CEMEX SAB DE CV
Form 20-F
June 30, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2008**

OR

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

OR

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

Date of event requiring this shell company report ______________

For the transition period from _______ to _______

Commission file number 1-14946

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

(Exact name of Registrant as specified in its charter)

CEMEX PUBLICLY TRADED STOCK CORPORATION

(Translation of Registrant s name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

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

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

Title of each class	**Name of each exchange on which registered**
American Depositary Shares, or ADSs, each ADS representing ten Ordinary Participation Certificates (Certificados de Participación Ordinarios), or CPOs, each CPO representing two Series A shares and one Series B share	New York Stock Exchange

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

None

(Title of Class)

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

None

(Title of Class)

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

8,125,652,981 CPOs

16,726,263,082 Series A shares (including Series A shares underlying CPOs)

8,363,131,541 Series B shares (including Series B shares underlying CPOs)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). N/A

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

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨

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

U.S. GAAP ______ International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other þ

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

Item 17 ¨ Item 18 þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

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INTRODUCTION

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

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Mexican Financial Reporting Standards, or MFRS, which differ in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. Beginning on January 1, 2008, according to new MFRS B-10, *Inflation Effects* (MFRS B-10) inflationary accounting will only be applied in a high-inflation environment, defined by MFRS B-10 as existing when the cumulative inflation for the preceding three years equals or exceeds 26%. Until December 31, 2007, inflationary accounting was applied to both CEMEX, S.A.B. de C.V. and all CEMEX subsidiaries regardless of the inflation level of their respective countries. Beginning in 2008, only the financial statements of those subsidiaries whose functional currency corresponds to a country under high inflation will be restated to take account of inflation. Designation of a country as a high or low inflation environment takes place at the end of each year and inflation is applied prospectively. As of December 31, 2007, except for Venezuela and Costa Rica, all of CEMEX s subsidiaries operated in low-inflation environments; therefore, restatement of their historical cost financial statements to take account of inflation was suspended starting on January 1, 2008.

Beginning in 2008, MFRS B-10 eliminates the restatement of the financial statements for the period as well as the comparative financial statements for prior periods into constant values as of the date of the most recent balance sheet. Beginning in 2008, the amounts of the income statement, statement of cash flows and statement of changes in stockholders equity are presented in nominal values; meanwhile amounts of financial statements for prior years are presented in constant Pesos as of December 31, 2007, the last date in which inflationary accounting was applied. Until such date, the index was calculated based upon the inflation rates of the countries in which we operate and the changes in the exchange rates of each of these countries, weighted according to the proportion that our assets in each country represent of our total assets.

Until December 31, 2007, the restatement factors applied to the consolidated financial statements of prior periods were calculated using the weighted average inflation and the fluctuation in the exchange rate of each country in which CEMEX operates relative to the Mexican Peso. Also, see note 25 to our consolidated financial statements for a description of the principal differences between MFRS and U.S. GAAP as they relate to us.

Non-Peso amounts included in the financial statements are first translated into Dollar amounts, in each case at a commercially available or an official government exchange rate for the relevant period or date, as applicable, and those Dollar amounts are then translated into Peso amounts at the CEMEX accounting rate, described under Item 3 Key Information Mexican Peso Exchange Rates , as of the relevant period or date, as applicable.

References in this annual report to U.S.$ and Dollars are to U.S. Dollars, references to are to Euros, references to £ and Pounds are to I Pounds, references to ¥ and Yen are to Japanese Yen, and, unless otherwise indicated, references to Ps, Mexican Pesos and Pesos are to Mex Pesos. The Dollar amounts provided below and, unless otherwise indicated elsewhere in this annual report, are translations of Peso amounts at an exchange rate of Ps13.74 to U.S.$1.00, the CEMEX accounting rate as of December 31, 2008. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that is presented in our consolidated financial statements. These translations have been prepared solely for the convenience of the reader and should not be construed as representations that the Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated. From

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December 31, 2008 through June 26, 2009, the Peso appreciated by approximately 4.3% against the Dollar, based on the noon buying rate for Pesos. See Item 3 Key Information Selected Consolidated Financial Information.

The noon buying rate for Pesos on December 31, 2008 was Ps13.83 to U.S.$1.00 and on June 26, 2009 was Ps13.24 to U.S.$1.00.

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PART I

Item 1 - Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2 - Offer Statistics and Expected Timetable

Not applicable.

Item 3 - Key Information

Risk Factors

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

We have substantial amounts of debt maturing in 2009 and each of the next several years, and a substantial amount of our debt is subject to the Conditional Waiver and Extension Agreement.

We currently have a substantial amount of debt. As of December 31, 2008, we had Ps258,094 million (U.S.$18,784 million) of total debt, not including approximately Ps41,495 million (U.S.$3,020 million) of perpetual debentures issued by special purpose vehicles, which are not accounted for as debt under MFRS but are considered to be debt for purposes of U.S. GAAP. Of our total debt as of December 31, 2008, approximately Ps95,270 million (U.S.$6,934 million) was short-term debt (including the current portion of long-term debt), and approximately Ps162,824 million (U.S.$11,850 million) was long-term debt. We have a substantial amount of debt maturing in the next several years. As of May 31, 2009, we had debt with an aggregate principal amount of approximately U.S.$4,284 million maturing during the rest of 2009, and U.S.$3,882 million and U.S.$7,845 million maturing in 2010 and 2011, respectively. Subject to the terms of the contractual restrictions binding on us at the time, we may also incur more debt in the future.

We are currently in debt refinancing discussions with our lenders. See Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating to Our Indebtedness. During the first quarter of 2009, we entered into a Conditional Waiver and Extension Agreement with a group of our bank lenders. The lenders party to the Conditional Waiver and Extension Agreement have agreed to extend to July 31, 2009 scheduled principal payment obligations which were originally due between March 24, 2009 and July 31, 2009. We entered into the Conditional Waiver and Extension Agreement to give us time to negotiate a broader debt refinancing. As of June 26, 2009, principal payments in an aggregate principal amount of approximately U.S.$1,166 million have been extended under the Conditional Waiver and Extension Agreement.

Upon expiration of the Conditional Waiver and Extension Agreement (currently scheduled for July 31, 2009), the extended amounts will become immediately due and payable and the remaining amounts with longer maturities under the relevant facilities (in an aggregate principal amount of approximately U.S.$12,924 million as of June 26, 2009) will be capable of being accelerated by a vote of the requisite lenders under each relevant facility. Additionally, under the Conditional Waiver and Extension Agreement, a termination event may occur in a variety of situations that are not in our control including, but not limited to, a lender increasing pricing on a relevant existing facility and a lender declaring a default or canceling any relevant existing facility. We cannot provide assurance that we will be able to enter into a refinancing plan to replace the Conditional Waiver and Extension Agreement prior to July 31, 2009 or to extend the Conditional Waiver and Extension Agreement to a later date. The unanimous consent of all lenders party to the Conditional Waiver and Extension Agreement is required to extend it. If the Conditional Waiver and Extension Agreement expires or terminates, and we are unable to pay the extended amounts and any accelerated amounts, this would trigger a payment default under the relevant bank facilities, which would trigger defaults under other debt of ours.

We have significant amounts of debt coming due in each of the next several years, and we may not be able to secure refinancing on favorable terms or at all.

We intend to enter into a refinancing plan in the next few months. The refinancing plan we are negotiating will likely include amortization requirements, which we intend to meet using funds from a variety of sources, including the proceeds from free cash flow, asset sales and debt and/or equity security issuances. The refinancing plan may also include a requirement to issue debt and/or equity securities in specified instances. Our inability to meet the amortization requirements will result in a payment default. The refinancing plan will likely include a revised covenant package that will place various restrictions on us. We may also be required to encumber or segregate some of our assets for the benefit of our lenders as part of the refinancing plan, and if we are unable to meet the amortization requirements and cannot refinance the debt, the lenders under the refinancing plan could have the right to exercise remedies and foreclose on the pledged assets.

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, proceeds of debt and equity offerings, and proceeds from asset sales. The global stock and credit markets have recently 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. These circumstances have materially impacted liquidity in the financial markets, making terms for financings materially less attractive, and in several cases have resulted in the unavailability of certain types of financing. This volatility and illiquidity has negatively impacted 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 particularly affected. These factors and the continuing market disruption have had, and may continue to have, an adverse effect on us, including on our ability to refinance future maturities.

In addition, continued uncertainty in the stock and credit markets may negatively impact our ability to access additional short-term and long-term financing, including accounts receivable securitizations, on reasonable terms or at all, which would negatively impact our liquidity and financial condition. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Our Receivables Financing Arrangements.

On March 10, 2009, our credit ratings were downgraded below investment grade by Standard & Poor s and by Fitch. The loss of our investment grade ratings has negatively impacted and will continue to negatively impact the availability of financing and the terms on which we could refinance our debt, including the imposition of more restrictive covenants and higher interest rates. The disruptions in the financial and credit markets may continue to adversely affect our credit rating and the market value of our common stock. If the current pressures on credit continue or worsen, we may not be able to refinance, if necessary, our outstanding debt when due, which could have a material adverse effect on our business and financial condition.

Our revolving credit facilities are fully drawn. If our operating results worsen significantly, or if we are unable to complete our planned divestitures and 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.

We and our subsidiaries have sought and obtained waivers and amendments to several of our debt instruments relating to a number of financial ratios. 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.

The current global economic recession is likely to continue to adversely affect our business and results of operations.

A global recession is currently underway. This could be the deepest and longest global recession in over a generation. Despite the aggressive measures taken by governments and central banks thus far, there is still a significant risk that these measures may not prevent the global economy from falling into an even deeper and longer lasting recession, and even a depression. In the construction sector, declines in residential construction have broadened and intensified in line with the spread and the worsening of the financial crisis. The adjustment process has been more severe in countries which experienced the largest housing market expansion during the years of high credit availability (such as the U.S., Spain, Ireland and the U.K.). The infrastructure plans already announced by many countries, including the U.S. 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 current economic crisis or delays in any such plans may adversely affect demand for our products.

In the U.S., the current recession is already longer and deeper than the previous two recessions. We expect the U.S. credit crunch to continue negatively affecting the housing market in the near future. Housing starts, the fundamental driver of cement demand in the residential sector, decreased by 33% in 2008 compared to 2007, according to the U.S. Census Bureau, and in 2009 have been running at historical lows at an annual rate of 532,000 based on available data as of May 2009. A housing recovery may not take place in the short term given the current market environment, tight credit conditions and the still elevated housing oversupply. Uncertainty regarding public construction continues following the announcement of the U.S. government s fiscal package. We cannot give any assurances that infrastructure plans announced in the U.S. would offset the expected decline in cement and ready-mix concrete demand as a result of current economic conditions. The uncertain economic environment and tight credit conditions also affected the U.S. industrial and commercial sector during 2008, with contract awards a leading indicator of construction declining 27% in 2008 compared to 2007, according to FW Dodge. This combination of factors resulted in the worst decline in sales volumes that we have experienced in the United States in recent history. Our U.S. operations cement and ready-mix concrete sales volumes decreased approximately 14% and 13%, respectively, in 2008 compared to 2007 (approximately 21% and 30%, respectively, on a like-to-like basis taking into account the consolidation of the Rinker s operations for an additional six months in 2008 compared to 2007). Our U.S. operations cement and ready-mix concrete sales volumes decreased approximately 33% and 41%, respectively, in the first quarter of 2009 compared to the same period in 2008.

The Mexican economy is currently undergoing a recession that began in 2008 as a result of the impact of the global financial crisis in many emerging economies during the second half of the year. The link with the U.S. economy remains very important, and therefore, any downside to its economic outlook may hinder any recovery in Mexico. The crisis also has negatively affected the local credit markets resulting in increased cost of capital that may negatively impact companies ability to meet their financial needs. During 2008, the Mexican Peso depreciated by 26% against the Dollar. Moreover, further exchange rate depreciation and/or increasing volatility in the markets would adversely affect our operational and financial results. We cannot be certain that a more pronounced contraction of Mexican overall activity will not take place, which would translate into a bleaker outlook for the construction sector and its impact on cement and concrete consumption. The Mexican government s plan to increase infrastructure spending could prove to be, as in other countries, difficult to implement in a timely manner and in the officially announced amounts. As a result of the current economic environment, our Mexican cement and ready-mix concrete sales volumes decreased approximately 4% and 6%, respectively, in 2008 compared to 2007. In the first quarter of 2009, our Mexican cement and ready-mix concrete sales volumes increased approximately 3% and 4%, respectively, compared to the first quarter of 2008, as a result of infrastructure spending beginning in the second half of 2008 and additional working days during the first quarter of 2009.

