incorporated into that of the EU ETS.

Under the ETS, we seek to reduce the impact of any excess emissions by either reducing the level of CO<sub>2</sub> 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 multilateral instruments. A Conference of Parties was held in November-December 2011 in Durban, South Africa, extending the Kyoto Protocol for five more years (until 2017). The Durban package states that a new international agreement with legal force, that would include emission reduction targets for developing countries, must be agreed by 2015 and implemented by 2020.

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.

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.

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, we cannot assure you that these requirements will not change and that compliance will not adversely affect our operations in the future. Furthermore, we cannot provide assurance that existing or future circumstances or developments with respect to contamination will not require us to make significant remediation or restoration expenditures. See "Item 4—Information on the Company—Regulatory Matters and Legal Proceedings—Environmental Matters."

***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

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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 acquisition of RMC in 2005, our geographic diversity significantly increased. As of December 31, 2011, we had operations in Mexico, the United States, the United Kingdom, Germany, France, Rest of Northern Europe (which includes our subsidiaries in Ireland, the Czech Republic, Austria, Poland, Hungary and Latvia, as well as trading activities in Scandinavia and Finland), Egypt, Spain, Rest of the Mediterranean (which includes our subsidiaries in Croatia, the UAE and Israel), Colombia and Rest of South America and the Caribbean (which includes our subsidiaries in Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Guatemala, Argentina and other assets in the Caribbean region), the Philippines and Rest of Asia (which includes our subsidiaries in Thailand, Bangladesh, China and Malaysia).

For a geographic breakdown of our net sales for the year ended December 31, 2011, see "Item 4—Information on the Company—Geographic Breakdown of Net Sales for the Year Ended December 31, 2011."

Our operations in the South America and the Caribbean region 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. 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 Egypt, the UAE and Israel have experienced instability as a result of, among other things, civil unrest, extremism and the deterioration of general diplomatic relations in the region. We cannot assure you 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 and ongoing threats of future terrorist attacks in countries in which we maintain operations. We cannot assure you that there will not be other attacks or threats that will lead to an economic contraction or erection of material barriers to trade in any of our markets. An economic contraction in any of our major markets could affect domestic demand for 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.

***We are dependent on information technology and our systems and infrastructure face certain risks, including cybersecurity risks.***

We rely on a variety of information technology and automated operating systems to manage or support our operations. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations, and could impose substantial demands on management time. Our systems, and those of third party providers, may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access and cyber attacks. Although we take steps to secure our systems and electronic information, these security measures may not be adequate. Any significant disruption to our systems could adversely affect our business and operating results.

***The Mexican tax consolidation regime may have an adverse effect on our 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 requires 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.

For the 2010 fiscal year, CEMEX was required to pay (at the new, 30% tax rate) 25% of the Additional Consolidation Taxes for the period between 1999 and 2004, with the remaining 75% payable as follows: 25% for 2011, 20% for 2012, 15% for 2013 and 15% for 2014. Additional Consolidation Taxes arising after 2004 are 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%).

On June 30, 2010, CEMEX paid approximately Ps325 million (approximately U.S.\$23 million as of December 31, 2011, based on an exchange rate of Ps13.96 to U.S.\$1.00) of Additional Consolidation Taxes. This first payment represented 25% of the Additional Consolidation Taxes for the period between 1999 and 2004. On March 31, 2011, CEMEX paid approximately Ps506 million (approximately U.S.\$36 million as of December 31, 2011, based on an exchange rate of Ps13.96 to U.S.\$1.00). This amount covered the second payment, which together with the first payment represented 50% of the Additional Consolidation Taxes for the period between 1999 and 2004, and also included the first payment of 25% of the Additional Consolidation Taxes corresponding to 2005. As of December 31, 2011, our estimated payment schedule of Additional Consolidation Taxes was as follows: approximately Ps698 million in 2012 which was paid on March 30, 2012, approximately Ps693 million in 2013, approximately Ps1.9 billion in 2014 and approximately Ps8.9 billion in 2015 and thereafter. As of December 31, 2011, we had paid an aggregate amount of approximately Ps831 million (U.S.\$59.5 million) of Additional Consolidation Taxes. See "Item 4—Information on the Company—Regulatory Matters and Legal Proceedings—Tax Matters" and notes 20 and 18D to our consolidated financial statements included elsewhere in this annual report.