Many Western European countries, including the U.K., France, Spain and Germany, entered into recessions several months ago due to the global economic environment, the financial crisis and their impact on the economies of such countries, including the construction sectors. If this situation continues to deteriorate, our financial condition and results of operations could be negatively affected. These risks are more pronounced in those countries with a higher degree of previous market distortions (especially the existence of real estate bubbles and durable goods overhangs prior to the crisis), such as Spain, or those more exposed to financial turmoil, such as the U.K. In the construction sector, the residential adjustment could be longer than anticipated, while non-residential construction could experience a sharper decline than expected. Finally, the boost to infrastructure spending that is hoped to result

from the fiscal packages which have been announced by most European countries could be lower than projected due to bureaucratic hurdles, lags in implementation or funding problems. If these risks materialize, our business, financial condition and results of operations may be adversely affected. According to OFICEMEN, the Spanish cement trade organization, domestic cement demand in Spain declined 23.8% in 2008 compared to 2007, and our Spanish domestic cement and ready-mix concrete sales volumes decreased approximately 52% and 55% in the first quarter of 2009 compared with the same period in 2008. In the U.K., according to the British Cement Association, domestic cement demand decreased approximately 14% in 2008 compared to 2007, and our U.K. domestic cement and ready-mix concrete sales volumes decreased approximately 22% and 27% in the first quarter of 2009 compared with the same period in 2008.

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. This issue is expected to be more critical in countries with fixed exchange rates regimes (such as Latvia) that could be forced to devalue. 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 income per capita) related projects due to logistical and funding problems, which could have a negative effect on cement and/or ready-mix concrete demand.

The Central and South American economies also pose a downside risk in terms of overall activity. The global financial downturn, lower exports to the U.S. and Europe and lower remittances and commodity prices represent an important negative 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 negative effect on cement and ready-mix concrete consumption and/or prices. Any significant political instability or economic volatility in the South American, Central American and the Caribbean countries in which we have operations may have an impact on cement prices and demand for cement and ready-mix concrete, which may adversely affect our business and results of operations.

The Asia-Pacific region will likely be affected by a further deterioration of the global economic landscape. An additional increase in country risk and/or decreased confidence among global investors will also limit capital flows and investments in the Asian region. Regarding the Middle East region, lower oil revenues and tighter credit conditions could moderate economic growth and adversely affect construction investment. The accumulated overhang, the rapid downfall in property prices 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.

In light of the global financial crisis and downturn in the construction industry affecting most of our markets, we do not expect cash flow from operations, after working capital and investment needs, to be sufficient to cover our maturing debt payment obligations in 2009. If the global economy continues to deteriorate and falls into an even deeper and longer lasting recession, or even a depression, our business, financial condition and results of operations will be adversely affected.

We may not be able to realize the expected benefits from past or future acquisitions, some of which may have a material impact on our financial position.

Our ability to realize the expected benefits from past or future acquisitions depends, in large part, on our ability to integrate the new operations with existing operations and to apply our business practices in the new operations in a timely and effective manner. These efforts may not be successful. The acquisition of Rinker has substantially increased our exposure to the United States, which has been experiencing a sharp downturn in the housing and construction sectors, having adverse effects on Rinker s and our operations, making it more difficult for us to achieve our goal of decreasing our acquisition-related leverage. We also may not be able to achieve all the anticipated cost savings from the Rinker acquisition. Our financial statements for the year ended December 31, 2008 include non-cash charges of approximately U.S.$1.5 billion for impairment losses in accordance with MFRS, of which approximately U.S.$1.3 billion refer to impairment of goodwill (mainly related to the Rinker acquisition). See notes 6, 9 and 10C to our financial statements included elsewhere in this annual report. Considering differences in the measurement of fair value, including the selection of economic variables, as well as the methodology for determining final impairment losses between MFRS and U.S. GAAP, our impairment losses in 2008 under U.S. GAAP amounted to approximately U.S.$4.9 billion, including the impairment losses determined under MFRS, of which approximately U.S.$4.7 billion refer to impairment of goodwill, as explained in note 25 to our financial statements included elsewhere in this annual report. Although we currently are seeking to dispose of assets to

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reduce our overall leverage, we may in the future acquire new operations and integrate such operations with our existing operations, and some of such acquisitions may have a material impact on our financial position. We cannot assure you that we will be successful in identifying or purchasing suitable assets in the future. If we fail to achieve the anticipated cost savings from any past or future acquisitions, our results of operations may be negatively affected.

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

We are a holding company with no significant assets other than the stock of our wholly-owned and non-wholly-owned subsidiaries and our holdings of cash and marketable securities. Our ability to repay debt and pay dividends depends on the continued transfer to us of dividends and other income from our wholly-owned and non-wholly-owned subsidiaries. The ability of our subsidiaries to pay dividends and make other transfers to us is limited by various regulatory, contractual and legal constraints.

If we are unable to receive cash from our subsidiaries, our results of operations and financial condition could be affected and we may not be able to service our debt.

Our ability to receive funds from these subsidiaries may be restricted by covenants in the debt instruments and other contractual obligations of those entities and applicable laws and regulations including provisions which restrict the payment of dividends based on interim financial results or minimum net worth. We may also be subject to exchange controls on remittances by our subsidiaries from time to time in certain jurisdictions. We cannot assure you that these subsidiaries will generate sufficient income to pay out dividends, and without these dividends, we may be unable to service our debt.

Moreover, the ability of our subsidiaries to pay dividends may be restricted by the laws of the jurisdictions under which such subsidiaries are incorporated. 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. Therefore, our cash flows could be affected if we do not receive dividends or other payments from our subsidiaries.

The refinancing plan will likely restrict our ability to declare cash dividends or distributions or similar payments to the shareholders of CEMEX, S.A.B. de C.V.

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

In the short term, we intend to use our capital resources, cash flow from operations, proceeds from capital markets debt and equity offerings and proceeds from the sale of assets to repay debt in order to reduce our leverage, strengthen our capital structure and regain our financial flexibility. See Item 4 Information on the Company Business Overview. Our ability to comply with our payment obligations under the global refinancing plan may depend on our making asset sales, and there is no assurance that we will be able to execute such sales on terms favorable to us or at all.

In connection with our asset divestment initiatives, in 2008, we sold our Canary Islands operations in Spain (consisting of cement and ready-mix concrete assets in Tenerife and our 50% equity interest in two joint-ventures) for approximately 162 million (U.S.$227 million). In addition, during 2008 we sold our Italian operations (consisting of four grinding mills with an installed aggregate capacity of approximately 2,420,000 tons per year) for approximately 148 million (U.S.$210 million). Furthermore, we agreed to sell our operations in Austria (consisting of 26 aggregates and 39 ready-mix concrete plants) and Hungary (consisting of 6 aggregates, 29 ready-mix concrete and 4 paving stone plants) for approximately 310 million (U.S.$433 million). On February 11, 2009, the Hungarian Competition Council, or the HCC, approved the sale, subject to the condition that the purchaser sell the ready-mix concrete plant operating in Salgótarján to a third party within the next year. The transaction is still subject to regulatory approval by the Austrian competition authorities. The purchaser has appealed several conditions imposed by the Austrian competition authorities, which we expect will delay the completion of the sale by at least two

months. On June 15, 2009, we sold three quarries (located in Nebraska, Wyoming and Utah) and our 49% joint venture interest in the operations of a quarry located in Granite Canyon, Wyoming, to Martin Marietta Materials, Inc. for U.S.$65 million. On June 15, 2009, we announced our agreement to sell all our assets in Australia (consisting of 249 ready-mix plants, 83 aggregate quarries, 16 concrete pipe and precast products plants, and CEMEX s 25% stake in Cement Australia) for A$2.02 billion (U.S.$1.6 billion). The transaction is subject to regulatory approval, due diligence and other closing conditions.

As a result of the global economic recession and uncertain market conditions, we may not be able to complete our planned divestitures on terms that we find economically attractive or at all. The current volatility of the credit and capital markets can significantly affect us from a divestiture standpoint, through the availability of funds to potential acquiring parties. The lack of acquisition financing due to the current adverse economic conditions will make it difficult for potential acquiring parties who would otherwise be interested in our assets to make a competitive offer. In addition, high levels of consolidation in our industry in some jurisdictions may further limit potential assets sales to interested parties due to antitrust considerations. Given our current indebtedness and liquidity constraints, our ongoing refinancing efforts and the difficulties to conduct assets sales in the current market, we may be forced to sell our assets at prices substantially lower than their fair value.

If we are unable to complete our planned divestitures and 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.

We will likely have to issue equity as a financing source; our ability to raise equity capital may be limited, could affect our liquidity and could be dilutive to existing shareholders.

The disruptions in the financial and credit markets may continue to adversely affect our credit rating and the market value of our common stock. If the current pressures on credit continue or worsen, we may not be able to refinance our outstanding debt when due, which could have a material adverse effect on our business and financial condition. If alternative sources of financing continue to be limited, we may be dependent on the issuance of equity as a financing source. In addition, as part of the global refinancing plan, we will likely be required to issue debt or equity or equity-linked securities and use the proceeds to repay debt. The amount of equity and equity-linked securities we may need to issue may be significant. If we raise additional funds by issuing more common stock or debt securities convertible into or exchangeable for our common stock, the percentage ownership of our stockholders at the time of the issuance would decrease and our common stock may experience dilution. In addition, any securities that we issue in the future may have rights, preferences, and privileges more favorable than those of our common stock. Current conditions in the capital markets are such that traditional sources of capital, including equity capital, may not be available to us on reasonable terms or at all. In such case, there is no guarantee that we will be able successfully raise additional equity capital at all or on terms that are favorable or otherwise not dilutive to existing shareholders.

Our use of derivative financial instruments may negatively affect our operations especially in a volatile and uncertain market.

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, reduce our financing costs, access alternative sources of financing and hedge some of our financial risks. For the year ended December 31, 2008, we had a net loss of approximately Ps15,172 million from financial instruments as compared to a net gain of Ps2,387 million in 2007. These losses resulted from a variety of factors, including losses related to changes in the fair value of equity derivative instruments attributable to the generalized decline of price levels in the capital markets worldwide, losses related to changes in the fair value of cross-currency swaps and other currency derivatives attributable to the appreciation of the Dollar against the Euro and losses related to changes in the fair value of interest rate derivatives primarily attributable to the decrease in the five-year interest rates in Euros and Dollars.

As required in the context of our renegotiation with bank lenders, since the beginning of 2009, we have been reducing our derivatives notional amount, thereby reducing our risk to cash margin calls. This initiative includes closing a significant portion of notional amounts of derivatives instruments related to our debt (currency and interest rate derivatives) and the settlement of our inactive derivative financial instruments (see notes 11C and D to our consolidated financial statements), which we finalized during April 2009. As a result, we settled derivatives

contracts resulting in an aggregate loss of approximately U.S.$1,093 million, which, after netting approximately U.S.$624 million of cash margin deposits already posted in favor of our counterparties and cash payments of approximately U.S.$48 million, was documented through our issuance of promissory notes for approximately U.S.$421 million, which increased our outstanding debt.

In addition, in order to eliminate our exposure to Yen and to Yen interest rates, on May 22, 2009, we delivered the required notices under the documentation governing the dual-currency notes and the related perpetual debentures, informing the debenture holders of our decision to exercise our right to defer by one day the scheduled interest payment otherwise due and payable on June 30, 2009, the next scheduled interest payment date under the dual-currency notes and the related perpetual debentures. As a result, the interest rate on the dual-currency notes will convert from a Yen floating rate into a Dollar or Euro fixed rate, as applicable, as of June 30, 2009, and the associated Yen cross-currency swap derivatives will be unwound. Any resulting loss would be payable by us to our derivatives counterparties and any profit would be retained by the debenture issuers and applied to pay future coupon payments on the perpetual debentures. As of December 31, 2008, the aggregate notional amount of such derivatives expected to be unwound was approximately U.S.$3,020 million (see Item 5 Operating and Financial Review and Prospects Our Perpetual Debentures). As of the date of this annual report, the result of the unwinding of such cross-currency derivatives is unknown, but we estimate that if such unwind result is a loss, it will not have a material adverse effect on our financial position.