On February 15, 2010, we filed a constitutional challenge (*juicio de amparo*) against the January 1, 2010 tax reform described above. However, we cannot assure you that we will prevail in this constitutional challenge. On June 3, 2011 we were notified of a favorable verdict at the first stage of the trial; the Mexican tax authorities filed an appeal (*recurso de revisión*) before the Mexican Supreme Court, which is pending.

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

Under the terms of the ADSs and CEMEX, S.A.B. de C.V.'s by-laws, a holder of an ADS has the right to instruct the ADS depositary to exercise voting rights only with respect to Series B shares represented by the CPOs deposited with the depositary, but not with respect to the Series A shares represented by the CPOs deposited with the depositary. ADS holders will not be able to directly exercise their right to vote unless they withdraw the CPOs underlying their ADSs (and, in the case of non-Mexican holders, even if they do so, they may not vote the Series A shares represented by the CPOs) and may not receive voting materials in time to ensure that they are able to instruct the depositary to vote the CPOs underlying their ADSs or receive sufficient notice of a shareholders' meeting to permit them to withdraw their CPOs to allow them to cast their vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send out voting instructions on time or carry them out in the manner an ADS holder has instructed. As a result, ADS holders may not be able to exercise their right to vote and they may lack recourse if the CPOs underlying their ADSs are not voted as they requested. In addition, ADS holders are not entitled to attend shareholders' meetings. ADS holders will also not be permitted to vote the CPOs underlying the ADSs directly at a shareholders' meeting or to appoint a proxy to do so without withdrawing the CPOs. If the ADS depositary does not receive voting instructions from a holder of ADSs in a timely manner such holder will nevertheless be treated as having instructed the ADS depositary to give a proxy to a person we designate to vote the B shares underlying the CPOs represented by the ADSs in his/her discretion. The ADS depositary or the custodian for the CPOs on deposit may represent the

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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 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.

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

Non-Mexican investors in CEMEX, S.A.B. de C.V.'s CPOs or ADSs may not directly hold the underlying Series A shares, but may hold them indirectly through CEMEX, S.A.B. de C.V.'s CPO trust. Upon the early termination or expiration of the 30-year term of CEMEX, S.A.B. de C.V.'s CPO trust, the underlying Series A shares of CEMEX, S.A.B. de C.V.'s 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.

***Preemptive rights may be unavailable to ADS holders.***

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

## Mexican Peso Exchange Rates

Mexico has had no exchange control system in place since the dual exchange control system was abolished in November 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 depreciated against the Dollar by approximately 1% and 20.5% in 2007 and 2008, respectively, appreciated against the Dollar by approximately 5% and 6% in 2009 and 2010, respectively, and depreciated against the Dollar by approximately 11.5% in 2011. 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
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
2011	13.96	12.45	14.21	11.50	13.95	12.43	14.25	11.51
<b>Monthly (2011)</b>								
November	13.64		14.21	13.34	13.62		14.25	13.38
December	13.96		14.02	13.48	13.95		13.99	13.49
<b>Monthly (2012)</b>								
January	13.05		13.91	12.93	13.04		13.75	12.93
February	12.85		12.90	12.67	12.79		12.95	12.63
March	12.82		13.00	12.56	12.81		12.99	12.63
April(2)	13.11		13.22	12.74	13.12		13.23	12.73

- (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) April noon buying rates and CEMEX accounting rates are through April 20, 2012.

On April 20, 2012, the CEMEX accounting rate was Ps13.11 to U.S.\$1.00. Between January 1, 2012 and April 20, 2012, the Peso appreciated by approximately 6.32% 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.”

## Selected Consolidated Financial Information

Our consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011 and 2010, included elsewhere in this annual report have been prepared in accordance with IFRS. For our prior annual reports, our consolidated financial statements were prepared in accordance with MFRS.

Due to regulations issued in November 2008 by the Mexican securities authority, registrants whose shares are listed on the Mexican Stock Exchange were required to begin preparing their consolidated financial

statements using IFRS, as issued by the IASB, no later than January 1, 2012, and to stop the use of MFRS. In connection with this requirement, the consolidated financial statements included in this annual report as of December 31, 2011 and 2010 and as of January 1, 2010, and for the years ended December 31, 2011 and 2010, are CEMEX, S.A.B. de C.V.'s first consolidated financial statements prepared in accordance with IFRS, as in effect on December 31, 2011.