Most derivative financial instruments are subject to margin calls in case the threshold set by the counterparties is exceeded. In several scenarios, the cash required to cover margin calls may be substantial and may reduce the funds available to us for our operations or other capital needs. The mark-to-market changes in some of our derivative financial instruments are reflected in our income statement introducing volatility in our majority interest net income and our related ratios. In the current environment, the creditworthiness of our counterparties may deteriorate substantially, preventing them from honoring their obligations to us. We maintain equity derivatives which in a number of scenarios may require us to cover margin calls that could reduce our cash availability.

If we resume using derivative financial instruments, or with respect to our outstanding equity derivative positions, we may incur in net losses from our derivative financial instruments. See Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating To Our Financial Derivatives Instruments .

A substantial amount of our total assets are intangible assets, including goodwill. We have recently recognized charges for goodwill impairment, and if market and industry conditions continue to deteriorate further impairment charges may be recognized. Our charges for impairment in 2008 were materially greater under U.S. GAAP than under MFRS.

As of December 31, 2008, approximately 34% of our total assets were intangible assets, 77% of which corresponded to goodwill.

Our consolidated financial statements have been prepared in accordance with MFRS, which, despite its similarities to U.S. GAAP with respect to the circumstances and timing for testing goodwill for impairment, differs in significant respects from U.S. GAAP with respect to the methodology used to determine the final impairment loss, when applicable, including the selection of key significant assumptions related to the determination of the assets fair value. Pursuant to our policy under MFRS, goodwill and other intangible assets of indefinite life are tested for impairment when impairment indicators exist or at least once a year, during the last quarter of the period, by determining the value in use of the reporting units, which consists in the discounted amount of estimated future cash flows to be generated by the reporting units to which those assets relate. A reporting unit refers to a group of one or more cash generating units. An impairment loss is recognized if the value in use is lower than the net book value of the reporting unit. We determine the discounted amount of estimated future cash flows over a period of 5 years, unless a longer period is justified in a specific country, considering its economic cycle and the existing industry conditions. Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of our products, trends in operating expenses, and local and international economic trends in the construction industry, as well as the long-term growth expectations in the different markets. Likewise, the discount rates and the rates of growth in perpetuity used have an effect on such impairment tests. Goodwill is recognized at the acquisition date based on the preliminary allocation of the purchase price. 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 after purchase. Goodwill is not amortized and is subject to impairment tests at least once a year.

During the last quarter of 2008, the global economic environment was negatively affected, intensified by the crisis in financial institutions, which has caused financing scarcity in almost all productive sectors, resulting in a decrease in economic activity and a worldwide downturn in macroeconomic indicators. This effect has lowered the growth expectations within the countries in which we operate, as indicated by the cancellation or deferral of several investment projects, particularly affecting the construction industry. These conditions, which constitute an impairment indicator, coincided with our annual impairment tests. For the year ended December 31, 2008, we recognized goodwill impairment losses of approximately Ps18.3 billion (U.S.$1.3 billion), of which the impairment corresponding to the United States reporting unit was approximately Ps16.8 billion (U.S.$1.2 billion). The estimated impairment loss in the United States is mainly attributable to the acquisition of Rinker in 2007, and overall is attributable to the negative economic situation expected in the worldwide markets during 2009 and 2010 in the construction industry. Those factors significantly affected the variables included in the projections of estimated cash flows in comparison with valuations made at the end of 2007. See notes 2K and 10C to our consolidated financial statements included elsewhere in this annual report.

As mentioned above, differences between MFRS and U.S. GAAP with respect to the methodology used to determine the final impairment loss, when applicable, including the selection of key significant assumptions related to the determination of the assets fair value, has led to a materially greater impairment loss under U.S. GAAP, as compared to that recognized in our consolidated financial statements under MFRS. For the year ended December 31, 2008, we recognized goodwill impairment losses under U.S. GAAP of approximately U.S.$4.7 billion (approximately U.S.$3.3 billion more than the goodwill impairment losses recognized under MFRS), of which the impairment corresponding to the United States reporting unit was approximately U.S.$4.5 billion (approximately U.S.$3.3 more than the goodwill impairment losses recognized under MFRS).

Due to the important role that economic factors play in testing goodwill for impairment, a further downturn in the global economy in 2009 could necessitate new impairment tests and a possible readjustment of our goodwill for impairment due to a change in the estimates of the values analyzed under any impairment test. Such an impairment test could result in additional impairment charges which could be material to our financial statements.

Our independent auditors have expressed substantial doubt about our ability to continue as a going concern.

During the last months of 2008 and the beginning of 2009, CEMEX s liquidity position and operating performance have been negatively affected by adverse economic and industry conditions as a result of the downturn in the global construction industry and the global credit market crisis. As mentioned in note 22 to our consolidated financial statements included elsewhere in this annual report, in connection with our bank debt refinancing process, important consolidated entities, including CEMEX, S.A.B. de C.V. and CEMEX España, S.A., are currently operating under the Conditional Waiver and Extension Agreement, under which bank lenders have agreed to extend specified scheduled principal payments originally due between March 24, 2009 and July 31, 2009. As of the date of this annual report, there are no assurances that we will be able to successfully complete the bank debt refinancing process.

Our access to funds to meet our obligations is, in part, dependent on the ultimate outcome of the bank debt refinancing process. In connection with this uncertainty and as described in note 22 to our consolidated financial statements, the independent auditors report accompanying our consolidated financial statements, included herein, contains a paragraph expressing substantial doubt as to our ability to continue as a going concern. The 2008 consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustment that might result from the outcome of this uncertainty. Our plans concerning these matters are discussed in note 22 and 23 to our consolidated financial statements.

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

A substantial portion of our outstanding debt is denominated in Dollars. As of December 31, 2008, our Dollar denominated debt represented approximately 73% of our total debt (after giving effect to our currency-related derivatives as of such date). Our existing Dollar denominated debt, including the additional Dollar denominated debt we incurred to finance the acquisition of Rinker, however, must be serviced by funds generated from sales by our subsidiaries. Although the acquisition of Rinker increased our U.S. assets substantially, we nonetheless will continue to rely on our non-U.S. assets to generate revenues to service our Dollar denominated debt. Consequently, we have to use revenues generated in Pesos, Euros or other currencies to service our Dollar denominated debt. See Item 5 Operating and Financial Review and Prospects Qualitative and Quantitative Market Disclosure Interest Rate Risk, Foreign Currency Risk and Equity Risk Foreign Currency Risk. A devaluation or depreciation in the value of the Peso, Euro 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. During 2008, Mexico, Spain, the United Kingdom and the Rest of Europe region, our main non-Dollar-denominated operations, together generated approximately 52% of our total net sales in Peso terms (approximately 17%, 7%, 8% and 20%, respectively), before eliminations resulting from consolidation. In 2008, approximately 21% of our sales were generated in the United States, with the remaining 27% of our sales being generated in several countries, with a number of currencies having material depreciations against the Dollar. During 2008, the Peso depreciated approximately 26% against the Dollar, the Euro depreciated approximately 4% against the Dollar and the Pound Sterling depreciated approximately 36% against the Dollar. Although we have foreign exchange forward contracts and cross-currency swap contracts in place to mitigate our currency-related risks and expect to enter into future currency hedges, they may not be effective in covering all our currency-related risks.

In addition, as of December 31, 2008, our Euro denominated debt represented approximately 19% of our total debt, not including the 730 million principal amount of perpetual debentures outstanding as of such date. Although we believe that our generation of revenues in Euros from our operations in Spain and the Rest of Europe region will be sufficient to service these obligations, we cannot guarantee it.

As of December 31, 2008, we did not have a significant amount of debt denominated in Yen. However, in connection with our dual currency perpetual debentures and related currency swap transactions, we had interest and currency swap obligations in Yen. In order to eliminate our exposure to Yen and to Yen interest rates, on May 22, 2009, we delivered the required notices under the documentation governing the dual-currency notes and the related perpetual debentures, informing debenture holders of our decision to exercise our right to defer by one day the scheduled interest payment otherwise due and payable on June 30, 2009, the next scheduled interest payment date under the dual-currency notes and the related perpetual debentutres. As a result, the interest rate on the dual-currency notes will convert from Yen floating rate into Dollar or Euro fixed rate, as applicable, as of June 30, 2009, and the associated Yen cross-currency swap derivatives will be unwound. Any resulting loss would be payable by us to our derivatives counterparties and any profit would be retained by the debenture issuers and applied to pay future coupon payments on the perpetual debentures. As of December 31, 2008, the aggregate notional amount of such derivatives expected to be unwound was approximately U.S.$3,020 million (see Item 5 Operating and Financial Review and Prospects Our Perpetual Debentures). As of the date of this report, the result of the unwinding of such cross-currency derivatives is unknown but we estimate that if such unwind result is a loss, it will not have a material adverse effect on our financial position.

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 and gains and losses on derivative contracts we may have entered into to hedge our exchange rate exposure. In 2008, the Peso depreciated by 26% against the Dollar, and between January 1, 2009 and June 26, 2009, the Peso appreciated by 4.3% against the Dollar.

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We are subject to litigation 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 and antitrust investigations in the U.K. and Germany. 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. See Item 4 Information on the Company Regulatory Matters and Legal Proceedings.

Our operations are subject to environmental laws and regulations.

Our operations are subject to laws and regulations relating to the protection of the environment in the various jurisdictions in which we operate, such as regulations regarding the release of cement dust into the air or emissions of greenhouse gases. Stricter laws and regulations, or stricter interpretation of existing laws or regulations, may impose new liabilities on us or result in the need for additional investments in pollution control equipment, either of which could result in a material decline in our profitability in the short term.

In addition, our operations in the United Kingdom, Spain and the Rest of Europe are subject to binding caps on carbon dioxide emissions imposed by Member States of the European Union as a result of the European Commission s directive implementing the Kyoto Protocol on climate change. Under this directive, companies receive from the relevant Member States allowances that set limitations on the levels of carbon dioxide 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 penalties. For the allocation period comprising 2008 through 2012, the European Commission significantly reduced the overall availability of allowances. As a result of continuing uncertainty regarding final allowances, it is premature to draw conclusions regarding the aggregate position of all our European cement plants.

We believe we may be able to reduce the impact of any deficit by either reducing carbon dioxide emissions in our facilities or by implementing clean development mechanism projects, or CDM projects, in emerging markets. 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. See Item 4 Information on the Company Regulatory Matters and Legal Proceedings.

To date, the United States has pursued a voluntary greenhouse gas (GHG) emissions reduction program to meet its obligations as a signatory to the United Nations Framework Convention on Climate Change. As a result of increased attention to climate change in the U.S., however, numerous bills have been introduced in recent sessions of the U.S. Congress that would reduce GHG emissions in the U.S. Enactment of climate change legislation within the next several years now seems likely. However, there is still significant uncertainty about the cost of complying with any future GHG emission requirements. These costs will depend upon many factors, including the required levels of GHG emission reductions, the timing of those reductions, the impact on fuel prices, whether emission allowances will be allocated with or without cost to existing generators, and whether flexible compliance mechanisms, such as a GHG offset program similar to those sanctioned under the CAA for conventional pollutants, will be part of the policy.

While debate continues at the national level over domestic climate policy and the appropriate scope and terms of any federal legislation, many states are developing state-specific measures or participating in regional legislative initiatives to reduce GHG emissions. At this point, we are unable to determine whether any of these proposals will be enacted into law or to estimate their potential effect on our operations.

On December 20, 2005, seven northeastern states entered into a Memorandum of Understanding to create a regional initiative to establish a cap-and-trade GHG program for electric generators, referred to as the Regional Greenhouse Gas Initiative (RGGI). In August 2006, the participating states issued a model rule to be used as a basis for individual state legislative and regulatory action to implement the program. The RGGI states (now numbering ten states) have passed laws and/or regulations to implement the RGGI program, which commenced in 2009.

Implementing regulations for such regional initiatives may be more stringent and costly than federal legislative proposals currently being debated in the U.S. Congress. It cannot yet be determined whether or to what extent any federal legislative system would preempt regional or state initiatives, although such preemption would greatly simplify compliance and eliminate regulatory duplication. If state and/or regional initiatives are allowed to stand together with federal legislation, generators could be required to purchase allowances to satisfy their state and federal compliance obligations.

Permits relating to some of Rinker s largest quarries in Florida, which represent a significant part of Rinker s business, are being challenged. A loss of these permits could adversely affect our business. See Item 4 Information on the Company Regulatory Matters and Legal Proceedings Environmental Matters.

We are subject to restrictions due to minority interests in our consolidated subsidiaries.

We conduct our business through subsidiaries. In some cases, third-party shareholders hold minority interests in these subsidiaries. Various disadvantages may result from the participation of minority 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.

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 recent years. To mitigate high energy and fuel costs and volatility, we have implemented the use of alternative fuels such as tires, which has resulted in less vulnerability 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.

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

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

With the acquisitions of RMC Group PLC, or RMC, in 2005 and Rinker in 2007, our geographic diversity has significantly increased. As of December 31, 2008, we had operations in Mexico, the United States, the United Kingdom, Spain, the Rest of Europe region (including Germany and France), the South America, Central America and the Caribbean region, Africa and the Middle East, Australia and Asia. As of December 31, 2008, our Mexican operations represented approximately 11% of our total assets, our U.S. operations represented approximately 45% of our total assets, our Spanish operations represented approximately 10% of our total assets, our United Kingdom operations represented approximately 6% of our total assets, our Rest of Europe operations represented approximately 10% of our total assets, our South America, Central America and the Caribbean operations represented approximately 5% of our total assets, our Africa and the Middle East operations represented approximately 3% of our total assets, our Australian and Asia operations represented approximately 7% of our total assets and our other operations represented approximately 3% of our total assets. For the year ended December 31, 2008, before eliminations resulting from consolidation, our Mexican operations represented approximately 17% of our net sales, our U.S. operations represented approximately 21% of our net sales, our Spanish operations represented approximately 7% of our net sales, our United Kingdom operations represented approximately 8% of our net sales, our Rest of Europe operations represented approximately 20% of our net sales, our South America, Central America and the Caribbean operations represented approximately 9% of our net sales, our Africa and the Middle East operations represented approximately 5% of our net sales, our Australian and Asia operations

represented approximately 9% of our net sales and our other operations represented approximately 4% of our net sales. Adverse economic conditions in any of these countries or regions may produce a negative impact on our net income. For a geographic breakdown of our net sales for the year ended December 31, 2008, please see Item 4 Information on the Company Geographic Breakdown of Our 2008 Net Sales.

Our operations in South America, Central America and the Caribbean are faced with several risks that are more significant than in other countries. These risks include political instability and economic volatility. For example, on August 18, 2008, Venezuelan officials took physical control of the facilities of CEMEX Venezuela, S.A.C.A. (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. Venezuela has paid no compensation to the CEMEX affiliates, CEMEX Caracas Investments B.V. and CEMEX Caracas Investments II B.V. (together, CEMEX Caracas), which held a 75.7 percent interest in CEMEX Venezuela, or to any other former CEMEX Venezuela shareholder. On October 16, 2008, CEMEX Caracas filed a request for arbitration against Venezuela before the International Centre for Settlement of Investment Disputes (ICSID), pursuant to the bilateral investment treaty between the Netherlands and Venezuela (the Treaty), seeking relief for the expropriation of their interest in CEMEX Venezuela. We are unable at this preliminary stage to estimate the likely range of potential recovery or to determine what position Venezuela will take in these proceedings, the nature of the award that may be issued by the Tribunal, and the difficulties of collection of any possible monetary award issued to CEMEX Caracas, among other matters. See Item 4 Information on the Company Regulatory Matters and Legal Proceedings Tax Matters Nationalization of CEMEX Venezuela and ICSID Arbitration.

Our operations in Africa and the Middle East have faced instability as a result of, among other things, civil unrest, extremism, deterioration of Israeli-Palestinian relations and the war in Iraq. There can be no assurance that political turbulence in the Middle East will abate in the near future or that neighboring countries, including Egypt and the United Arab Emirates, will not be drawn into conflicts or experience instability.

There have been terrorist attacks in the United States, Spain and the United Kingdom, countries in which we maintain operations, and ongoing threats of future terrorist attacks in the United States and abroad. Although it is not possible at this time to determine the long-term effect of these terrorist threats, there can be no assurance that there will not be other attacks or threats in the United States or abroad that will lead to economic contraction or erection of material barriers to trade in the United States or any other of our major markets. Economic contraction in the United States or any of our major markets could affect domestic demand for cement and have a material adverse effect on our operations.

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 our directors and officers and some of the experts 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 investors 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, 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.

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.

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Preemptive rights may be unavailable to ADS holders.

ADS holders may be unable to exercise preemptive rights granted to our shareholders, in which case ADS holders could be substantially diluted. Under Mexican law, whenever we issue new shares for payment in cash or in kind, we are generally required to grant preemptive rights to our shareholders. 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. In addition, while the depositary is permitted, if lawful and feasible at that time, to sell those rights and distribute the proceeds of that sale to ADS holders who are entitled to those rights, current Mexican law does not permit sales of that kind.

Mexican Peso Exchange Rates

Mexico has had no exchange control system in place since the dual exchange control system was abolished on November 11, 1991. The Mexican Peso has floated freely in foreign exchange markets since December 1994, when the Mexican Central Bank (*Banco de México*) abandoned its prior policy of having an official devaluation band. Since then, the Peso has been subject to substantial fluctuations in value. The Peso appreciated against the Dollar by approximately 1% and 5% in 2004 and 2005, respectively, depreciated against the Dollar by approximately 2% in 2006, depreciated against the Dollar by approximately 1% in 2007 and depreciated against the Dollar by approximately 26% in 2008. These percentages are based on the exchange rate that we use for accounting purposes, or the CEMEX accounting rate. The CEMEX accounting rate represents the average of three different exchange rates that are provided to us by Banco Nacional de México, S.A., 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.

	CEMEX Accounting Rate				Noon Buying Rate			
	End of Period	Average(1)	High	Low	End of Period	Average(1)	High	Low
Year ended December 31,								
2004	11.14	11.29	11.67	10.81	11.15	11.29	11.64	10.81
2005	10.62	10.85	11.38	10.42	10.63	10.89	11.41	10.41
2006	10.80	10.91	11.49	10.44	10.80	10.90	11.46	10.43
2007	10.92	10.93	11.07	10.66	10.92	10.93	11.27	10.67
2008	13.74	11.21	13.96	9.87	13.83	11.15	13.92	9.92
Monthly (2008-2009)								
November	13.40	13.15	13.96	12.49	13.32	13.11	13.92	12.49
December	13.74	13.45	13.83	13.03	13.83	13.42	13.83	13.12
January	14.35	13.89	14.36	13.37	14.31	13.89	14.31	13.35
February	15.26	14.64	15.25	14.20	15.09	14.61	15.09	14.13
March	14.17	14.66	15.57	13.96	14.21	14.65	15.41	14.02
April	13.80	13.43	14.05	13.02	13.80	13.39	13.89	13.05
May	13.14	13.21	13.86	12.97	13.18	13.19	13.82	12.88

(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.

On June 26, 2009, the CEMEX accounting rate was Ps13.22 to U.S.$1.00. Between January 1, 2009 and June 26, 2009, the Peso appreciated by 3.8% against the Dollar.

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For a discussion of the financial treatment of our operations conducted in other currencies, see Item 3 Key Information Selected Consolidated Financial Information.

Selected Consolidated Financial Information

The financial data set forth below as of and for each of the five years ended December 31, 2008 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 2008 and 2007 and for each of the three years ended December 31, 2008, have been derived from, and should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements and the notes thereto included elsewhere in this annual report. Our audited consolidated financial statements for the year ended December 31, 2008 were approved by our shareholders at the 2009 annual general meeting (which took place on April 23, 2009).

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 business before we assumed operating control. As a result, the financial data for the years ended December 31, 2004, 2005, 2006, 2007 and 2008 may not be comparable to that of prior periods.

The acquisition date of RMC was March 1, 2005. Our consolidated financial information for the year ended December 31, 2005 includes RMC s results of operations for the ten-month period ended December 31, 2005.

The acquisition date of Rinker was July 1, 2007. Our consolidated financial information for the year ended December 31, 2007 includes Rinker s results of operations for the six-month period ended December 31, 2007.

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with MFRS, which differ in significant respects from U.S. GAAP.

Beginning on January 1, 2008, according to new MFRS B-10, inflationary accounting will only be applied in a high-inflation environment, defined by the MFRS B-10 as existing when the cumulative inflation for the preceding three years equals or exceeds 26%. Until December 31, 2007, inflationary accounting was applied to all CEMEX subsidiaries regardless of the inflation level of their respective country. Beginning in 2008, only the financial statements of those subsidiaries whose functional currency corresponds to a country under high inflation will be restated to take account of inflation. Designation of a country as a high or low inflation environment takes place at the end of each year and inflation is applied prospectively. As of December 31, 2007, except for Venezuela and Costa Rica, all of CEMEX s subsidiaries operated in low-inflation environment; therefore, restatement of their historical cost financial statements to take account of inflation was suspended starting on January 1, 2008.

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

The following table reflects the factors that have been used to restate the originally reported Pesos to Pesos of constant purchasing power as of December 31, 2007:

	Annual Weighted Average Factor	Cumulative Weighted Average Factor to December 31, 2007
2004	0.9590	1.1339
2005	1.0902	1.1824
2006	1.0846	1.0846

Non-Peso amounts included in the financial statements are first translated into Dollar amounts, in each case at a commercially available or an official government exchange rate for the relevant period or date, as applicable, and those Dollar amounts are then translated into Peso amounts at the CEMEX accounting rate, described under Mexican Peso Exchange Rates, as of the relevant period or date, as applicable.

The Dollar amounts provided below and, unless otherwise indicated, elsewhere in this annual report, are translations of Peso amounts at an exchange rate of Ps13.74 to U.S.$1.00, the CEMEX accounting rate as of December 31, 2008. 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, 2008 was Ps13.83 to U.S.$1.00. From December 31, 2008 through June 26, 2009, the Peso appreciated by approximately 4.3% 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 and for the year ended December 31,				
	2004	**2005**	**2006**	**2007**	**2008**
	(in millions of Pesos, except ratios and share and per share amounts)				
Income Statement Information:					
Net sales	Ps102,945	Ps192,392	Ps213,767	Ps236,669	Ps243,201
Cost of sales(1)	(57,936)	(116,422)	(136,447)	(157,696)	(166,214)
Gross profit	45,009	75,970	77,320	78,973	76,987
Operating expenses	(21,617)	(44,743)	(42,815)	(46,525)	(49,103)
Operating income	23,392	31,227	34,505	32,448	27,884
Other expense, net(2)	(6,487)	(3,976)	(580)	(3,281)	(21,496)
Comprehensive financing result(3)	1,683	3,076	(505)	1,087	(28,725)
Equity in income of associates	506	1,098	1,425	1,487	1,098
Income before income tax	19,094	31,425	34,845	31,741	(21,239)
Minority interest	265	692	1,292	837	45
Majority interest net income	16,512	26,519	27,855	26,108	2,278
Basic earnings per share(4)(5)	0.82	1.28	1.29	1.17	0.10
Diluted earnings per share(4)(5)	0.82	1.27	1.29	1.17	0.10
Dividends per share(4)(6)(7)	0.25	0.27	0.28	0.29	N/A
Number of shares outstanding(4)(8)	20,372	21,144	21,987	22,297	22,985
Balance Sheet Information:					
Cash and temporary investments	4,324	7,552	18,494	8,670	13,604
Net working capital(9)	6,633	15,920	10,389	16,690	18,091
Property, machinery and equipment, net	121,439	195,165	201,425	262,189	281,858
Total assets	219,559	336,081	351,083	542,314	623,622
Short-term debt	13,185	14,954	14,657	36,257	95,270
Long-term debt	61,731	104,061	73,674	180,654	162,824
Minority interest and perpetual debentures(11)	4,913	6,637	22,484	40,985	46,575
Total majority stockholders equity	98,919	123,381	150,627	163,168	190,692
Book value per share(4)(8)(12)	4.86	5.84	6.85	7.32	8.30
Other Financial Information:					
Operating margin	22.7%	16.2%	16.1%	13.7%	11.5%
Operating EBITDA(13)	32,064	44,672	48,466	49,859	48,748
Ratio of Operating EBITDA to interest expense, capital securities dividends and preferred equity dividends(13)	6.82	6.76	8.38	5.66	4.77
Investment in property, machinery and equipment, net	5,483	9,862	16,067	21,779	21,248
Depreciation and amortization	10,830	13,706	13,961	17,666	20,864
Net cash flow provided by operating activities(14)	27,915	43,080	47,845	45,625	31,272
Basic earnings per CPO(4)(5)	2.46	3.84	3.87	3.51	0.30

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	As of and for the year ended December 31,				
	2004	2005	2006	2007	2008
	(in millions of Pesos, except per share amounts)				
U.S. GAAP(15):					
Income Statement Information:					
Net sales	Ps100,163	Ps172,632	Ps203,660	Ps235,258	Ps242,341
Operating income (loss)(10)	18,442	27,038	32,804	29,844	(40,504)
Majority net income (loss)	20,027	23,933	26,384	21,367	(61,886)
Basic earnings (loss) per share	1.01	1.15	1.23	0.96	(2.69)
Diluted earnings (loss) per share	1.00	1.14	1.23	0.96	(2.69)
Balance Sheet Information:					
Total assets	230,027	317,896	351,927	563,565	605,081
Perpetual debentures(11)			14,037	33,470	41,495
Long-term debt(11)	48,645	89,402	69,375	164,515	162,829
Minority interest	5,057	6,200	7,581	8,010	5,105
Total majority stockholders equity	103,257	120,539	153,239	172,217	151,294

(1) Cost of sales includes depreciation. Our cost of sales excludes freight expenses of finished products from our producing plants to our selling points, the 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. Likewise, cost of sales excludes freight expenses from the points of sale to the customers locations, which are included as part of our distribution expenses line item.