CEMEX, S.A.B. de C.V. determined its opening balance sheet under IFRS as of January 1, 2010, following the guidance set forth by IFRS 1. The options selected by CEMEX, S.A.B. de C.V. in the migration to IFRS and the effects on its opening balance sheet as of January 1, 2010, according to IFRS 1, as well as the effects on its balance sheets as of December 31, 2011 and 2010, and its statements of operations and comprehensive loss for the years ended December 31, 2011 and 2010, as compared to CEMEX, S.A.B. de C.V.'s previously reported amounts under MFRS, are described in note 27 to our consolidated financial statements included elsewhere in this annual report.

The regulations of the SEC do not require foreign private issuers that prepare their financial statements on the basis of IFRS (as published by IASB) to reconcile such financial statements to U.S. GAAP. As such, while CEMEX has in the past reconciled its consolidated financial statements prepared in accordance with MFRS to U.S. GAAP, those reconciliations are no longer presented in our filings with the SEC. Any references to accounting treatments under MFRS or U.S. GAAP relate solely to the application of MFRS or U.S. GAAP to our historical consolidated financial statements.

The financial data set forth below as of and for each of the two years ended December 31, 2011 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 2011 and 2010, and as of January 1, 2010, and for each of the two years ended December 31, 2011 and 2010 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.

The operating results of newly acquired businesses are consolidated in our financial statements beginning on the acquisition date. Therefore, all periods presented do not include operating results corresponding to newly acquired businesses before we assumed control. As a result, the financial data for the year ended December 31, 2011 may not be comparable to that for the year ended December 31, 2010.

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 Ps13.96 to U.S.\$1.00, the CEMEX accounting rate as of December 31, 2011. 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. The noon buying rate for Pesos on December 31, 2011 was Ps13.95 to U.S.\$1.00. Between January 1, 2012 and April 20, 2012, the Peso appreciated by approximately 6.32% against the Dollar, based on the noon buying rate for Pesos.

**CEMEX, S.A.B. DE C.V. and Subsidiaries**  
**Selected Consolidated Financial Information**

	As of	As of and for the year ended	
	January 1, 2010	December 31,	
		2010	2011
	(in millions of Pesos, except ratios and share and per share amounts)		
<b>Income Statement Information:</b>			
Net sales	N/A	Ps 177,641	Ps 189,887
Cost of sales(1)	N/A	(127,845)	(136,167)
Gross profit	N/A	49,796	53,720
Operating expenses	N/A	(39,060)	(41,656)
Operating income	N/A	10,736	12,064
Other expense, net	N/A	(6,335)	(5,449)
Financial items(2)	N/A	(15,276)	(18,841)
Equity in loss of associates	N/A	(487)	(334)
Loss before income tax	N/A	(11,362)	(12,560)
Non-controlling interest net loss	N/A	46	21
Controlling interest net loss	N/A	(13,482)	(24,788)
Basic loss per share(3)(4)	N/A	(0.39)	(0.74)
Diluted earnings per share(3)(4)	N/A	(0.39)	(0.74)
Dividends per share(3)(5)	N/A	N/A	N/A
Number of shares outstanding(3)(6)	28,836	30,065	31,410
<b>Balance Sheet Information:</b>			
Cash and temporary investments	14,104	8,354	16,128
Property, machinery and equipment, net	246,123	221,271	233,709
Total assets	555,551	504,881	541,652
Short-term debt	7,274	5,618	4,673
Long-term debt	203,172	188,776	203,798
Non-controlling interest and perpetual debentures(7)	43,601	19,443	16,602
Total controlling stockholders' equity	175,003	163,744	155,101
<b>Other Financial Information:</b>			
Net working capital(8)	20,986	18,692	23,690
Book value per share(3)(6)(9)	6.07	5.45	4.94
Operating margin	N/A	6.0%	6.4%
Operating EBITDA(10)	N/A	29,844	29,600
Ratio of Operating EBITDA to interest expense(10)	N/A	2.0	1.8
Investment in property, machinery and equipment, net	N/A	4,726	3,198
Depreciation and amortization	N/A	19,108	17,536
Net cash flow provided by operating activities	N/A	6,674	6,486
Basic loss per CP0(3)(4)	N/A	1.17	2.22

- (1) Cost of sales includes depreciation, amortization and depletion of assets involved in production, freight expenses of raw materials used in our producing plants, delivery expenses of our ready-mix concrete business and expenses related to storage in 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.
- (2) Financial items includes financial expenses and our other financial income (expenses), net, which includes our financial income, results from financial instruments (derivatives and marketable securities), foreign exchange results and others. See note 6 to our consolidated financial statements included elsewhere in this annual report.