(2) Beginning in 2007, current and deferred Employees Statutory Profit Sharing (ESPS) is included within Other expense, net. Until December 31, 2006, ESPS was presented in a specific line item within the income taxes section of the income statement. The Selected Consolidated Financial Information data for 2004, 2005 and 2006 were reclassified to conform with the presentation required beginning in 2007.

(3) Comprehensive financing result includes financial expenses, financial income, results from financial instruments, including derivatives and marketable securities, foreign exchange result and monetary position result. See Item 5 Operating and Financial Review and Prospects.

(4) Our capital stock consists of series A shares and series B shares. Each of our CPOs represents two series A shares and one series B share. As of December 31, 2008, approximately 97.2% of our outstanding share capital was represented by CPOs. Each of our American Depositary Shares, or ADSs, represents ten CPOs.

(5) Earnings per share are calculated based upon the weighted average number of shares outstanding during the year, as described in note 18 to the consolidated financial statements included elsewhere in this annual report. Basic earnings per CPO is determined by multiplying the basic earnings per share for each period by three (the number of shares underlying each CPO). Basic earnings per CPO is presented solely for the convenience of the reader and does not represent a measure under MFRS.

(6) Dividends declared at each year s annual shareholders meeting are reflected as dividends of the preceding year.

(7) With the exception of the 2008 fiscal year, in recent years, our board of directors has proposed, and our shareholders have approved, dividend proposals, whereby our shareholders have had a choice between stock dividends or cash dividends declared in respect of the prior year s results, with the stock issuable to shareholders who receive the stock dividend being issued at a 20% discount from then current market prices. The dividends declared per share or per CPO in these years, expressed in Pesos, were as follows: 2004, Ps0.69 per CPO (or Ps0.23 per share); 2005, Ps0.75 per CPO (or Ps0.25 per share); 2006, Ps0.81 per CPO (or Ps0.27 per share); 2007, Ps0.84 per CPO (or Ps0.28 per share); and 2008, Ps0.87 per CPO (or Ps0.29 per share). As a result of dividend elections made by shareholders, in 2004, Ps191 million in cash was paid and approximately 300 million additional CPOs were issued in respect of dividends declared for the 2003 fiscal year; in 2005, Ps449 million in cash was paid and approximately 266 million additional CPOs were issued in respect of dividends declared

for the 2004 fiscal year; in 2006, Ps161 million in cash was paid and approximately 212 million additional CPOs were issued in respect of dividends declared for the 2005 fiscal year; in 2007, Ps147 million in cash was paid and approximately 189 million additional CPOs were issued in respect of dividends declared for the 2006 fiscal year; and in 2008, Ps214 million in cash was paid and approximately 284 million additional CPOs were issued in respect of dividends declared for the 2007 fiscal year. For purposes of the table, dividends declared at each year s annual shareholders meeting for each period are reflected as dividends for the preceding year. We did not declare a dividend for fiscal year 2008. At our 2009 annual shareholders meeting, held on April 23, 2009, our shareholders approved a recapitalization of retained earnings. New CPOs issued pursuant to the recapitalization have been allocated to shareholders on a pro-rata basis. As of June 3, 2009, a total of 334,415,200 CPOs, representing 99.97% of all CPOs authorized for issuance at the shareholders meeting, had been issued. 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.

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(8) 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.

(9) Net working capital equals trade receivables, less allowance for doubtful accounts plus inventories, net, less trade payables.

(10) Operating loss under U.S. GAAP for the year ended December 31, 2008 includes impairment losses of approximately Ps67,202 million (US$4,891 million). See note 25 to our consolidated financial statements included elsewhere in this annual report.

(11) Minority interest, as of December 31, 2006, 2007 and 2008, includes U.S.$1,250 million (Ps14,642 million), U.S.$3,065 million (Ps33,470 million) and U.S.$3,020 million (Ps41,495 million), respectively, that represents the nominal amount of the fixed-to-floating rate callable perpetual debentures, denominated in Dollars and Euros, issued by consolidated entities. In accordance with MFRS, these securities qualify as equity due to their perpetual nature and the option to defer the coupons. However, for purposes of our U.S. GAAP reconciliation, we record these debentures as debt and coupon payments thereon as part of financial expenses in our income statement.

(12) Book value per share is calculated by dividing the total majority stockholders equity by the number of shares outstanding.

(13) Operating EBITDA equals operating income before amortization expense and depreciation. Under MFRS, until December 31, 2004, amortization of goodwill was recognized as part of other expenses, net. Commencing January 1, 2005, MFRS ceased amortization of goodwill and CEMEX assesses goodwill for impairment annually unless events occur that require more frequent reviews. Discounted cash flow analyses are used to assess goodwill impairment, as described in note 10C to the consolidated financial statements included elsewhere in this annual report. Operating EBITDA and the ratio of Operating EBITDA to interest expense are presented herein because we believe that they are widely accepted as financial indicators of our ability to internally fund capital expenditures and service or incur debt. Operating EBITDA and such ratios should not be considered as indicators of our financial performance, as alternatives to cash flow, as measures of liquidity or as being comparable to other similarly titled measures of other companies. Operating EBITDA is reconciled below to operating income under MFRS before giving effect to any minority interest, which we consider to be the most comparable measure as determined under MFRS. Interest expense under MFRS does not include coupon payments and issuance costs of the perpetual debentures issued by consolidated entities of approximately Ps152 million for 2006, approximately Ps1,847 million for 2007 and approximately Ps2,596 million for 2008, as described in note 15D to the consolidated financial statements included elsewhere in this annual report.

	For the year ended December 31, (in millions of Pesos and Dollars)				
	2004	**2005**	**2006**	**2007**	**2008**
Reconciliation of Operating EBITDA to operating income					
Operating EBITDA	Ps32,064	Ps44,672	Ps48,466	Ps49,859	Ps48,748
Less:					
Depreciation and amortization expense	8,672	13,445	13,961	17,411	20,864
Operating income	Ps23,392	Ps31,227	Ps34,505	Ps32,448	Ps27,884

(14) For the four years ended December 31, 2007, statements of cash flows were not required under MFRS; therefore net resources provided by operating activities included in this item for such years refer to the Statements of Changes in Financial Position and represent majority interest net income plus items not affecting cash flow plus investment in working capital excluding effects from acquisitions and including inflation effects and unrealized foreign exchange effects. See note 2A to our consolidated financial statements included elsewhere in this annual report.

(15)

We have restated the information at and for the years ended December 31, 2004, 2005 and 2006 under U.S. GAAP using the inflation factor derived from the national consumer price index, or NCPI, in Mexico, as required by Regulation S-X under the U.S. Securities Exchange Act of 1934, or the Exchange Act, instead of using the weighted average restatement factors used by us until December 31, 2007 according to MFRS and applied to the information presented under MFRS of prior years. These figures are presented in constant Pesos as of December 31, 2007, the last date in which inflationary accounting was applied (see note 2A to our consolidated financial statements included elsewhere in this annual report). The amounts for the year ended December 31, 2008 are presented in nominal Pesos.

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.

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Business Overview

We are a publicly traded stock corporation with variable capital, or *sociedad anónima bursátil de capital variable*, organized under the laws of the United Mexican States, or Mexico, with our principal executive offices in Av. 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 agent for service, exclusively for actions brought by the Securities and Exchange Commission pursuant to the requirements of the United States Federal securities laws, is CEMEX, Inc., located at 840 Gessner Road, Suite 1400, Houston, Texas 77024.

CEMEX was founded in 1906 and was registered with the Mercantile Section of the Public Register 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, or CEMEX, S.A.B. de C.V.

As of December 31, 2008, we were the third largest cement company in the world, based on installed capacity of approximately 95.6 million tons. As of December 31, 2008, we were the largest ready-mix concrete company in the world with annual sales volumes of approximately 77.3 million cubic meters, and one of the largest aggregates companies in the world with annual sales volumes of approximately 241 million tons, in each case based on our annual sales volumes in 2008. We are also one of the world s largest traders of cement and clinker, having traded approximately 9 million tons of cement and clinker in 2008. We are a holding company primarily engaged, through our operating subsidiaries, in the production, distribution, marketing and sale of cement, ready-mix concrete, aggregates and clinker.

We are a global cement manufacturer with operations in North America, Europe, South America, Central America, the Caribbean, Africa, the Middle East, Australia and Asia. As of December 31, 2008, we had total assets of approximately Ps623,622 million (U.S.$45,387 million) and an equity market capitalization of approximately Ps98,827 million (U.S.$7,193 million).

As of December 31, 2008, our main cement production facilities were located in Mexico, the United States, Spain, the United Kingdom, Germany, Poland, Croatia, Latvia, Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Egypt, the Philippines and Thailand. As of December 31, 2008, our assets, cement plants and installed capacity, on an unconsolidated basis by region, were as set forth below. Installed capacity, which refers to theoretical annual production capacity, represents gray cement equivalent capacity, which counts each ton of white cement capacity as approximately two tons of gray cement capacity. The table below also includes our proportional interest in the installed capacity of companies in which we hold a minority interest.

	As of December 31, 2008		
	Assets after eliminations (in billions of Pesos)	**Number of Cement Plants**	**Installed Capacity (millions of tons per annum)**
North America			
Mexico	66	15	29.2
United States	278	14	17.5
Europe			
Spain	62	8	11.4
United Kingdom	38	3	2.8
Rest of Europe	62	8	11.6
South America, Central America and the Caribbean	32	11	11.2
Africa and the Middle East	20	1	5.3
Australia and Asia			
Australia	31		0.9
Asia	11	4	5.7
Cement and Clinker Trading Assets and Other Operations	24		

In the above table, Rest of Europe includes our subsidiaries in Germany, France, Ireland, Poland, Croatia, Austria, Hungary, the Czech Republic, Latvia and other assets in the European region, and, for purposes of the columns labeled Assets and Installed Capacity, includes our 33% interest, as of December 31, 2008, in a Lithuanian cement producer that operated one cement plant with an installed capacity of 1.3 million tons as of December 31, 2008. In the above table, South America, Central America and the Caribbean includes our

subsidiaries in Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Guatemala, Argentina and other assets in the Caribbean region. In the above table, Africa and the Middle East includes our subsidiaries in Egypt, the United Arab Emirates and Israel. In the above table, Australia includes 0.9 million cement tons of annual installed capacity corresponding to our 25% interest in the Cement Australia Holdings Pty Limited joint venture, which operated four cement plants, with a total cement installed capacity of approximately 3.8 million tons per year, and Asia includes our subsidiaries in the Philippines, Thailand, Malaysia, Bangladesh and other assets in the Asian region. See Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating to Our Planned Divestitures of Assets.

During the last two decades, we embarked on a major geographic expansion program to diversify our cash flows and enter markets whose economic cycles within the cement industry largely operate independently from those of Mexico and which offer long-term growth potential. We have built an extensive network of marine and land-based distribution centers and terminals that give us marketing access around the world. The following have been our most significant acquisitions over the last five years:

- On July 1, 2007, we completed for accounting purposes the acquisition of 100% of the Rinker shares for a total consideration of approximately U.S.$14.2 billion (excluding the assumption of approximately U.S.$1.3 billion of Rinker s debt). Rinker, headquartered in Australia, was a leading international producer and supplier of materials, products and services used primarily in the construction industry, with operations primarily in the United States and Australia, and limited operations in China. As of March 31, 2006, Rinker had over 14,000 employees. Rinker operations in the United States consisted of two cement plants located in Florida with an installed capacity of 1.9 million tons of cement and 172 ready-mix concrete plants. In Australia, through its Readymix subsidiary, Rinker operated 344 operating plants including 84 quarries and sand mines, 243 concrete plants and 17 concrete pipe and product plants, as of such date. In China, through its Readymix subsidiary, Rinker operated four concrete plants in the northern cities of Tianjin and Qingdao.

- On March 1, 2005, we completed our acquisition of RMC for a total purchase price of approximately U.S.$4.3 billion, excluding approximately U.S.$2.2 billion of assumed debt. RMC, headquartered in the United Kingdom, was one of Europe s largest cement producers and one of the world s largest suppliers of ready-mix concrete and aggregates, with operations in 22 countries, primarily in Europe and the United States, and employed over 26,000 people. The assets acquired included 13 cement plants with an approximate installed capacity of 17 million tons, located in the United Kingdom, the United States, Germany, Croatia, Poland and Latvia.

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

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

- On July 31, 2008, we agreed to sell our operations in Austria (consisting of 26 aggregates and 41 ready-mix concrete plants) and Hungary (consisting of 6 aggregates, 29 ready-mix concrete and 4 paving stone plants) to Strabag SE, one of Europe s leading construction and building materials groups, for 310 million (approximately U.S.$433 million). On February 11, 2009, the HCC approved the sale subject to the condition that the purchaser sell the ready-mix concrete plant operating in Salgótarján to a third party within the next year. The transaction is still subject to regulatory approval by the Austrian competition authorities. The purchaser has appealed several conditions imposed by the Austrian competition authorities, which we expect will delay the completion of the sale by at least two months.

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

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

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

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

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

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

On January 11, 2008, in connection with the assets acquired from Rinker (see note 8A to our consolidated financial statements included elsewhere in this annual report), and as part of our agreements with Ready Mix USA, Inc., or Ready Mix USA, a privately owned ready-mix concrete producer with operations in the Southeastern United States (described below), CEMEX contributed and sold to Ready Mix USA, LLC, our ready-mix concrete joint venture with Ready Mix USA (described below) certain assets located in Georgia, Tennessee and Virginia, which had a fair value of approximately U.S.$437 million. We received U.S.$120 million in cash for the assets sold to Ready Mix USA, LLC, and the remaining assets were treated as a U.S.$260 million contribution by us to Ready Mix USA, LLC. As part of the same transaction, Ready Mix USA contributed U.S.$125 million in cash to Ready Mix USA, LLC, which in turn received bank loans of U.S.$135 million. Ready Mix USA, LLC made a special distribution in cash to us of U.S.$135 million. Ready Mix USA manages all the assets acquired. Following this transaction, Ready Mix USA, LLC continues to be owned 50.01% by Ready Mix USA and 49.99% by CEMEX.

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

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

On April 26, 2005, we sold our 11.9% interest in the Chilean cement producer Cementos Bio Bio, S.A., for approximately U.S.$65 million.

On March 31, 2005, we sold our Charlevoix, Michigan and Dixon, Illinois cement plants and several distribution terminals located in the Great Lakes region to Votorantim Participações S.A., a cement company in Brazil, for approximately U.S.$413 million. The combined capacity of the two cement plants sold was approximately two million tons per year, and the operations of these plants represented approximately 9% of our U.S. operations operating cash flow for the year ended December 31, 2004.

In connection with our ongoing efforts to strengthen our capital structure and regain financial flexibility, we recently began a process aimed at divesting several assets management regards as non-core. In addition to our 2008 sales of our Canary Islands and Italian operations, and our agreement to sell our Austrian and Hungary operations mentioned above, we recently announced an agreement to sell our Australian operations, and we are currently engaged in marketing for sale additional non-core assets in our portfolio. See Item 3 Key Information Risk Factors Our ability to comply with our upcoming debt maturities may depend on our 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 and Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating to Our Planned Divestitures of Assets.

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Geographic Breakdown of Our 2008 Net Sales

The following chart indicates the geographic breakdown of our net sales, before eliminations resulting from consolidation, for the year ended December 31, 2008:

For a description of a breakdown of total revenues by geographic markets for each of the years ended December 31, 2006, 2007 and 2008, please see Item 5 Operating and Financial Review and Prospects.

Our Production Processes

Cement is a binding agent, which, when mixed with sand, stone or other aggregates and water, produces either ready-mix concrete or mortar. Mortar is the mixture of cement with finely ground limestone, and ready-mix concrete is the mixture of cement with sand, gravel or other aggregates and water.

Aggregates are naturally occurring sand and gravel or crushed stone such as granite, limestone and sandstone. Aggregates are used to produce ready-mix concrete, roadstone, concrete products, lime, cement and mortar for the construction industry, and are obtained from land based sources such as sand and gravel pits and rock quarries or by dredging marine deposits.

Cement Production Process

We manufacture cement through a closely controlled chemical process, which begins with the mining and crushing of limestone and clay, and, in some instances, other raw materials. The clay and limestone are then pre-homogenized, a process which consists of combining different types of clay and limestone. The mix is typically dried, then fed into a grinder which grinds the various materials in preparation for the kiln. The raw materials are calcined, or processed, at a very high temperature in a kiln, to produce clinker. Clinker is the intermediate product used in the manufacture of cement.

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There are two primary processes used to manufacture cement: the dry process and the wet process. The dry process is more fuel efficient. As of December 31, 2008, 51 of our 60 operative production plants used the dry process, four used the wet process and five used both processes. Our operative production plants that use the wet process are located in Croatia, Nicaragua, Poland, the United Kingdom, Germany and Latvia. In the wet process, the raw materials are mixed with water to form slurry, which is fed into a kiln. Fuel costs are greater in the wet process than in the dry process because the water that is added to the raw materials to form slurry must be evaporated during the clinker manufacturing process. In the dry process, the addition of water and the formation of slurry are eliminated, and clinker is formed by calcining the dry raw materials. In the most modern application of this dry process technology, the raw materials are first blended in a homogenizing silo and processed through a pre-heater tower that utilizes exhaust heat generated by the kiln to pre-calcine the raw materials before they are calcined to produce clinker.

Clinker and gypsum are fed in pre-established proportions into a cement grinding mill where they are ground into an extremely fine powder to produce finished cement.

Ready-Mix Concrete Production Process

Ready-mix concrete is a combination of cement, fine and coarse aggregates, and admixtures (which control properties of the concrete including plasticity, pumpability, freeze-thaw resistance, strength and setting time). The concrete hardens due to the chemical reaction when water is added to the mix, filling voids in the mixture and turning it into a solid mass.

User Base

Cement is the primary building material in the industrial and residential construction sectors of most of the markets in which we operate. The lack of available cement substitutes further enhances the marketability of our product. The primary end-users of cement in each region in which we operate vary but usually include, among others, wholesalers, ready-mix concrete producers, industrial customers and contractors in bulk. The end-users of ready-mix concrete generally include homebuilders, commercial and industrial building contractors and road builders. Major end-users of aggregates include ready-mix concrete producers, mortar producers, general building contractors and those engaged in roadbuilding activity, asphalt producers and concrete product producers.

Our Business Strategy

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

Strengthening Our Capital Structure and Regaining Financial Flexibility

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

Global Refinancing. We are in discussions with lenders regarding a global refinancing. Certain of our bank lenders with principal payments falling due between March 24, 2009 and July 31, 2009 have agreed to extend the dates of repayment while discussions of a global refinancing continue. We expect to reach a mutually beneficial agreement with our lenders. See Item 3 Key Information Risk Factors We have significant amounts of debt coming due in each of the next several years, and we may not be able to secure refinancing on favorable terms or at all and Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating to Our Indebtedness.

Asset Divestitures Process. We have recently begun a process aimed at divesting certain assets management regards as non-core in order to reduce our debt. In addition to our Canary Islands and Italian operations in 2008, and our agreement to sell our Austrian and Hungary operations mentioned above, we are currently engaged in marketing for the sale of additional assets in our portfolio. In our asset divestiture efforts, we consider whether to divest specific assets or an integrated business unit depending on divestment economic terms and overall market conditions. On June 15, 2009, we sold three quarries (located in Nebraska, Wyoming and Utah) and our 49% joint venture interest in the operations of a quarry located in Granite Canyon, Wyoming, to Martin Marietta Materials, Inc. for U.S.$65 million. On June 15, 2009, we announced our agreement to sell all Australian operations to Holcim for approximately 2.02 billion Australian Dollars (approximately US$1.62 billion considering the exchange rate of 1.25 AUD$ per US Dollar at June 15, 2009). All the proceeds of the sale will be used to reduce debt. The transaction is subject to regulatory approval, due diligence and other closing conditions. See Item 3 Key Information Risk Factors Our ability to comply with our upcoming debt maturities may depend on our 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 and Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating to Our Planned Divestitures of Assets.

Global Cost-Reduction Program. In September 2008, we announced a U.S.$700 million global cost-reduction program intended to reduce our cost structure to a level consistent with the decline in our markets. Our global cost-reduction program encompasses different ongoing undertakings including headcount reductions, capacity closures across the value chain, and a general reduction in global operating expenses.

In connection with the implementation of our cost-reduction program and, as part of our ongoing efforts to eliminate redundancies at all levels and streamline corporate structures to increase our efficiency and lower costs, we have reduced our global headcount by approximately 15%, from 66,612 employees as of December 31, 2007 to 56,791 employees as of December 31, 2008, including a 4% reduction as a result of the nationalization of CEMEX Venezuela.

In addition, 26 cement production lines were temporarily shut down (for a period of at least two months) as of the end of 2008 and the beginning of 2009 in order to rationalize the use of our assets; similar actions were taken in our ready-mix concrete and aggregates businesses. Such rationalizations included, among others, our operations in Mexico, the United States, Spain and the United Kingdom. Furthermore, we have reduced our energy costs by actively managing our energy contracting and sourcing, and by increasing the use of alternative fuels. In 2009 we expect our fuels and electricity costs of cement production to decline 11% in U.S. dollar terms versus 2008.

In April 2009, we identified and announced U.S.$200 million additional cost-savings, representing an extension of earlier cost saving measures originally initiated in 2008. These additional measures are in response to current demand conditions in our markets, and will be fully implemented before the end of 2009.

Reduced Capital Expenditures. In light of the continued deterioration in demand throughout all of our markets, we decided to reduce maintenance and expansion capital expenditures to approximately U.S.$650 million during 2009, from approximately U.S.$2.2 billion during 2008. This reduction in capital expenditures is also being implemented to maximize our free cash flow generation available for debt reduction during the year consistent with our ongoing efforts to strengthen our capital structure and regain financial flexibility. We may decide to limit capital expenditures further if required as a part of the global refinancing.

Equity Issuances. We could consider calling a shareholders meeting to propose an issuance of new shares as a way to lower our debt and regain financial flexibility and to facilitate overall refinancing and deleveraging initiatives. If alternative sources of financing continue to be limited, we will be dependent on the issuance of equity as a financing source. In the context of ongoing negotiations regarding a global refinancing, our lenders may require us to issue equity and/or equity-linked and/or convertible securities and use the proceeds from any such issuance to repay debt and/or achieve specific debt/equity ratios. See Item 3 Key Information Risk Factors We will likely have to issue equity as a financing source; our ability to raise equity capital may be limited, could affect our liquidity and could be dilutive to existing shareholders.

Focusing on, and vertically integrating, our core business of cement, ready-mix concrete and aggregates

We plan to continue focusing on our core businesses, the production and sale of cement, ready-mix concrete and aggregates, and the vertical integration of these businesses. We believe that managing our cement, ready-mix concrete and aggregates operations as an integrated business can make them more efficient and more profitable than if they were run separately. We believe that this strategic focus has enabled us to grow our existing businesses and to expand our operations internationally.

Geographically diversifying our operations and allocating capital effectively

Subject to (i) the final terms of the global refinancing plan that may restrict our ability to engage in acquisitions and (ii) economic conditions that may affect our ability to complete acquisitions, upon regaining our financial flexibility we intend to continue adding assets to our existing portfolio.

We intend to continue to geographically diversify our cement, ready-mix concrete and aggregates operations and to vertically integrate in new and existing markets by investing in, acquiring and developing complementary operations along the cement value chain.

We believe that it is important to diversify selectively into markets that have long-term growth potential. By participating in these markets, and by purchasing operations that benefit from our management and turnaround expertise and assets that further integrate into our existing portfolio, in most cases, we have been able to increase our cash flow and return on capital employed.