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- (3) CEMEX, S.A.B. de C.V.'s capital stock consists of Series A shares and Series B shares. Each of CEMEX, S.A.B. de C.V.'s CPOs represents two Series A shares and one Series B share. As of December 31, 2011, approximately 99.8% of CEMEX, S.A.B. de C.V.'s outstanding share capital was represented by CPOs. Each of CEMEX, S.A.B. de C.V.'s ADSs represents ten CPOs.
- (4) Loss per share are calculated based upon the weighted average number of shares outstanding during the year, as described in note 21 to our consolidated financial statements included elsewhere in this annual report. Basic loss per CPO is determined by multiplying the basic loss per share for each period by three (the number of shares underlying each CPO). Basic loss per CPO is presented solely for the convenience of the reader and does not represent a measure under IFRS.
- (5) CEMEX, S.A.B. de C.V. did not declare a dividend for fiscal years 2010 and 2011. At CEMEX, S.A.B. de C.V.'s 2010 annual shareholders' meeting, held on February 24, 2011, CEMEX, S.A.B. de C.V.'s shareholders approved a recapitalization of retained earnings. New CPOs issued pursuant to the recapitalization were allocated to shareholders on a pro-rata basis. As a result, shares equivalent to approximately 401 million CPOs were issued and paid. 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. In connection with CEMEX, S.A.B. de C.V.'s 2011 annual shareholders' meeting held on February 23, 2012, CEMEX, S.A.B. de C.V.'s shareholders approved a recapitalization of retained earnings. 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. As a result, shares equivalent to approximately 418.7 million CPOs were issued and paid.
- (6) 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.
- (7) Non-controlling interest, as of December 31, 2010 and 2011, includes U.S.\$1,320 million (Ps16,310 million) and U.S.\$938 million (Ps13,089 million), respectively, that represents the nominal amount of Debentures, denominated in Dollars and Euros, issued by consolidated entities. In accordance with IFRS, these securities qualify as equity due to their perpetual nature and the option to defer the coupons.
- (8) Net working capital equals trade receivables, less allowance for doubtful accounts plus inventories, net, less trade payables.
- (9) Book value per share is calculated by dividing the total controlling stockholders' equity by the number of shares outstanding.
- (10) Operating EBITDA equals operating income before amortization and depreciation expenses. 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. There is no specific standard under IFRS that regulates the presentation of the statement of operations. While there are line items that are customarily included in statements of operations prepared pursuant to IFRS such as net sales, operating costs and expenses and financial revenues and expenses, among others, the inclusion of certain subtotals and the display of such statement of operations varies significantly by industry and company according to specific needs. Nonetheless, for convenience of the reader, Operating EBITDA is reconciled below to operating income, as reported in the statements of operations, and to net cash flows provided by operating activities, as reported in the statement of cash flows. Interest expense under IFRS does not include coupon payments and issuance costs of the Debentures issued by consolidated entities of approximately Ps1,010 million for 2010 and approximately Ps1,624 million for 2011, as described in note 19D to our consolidated financial statements included elsewhere in this annual report.



	For the Year Ended December 31,	
	2010	2011
	(in millions of Pesos)	
<b>Reconciliation of operating EBITDA to net cash flows provided by continued operations</b>		
Operating EBITDA	Ps 29,844	Ps 29,600
Less:		
Operating depreciation and amortization expense	19,108	17,536
Operating income	Ps 10,736	Ps 12,064
Plus/minus:		
Changes in working capital excluding income taxes	(623)	(727)
Depreciation and amortization expense	19,108	17,536
Financial expense paid in cash including coupons on Debentures	(14,968)	(13,352)
Income taxes paid in cash	(4,310)	(3,778)
Other items, net	(3,269)	(5,257)
Net cash flows provided by operating activities	Ps 6,674	Ps 6,486

**Item 4—Information on the Company**

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

**Business Overview**

CEMEX, S.A.B. de C.V. is a publicly traded 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, 2011 of approximately 94.8 million tons. We are the largest ready-mix concrete company in the world with annual sales volumes of approximately 55 million cubic meters and one of the largest aggregates companies in the world with annual sales volumes of approximately 160 million tons, in each case based on our annual sales volumes in 2011. We are also one of the world's largest traders of cement and clinker, having traded approximately 8.4 million tons of cement and clinker in 2011. 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 Mexico, the United States, Northern Europe, the Mediterranean, South America and the Caribbean and Asia. We had total assets of approximately Ps542 billion (U.S.\$39 billion) as of December 31, 2011, and an equity market capitalization of approximately Ps102,622.22 million (U.S.\$7,774.41 million) as of April 26, 2012.