Implementing platforms to achieve optimal operating standards

By continuing to produce cement at a relatively low cost, we believe that we will continue to generate cash flows sufficient to support our present and future growth. We strive to reduce our overall cement production related costs and corporate overhead through strict cost management policies and through improving efficiencies. We have implemented several worldwide standard platforms as part of this process. These platforms were designed to develop efficiencies and better practices, and we believe they will further reduce our costs, streamline our processes and extract synergies from our global operations. In addition, we have implemented centralized management information systems throughout our operations, including administrative, accounting, purchasing, customer management, budget preparation and control systems, which are expected to assist us in lowering costs.

In the last few years, we have implemented various procedures to improve the environmental impact of our activities as well as our overall product quality.

Through a worldwide import and export strategy, we will continue to optimize capacity utilization and maximize profitability by directing our products from countries experiencing downturns in their respective economies to target export markets where demand may be greater. Our global trading system enables us to coordinate our export activities globally and to take advantage of demand opportunities and price movements worldwide.

Providing the best value proposition to our customers

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

We continue to focus on developing new competitive advantages that will differentiate us from our competitors. In addition, we are strengthening our commercial and corporate brands in an effort to further enhance the value of our products and our services for our customers. Our relatively lower cost combined with our high quality service has allowed us to make significant inroads in these areas.

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We always work to provide superior building solutions in the markets we serve. To this end, we tailor our products and services to suit customers specific needs from home construction, improvement, and renovation to agricultural, industrial, and marine/hydraulic applications. Our porous paving concrete, for example, is best suited for sidewalks and roadways because it allows rainwater to filter into the ground, reducing flooding and helping to maintain groundwater levels. In contrast, our significantly less permeable and highly resistant concrete products are well-suited for coastal, marine, and other harsh environments.

We also see abundant opportunities to deepen our customer relationships by focusing on more vertically integrated building solutions rather than separate products. By developing our integrated offerings, we can provide customers with more reliable, higher-quality service and more consistent product quality.

Focusing on attracting, retaining and developing a diverse, experienced and motivated management team

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

We provide our management with ongoing training throughout their careers. In addition, through our stock-based compensation programs, our senior management has a stake in our financial success.

The implementation of our business strategy demands effective dynamics within our organization. Our corporate infrastructure is based on internal collaboration and global management platforms. We will continue to strengthen and develop this infrastructure to effectively support our strategy.

Our Corporate Structure

We are a holding company, and operate our business through subsidiaries that, in turn, hold interests in our cement and ready-mix concrete operating companies, as well as other businesses. The following chart summarizes our corporate structure as of December 31, 2008. The chart also shows, for each company, our approximate direct or indirect percentage equity or economic ownership interest. The chart has been simplified to show only our major holding companies in the principal countries in which we operate and does not include our intermediary holding companies and our operating company subsidiaries.

(1) Centro Distribuidor de Cemento, S.A. de C.V. indirectly holds 100% of New Sunward Holdings B.V. through other intermediate subsidiaries.

(2) Includes CEMEX España s 90% interest and a 10% interest by CEMEX France Gestion (S.A.S.).

(3) Formerly RMC Group Limited.

(4) EMBRA is the holding company for operations in Finland, Norway and Sweden.

(5) Formerly Rizal Cement Co., Inc. Includes CEMEX Asia Holdings 70% economic interest and 30% interest by CEMEX España.

(6) Represents CEMEX Asia Holdings indirect economic interest.

(7) Represents our economic interest in three UAE companies, CEMEX Topmix LLC, CEMEX Supermix LLC and CEMEX Falcon LLC. We own a 49% equity interest in each of these companies, and we have obtained the remaining 51% of the economic benefits through agreements with other shareholders.

(8) Includes CEMEX (Costa Rica) S.A. s 98% interest and CEMEX España S.A. s 2% indirect interest.

(9) Registered business name is CEMEX Ireland.

(10) CEMEX Australia Holdings Pty. Ltd. is the owner of our Australian operations and has an indirect interest in CEMEX Materials LLC. On June 15, 2009, we announced our agreement to sell all our Australian operations to Holcim for approximately 2.02 billion Australian Dollars (approximately US$1.62 billion considering the exchange rate of 1.25 AUD$ per US Dollar at June 15, 2009). See Item 5 Operating and Financial Review and Prospects Recent Developments Recent Developments Relating to Our Planned Divestitures of Assets.

(11) CEMEX Asia B.V. holds 100% of the beneficial interest.

(12) On July 31, 2008, we agreed to sell our operations in Austria (consisting of 26 aggregates and 41 ready-mix concrete plants) and Hungary (consisting of 6 aggregates, 29 ready-mix concrete and 4 paving stone plants) to Strabag SE, one of Europe s leading construction and building materials groups, for 310 million (approximately U.S.$433 million). On February 11, 2009, the HCC approved the sale subject to the condition that the purchaser sell the ready-mix concrete plant operating in Salgótarján to a third party within the next year. The transaction is still subject to regulatory approval by the Austrian competition authorities. The purchaser has appealed several conditions imposed by the Austrian competition authorities, which we expect will delay the completion of the sale by at least two months.

North America

For the year ended December 31, 2008, our business in North America, which includes our operations in Mexico and the United States, represented approximately 38% of our net sales. As of December 31, 2008, our business in North America represented approximately 49% of our total installed cement capacity and approximately 56% of our total assets. As a result of our acquisition of Rinker, our North American operations have increased significantly.

Our Mexican Operations

Overview. Our Mexican operations represented approximately 17% of our net sales in Peso terms, before eliminations resulting from consolidation, and approximately 11% of our total assets for the year ended December 31, 2008.

As of December 31, 2008, we owned 100% of the outstanding capital stock of CEMEX México. CEMEX México is a direct subsidiary of CEMEX and is both a holding company for some of our operating companies in Mexico and an operating company involved in the manufacturing and marketing of cement, plaster, gypsum, groundstone and other construction materials and cement by-products in Mexico. CEMEX México, indirectly, is also the holding company for our international operations. CEMEX México, together with its subsidiaries, accounts for a substantial part of the revenues and operating income of our Mexican operations.

In March 2006, we announced a plan to construct a new kiln at our Yaqui cement plant in Sonora, Mexico in order to increase our cement production capacity to support strong regional demand due to the continued growth of the housing market in the Northwest region. The production capacity of the Yaqui cement plant before the construction of the new kiln was approximately 1.6 million tons of cement per year. The construction of the new kiln, which increased our total production capacity in the Yaqui cement plant to approximately 3.1 million tons of cement per year, was completed in the third quarter of 2008.

In September 2006, we announced a plan to construct a new kiln at our Tepeaca cement plant in Puebla, Mexico. The current production capacity of the Tepeaca cement plant is approximately 3.3 million tons of cement per year. The construction of the new kiln, which is designed to increase our total production capacity in the Tepeaca cement plant to approximately 7.4 million tons of cement per year, is expected to be completed in 2013. We expect our total capital expenditures in the construction of this new kiln to be approximately U.S.$570 million, including approximately U.S.$32 million, U.S.$94 million and U.S.$303 million in capital expenditures made during 2006, 2007 and 2008, respectively. We expect to spend approximately U.S.$35 million in capital expenditures for Tepeaca during 2009. We expect that this investment will be fully funded with free cash flow generated during the construction period.

In 2001, we launched the Construrama program, a registered brand name for construction material stores. Through the Construrama program, we offer to an exclusive group of our Mexican distributors the opportunity to sell a variety of products under the Construrama brand name, a concept that includes the standardization of stores, image, marketing, products and services. As of December 31, 2008, more than 840 independent concessionaries with more than 2,400 stores were integrated into the Construrama program, with nationwide coverage.

The Mexican Cement Industry. According to the Instituto Nacional de Estadística, Geografía e Informática, Mexico s Construction GDP decreased 0.6% in 2008. Total construction investment, on the other hand, fell by 0.4%, primarily driven by the commercial and industrial segments, which we estimate fell 16.5% during the full year, while the retail (self-construction) market decreased 4.7%, formal housing increased 5.3% and infrastructure increased 15.7%.

Cement in Mexico is sold principally through distributors, with the remaining balance sold through ready-mix concrete producers, manufacturers of pre-cast concrete products and construction contractors. Cement sold through distributors is mixed with aggregates and water by the end user at the construction site to form concrete. Ready-mix concrete producers mix the ingredients in plants and deliver it to local construction sites in mixer trucks, which pour the concrete. Unlike more developed economies, where purchases of cement are concentrated in the commercial and industrial sectors, retail sales of cement through distributors in 2008 accounted for more than 60% of Mexico s demand. Individuals who purchase bags of cement for self-construction and other basic construction needs are a significant component of the retail sector. We estimate that about 30% of total demand in Mexico comes from individuals who address their own construction needs. We believe that this large retail sales base is a factor that significantly contributes to the overall performance of the Mexican cement market.

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

Competition. In the early 1970s, the Mexican cement industry was regionally fragmented. However, over the last 30 years, cement producers in Mexico have increased their production capacity and the Mexican cement industry has consolidated into a national market, thus becoming increasingly competitive. The major cement producers in Mexico are CEMEX; Holcim Apasco, an affiliate of Holcim; Sociedad Cooperativa Cruz Azul, a Mexican operator; Cementos Moctezuma, an associate of Ciments Molins; Grupo Cementos Chihuahua, a Mexican operator in which we own a 49% interest; and Lafarge.

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

- the time-consuming and expensive process of establishing a retail distribution network and developing the brand identification necessary to succeed in the retail market, which represents the bulk of the domestic market;
- the lack of port infrastructure and the high inland transportation costs resulting from the low value-to-weight ratio of cement;
- the distance from ports to major consumption centers and the presence of significant natural barriers, such as mountain ranges, which border Mexico s east and west coasts;
- the extensive capital expenditure requirements; and
- the length of time required for construction of new plants, which is approximately two years.

Our Mexican Operating Network

During 2008, we operated 15 plants and 88 distribution centers (including eight marine terminals) located throughout Mexico. We operate modern plants on the Gulf of Mexico and Pacific coasts, allowing us to take advantage of low-land transportation costs to export to U.S., Caribbean, Central and South American markets.

Products and Distribution Channels

Cement. Our cement operations represented approximately 57% of our Mexican operations net sales before eliminations resulting from consolidation in 2008. Our domestic cement sales volume represented approximately 93% of our total Mexican cement sales volume in 2008. As a result of the retail nature of the Mexican market, our Mexican operations are not dependent on a limited number of large customers. The five most important distributors in the aggregate accounted for approximately 7.3% of total cement sales by volume for such year.

Ready-Mix Concrete. Our ready-mix operations represented approximately 26% of our Mexican operations net sales before eliminations resulting from consolidation in 2008. Our ready-mix operations in Mexico purchase all their cement requirements from our Mexican cement operations. Ready-mix concrete is sold through our own internal sales force and facilities network.

Aggregates. Our aggregates operations represented approximately 3% of our Mexican operations net sales before eliminations resulting from consolidation in 2008.

Exports. Our Mexican operations export a portion of their cement production, mainly in the form of cement and to lesser extent in the form of clinker. Exports of cement and clinker by our Mexican operations represented approximately 7% of our total Mexican cement sales volume in 2008. In 2008, approximately 56% of our cement and clinker exports from Mexico were to the United States, 37% to Central America and the Caribbean and 7% to South America.

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

Our exports of Mexican gray cement from Mexico to the United States were subject to an anti-dumping order that was imposed by the Commerce Department on August 30, 1990. In March 2006, the Mexican and U.S. governments entered into an agreement to eliminate U.S. anti-dumping duties on Mexican cement imports following a three-year transition period beginning in 2006. In 2006, 2007 and 2008, Mexican cement imports into the U.S. were subject to volume limitations of 3 million tons, 3.1 million and 3.0 million tons per year, respectively. Quota allocations to Mexican companies that import cement into the U.S. are made on a regional basis. The transitional

anti-dumping duty during the three-year transition period was lowered to U.S.$3.00 per ton, effective as of April 3, 2006, from the previous amount of approximately U.S.$26.00 per ton. Restrictions imposed by the United States on Mexican cement imports were eliminated beginning in 2009. For a more detailed description of the terms of the agreement between the Mexican and U.S. governments, please see Regulatory Matters and Legal Proceedings Anti-Dumping.

Production Costs. Our Mexican operations cement plants primarily utilize petcoke, but several are designed to switch to fuel oil and natural gas with minimum downtime. We have entered into two 20-year contracts with Petróleos Mexicanos, or PEMEX, pursuant to which PEMEX has agreed to supply us with a total of 1.75 million tons of petcoke per year through 2022 and 2023. Petcoke is petroleum coke, a solid or fixed carbon substance that remains after the distillation of hydrocarbons in petroleum and that may be used as fuel in the production of cement. The PEMEX petcoke contracts have reduced the volatility of our fuel costs. In addition, since 1992, our Mexican operations have begun to use alternative fuels, to further reduce the consumption of residual fuel oil and natural gas. These alternative fuels represented approximately 5.4% of the total fuel consumption for our Mexican operations in 2008, and we expect to increase this percentage to about 9% by the end of 2009.

In 1999, we reached an agreement with a consortium for the financing, construction and operation of Termoeléctrica del Golfo, a 230 megawatt energy plant in Tamuin, San Luis Potosí, Mexico. We entered into this agreement in order to reduce the volatility of our energy costs. The total cost of the project was approximately U.S.$360 million. The power plant commenced commercial operations in April 2004. In February 2007, the original members of the consortium sold their participations in the project to a subsidiary of The AES Corporation. As part of the original agreement, we committed to supply the energy plant with all fuel necessary for its operations, a commitment that has been hedged through a 20-year agreement we entered into with PEMEX. These agreements were reestablished under the same conditions in 2007 with the new operator and the term was extended until 2027. The agreement with PEMEX, however, was not modified and terminates in 2024. Consequently, for the last 3 years of the agreement, we intend to purchase the required fuel in the market. For the years ended December 31, 2008, 2007 and 2006, the power plant has supplied 60.4%, 59.7% and 57.1%, respectively, of our overall Mexican cement plants electricity needs during such years.

In April 2007, we entered into an agreement to purchase the energy generated by a wind-driven power plant located in Oaxaca, Mexico, which construction is currently underway by Spanish construction company Acciona S.A. The power plant is expected to generate up to 250 megawatts of electricity per year and supply approximately 25% of our current power needs in Mexico. The first phase was completed in the first quarter of 2009 and the last phase is expected to be operational in the last quarter of 2009. Currently, 25 turbines are installed out of a total of 167 wind turbines. The power plant, which will be financed by Acciona S.A., is estimated to cost approximately U.S.$550 million.

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

Description of Properties, Plants and Equipment. As of December 31, 2008, there were 15 wholly-owned cement plants located throughout Mexico, with a total theoretical installed capacity of 29.2 million tons per year. We have exclusive access to limestone quarries and clay reserves near each of our plant sites in Mexico. We estimate that these limestone and clay reserves have an average remaining life of more than 60 years, assuming 2008 production levels. As of December 31, 2008, all our production plants in Mexico utilized the dry process.

As of December 31, 2008, we had a network of 80 land distribution centers in Mexico, which are supplied through a fleet of our own trucks and rail cars, as well as leased trucks and rail facilities and eight marine terminals. In addition, we had 328 ready-mix concrete plants throughout 79 cities in Mexico, more than 2,700 ready-mix concrete delivery trucks and 16 aggregates quarries.

As part of our Global Cost-Reduction Program we have made temporary capacity adjustments and rationalizations in four of our cement plants in Mexico. In addition, we expect to close approximately 6% of our production capacity in our ready-mix plants and around 7% of our land distribution centers in Mexico.

Capital Expenditures. We made capital expenditures of approximately U.S.$353 million in 2006, U.S.$398 million in 2007 and U.S.$497 million in 2008, in our Mexican operations. We currently expect to make capital expenditures of approximately U.S.$99 million in our Mexican operations during 2009, including those related to the expansion of the Tepeaca cement plant described above.

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Our U.S. Operations

Overview. Our U.S. operations represented approximately 21% of our net sales in Peso terms, before eliminations resulting from consolidation, and approximately 45% of our total assets, for the year ended December 31, 2008. As of December 31, 2008, we held 100% of CEMEX, Inc., our operating subsidiary in the United States.

As of December 31, 2008, we had a cement manufacturing capacity of approximately 17.5 million tons per year in our U.S. operations, including nearly 0.7 million tons in proportional interests through minority holdings. As of December 31, 2008, we operated a geographically diverse base of 14 cement plants located in Alabama, California, Colorado, Florida, Georgia, Kentucky, Ohio, Pennsylvania, Tennessee and Texas. As of that date, we also had 54 rail or water served active cement distribution terminals in the United States. As of December 31, 2008, we had 348 ready-mix concrete plants located in the Carolinas, Florida, Georgia, Texas, New Mexico, Nevada, Arizona, California, Oregon and Washington and aggregates facilities in North Carolina, South Carolina, Arizona, California, Florida, Georgia, Kentucky, Nebraska, New Mexico, Nevada, Oregon, Texas, Utah, Washington and Wyoming, not including the assets we contributed to Ready Mix USA, LLC, as described below.

As described above, on July 1, 2005, we and Ready Mix USA established two jointly-owned limited liability companies, CEMEX Southeast, LLC, a cement company, and Ready Mix USA, LLC, a ready-mix concrete company, to serve the construction materials market in the southeast region of the United States. We own a 50.01% interest, and Ready Mix USA owns a 49.99% interest, in the profits and losses and voting rights of CEMEX Southeast, LLC, while Ready Mix USA owns a 50.01% interest, and we own a 49.99% interest, in the profits and losses and voting rights of Ready Mix USA, LLC. CEMEX Southeast, LLC is managed by us, and Ready Mix USA, LLC is managed by Ready Mix USA.

Starting on June 30, 2008, Ready Mix USA has had the right to require us to acquire Ready Mix USA s interest in the two companies at a price equal to the greater of a) eight times the companies operating cash flow for the trailing twelve months, b) eight times the average of the companies operating cash flow for the previous three years, or c) the net book value of the combined companies assets. This option will expire on July 1, 2030.

Under the Ready Mix USA, LLC joint venture, we are required to contribute to the Ready Mix USA joint venture any ready-mix concrete and concrete block assets we acquire inside the joint venture region, while any aggregates assets acquired inside the region may be added to the Ready Mix USA joint venture at the option of the non-acquiring member. Building materials, pipe, transport and storm water treatment assets are not subject to the contribution clause under the Ready Mix USA joint venture. Upon contribution of the assets, the non-acquiring member may, subject to certain conditions, elect among the following financing methods: (i) to make a capital contribution in cash to the joint venture for an amount equivalent to the determined value of the assets, (ii) to have the joint venture borrow from a third party the funds necessary to purchase the assets from us, (iii) to have the joint venture issue debt to the contributing member in an amount equal to such value or (iv) to accept dilution of its interest in the joint venture. The value of the contributed assets is to be determined by the Ready Mix USA joint venture board within 30 days of the asset acquisition, and is based on a formula based on the last fiscal year earnings of the assets. The non-acquiring member has 30 days to elect the financing method for the contributed assets following board approval of the valuation, and if no option is elected within 30 days the right to select the option is transferred to the contributing member. Following the financing election, the contribution or sale of the assets to the joint venture must be completed within 180 days. If not completed within that period, the non-acquiring member has the right for 365 days to require the ready-mix concrete and concrete block assets to be sold to a third party. Aggregates assets may be retained by the acquiring member if the non-acquiring member elects not to have the aggregates assets contributed to the joint venture.

On January 11, 2008, in connection with the assets acquired from Rinker (see note 8A to our consolidated financial statements included elsewhere in this annual report), and as part of our agreements with Ready Mix USA, CEMEX contributed and sold to Ready Mix USA, LLC, certain assets located in Georgia, Tennessee and Virginia, which had a fair value of approximately U.S.$437 million. We received U.S.$120 million in cash for the assets sold

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

On September 18, 2007, we announced our intention to begin the permitting process for the construction of a 1.7 million ton cement manufacturing facility near Seligman, Arizona. The state-of-the-art facility will manufacture cement to serve the future growth of Arizona, including the Phoenix metropolitan area. As a result of current market conditions and consistent with the reduction of our expansion capital expenditure program, we have delayed the completion of this project. As of December 31, 2008, we had spent a total of approximately U.S.$14 million on this project. We do not plan to incur capital expenditures in the construction of the Seligman Crossing Plant during 2009.

In February 2006, we announced a plan to construct a second kiln at our Balcones cement plant in New Braunfels, Texas in order to increase our cement production capacity to support strong demand amidst a shortfall in regional supplies of cement. The production capacity of the Balcones cement plant was approximately 1.1 million tons per year. The construction of the new kiln, which was designed to increase our total production capacity in the Balcones cement plant to approximately 2.2 million tons per year, was completed in the third quarter of 2008, although minor expenditures are scheduled to be made during 2009 and 2010. We expect to spend approximately U.S.$388 million in the construction of this new kiln, including U.S.$27 million in 2006, U.S.$187 million in 2007 and U.S.$147 million in 2008, and an expected U.S.$11 million during 2009.

In October 2005, Rinker announced that it had commenced detailed plant engineering for the construction of a second kiln at the cement plant in Brooksville, Florida in order to increase the cement production capacity by 50%. The production capacity of the Brooksville South plant was approximately 0.7 million tons per year. The construction of the new kiln was completed in the third quarter of 2008, although minor expenditures are scheduled to be made during 2009. We expect to spend approximately U.S.$246 million in the construction of this new kiln, including U.S.$2 million in 2005, U.S.$58 million in 2006, U.S.$121 million in 2007 and U.S.$58 million in 2008, and an expected U.S.$6 million during 2009.

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

The Cement Industry in the United States. Demand for cement is derived from the demand for ready-mix concrete and concrete products which, in turn, is dependent on the demand for construction. The construction industry is composed of three major sectors, namely, the residential sector, the industrial-and-commercial sector, and the public sector. The public sector is the most cement intensive sector, particularly for infrastructure projects such as streets, highways and bridges. While construction spending follows the overall business cycle, the public sector has been the major driver of long-term cement demand growth and has been more stable during recessions than the residential and industrial and commercial sectors.

The construction industry is experiencing the worst downturn in over 70 years as the fallout from the collapse of the housing sector caused massive losses in the financial sector, which has resulted in extremely tight credit conditions and a deep U.S. recession. Under these conditions, cement demand declined 9.9% in 2007 and 15.8% in 2008. According to the Portland Cement Association, cement demand is projected to decline 18% in 2009 and then enter a recovery period as unprecedented actions by the Federal Reserve and Treasury to stabilize the financial sector and the $787 billion economic stimulus package take hold. To a large extent, the 30 million ton decline in cement demand from 2006 to 2008 has been absorbed by a decline in imports of 25 million tons.

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According to the Portland Cement Association, the industry s capacity utilization was 91.4% in 2007, and we estimate that it was approximately 84% in 2008. The industry is responding to the weak demand conditions by closing plants, reducing production and delaying capacity expansions. To date, there have been announcements to close approximately 10 million tons of capacity for 2009. We believe that the unprecedented drop in the housing industry since early 2006 is not likely to be repeated in the future. Consequently, we believe that cement demand in the future will show more stability in recessions than is currently the case because of the large share of demand accounted for by the public sector, which has a long history of being more stable during recessions.

Competition. As a result of the lack of product differentiation and the commodity nature of cement, the cement industry in the U.S. is highly competitive. We compete with national and regional cement producers in the U.S. Our principal competitors in the United States are Holcim, Lafarge, Buzzi-Unicem, Heidelberg Cement and Ash Grove Cement.

The independent U.S. ready-mix concrete industry is highly fragmented, and few producers other than vertically integrated producers have annual sales in excess of U.S.$6 million or have a fleet of more than 20 concrete mixers. Given that the concrete industry has historically consumed approximately 75% of all cement produced annually in the U.S., many cement companies choose to be vertically integrated.

Aggregates are widely used throughout the U.S. for all types of construction because they are the most basic materials for building activity. The U.S. aggregates industry is highly fragmented and geographically dispersed. According to the U.S. Geological Survey, during 2008 an estimated 4,100 companies operated approximately 6,700 sand and gravel sites and 1,450 companies operated 3,620 crushed stone quarries and 86 underground mines in 50 states in the U.S.

Our United States Cement Operating Network. The map below reflects the location of our operating assets, including our cement plants and cement terminals in the United States (including the assets held through the Ready Mix USA LLC joint venture) as of December 31, 2008.

Products and Distribution Channels

Cement. Our cement operations represented approximately 27% of our U.S. operations net sales before eliminations resulting from consolidation in 2008. We deliver a substantial portion of cement by rail. Occasionally, these rail shipments go directly to customers. Otherwise, shipments go to distribution terminals where customers pick up the product by truck or we deliver the product by truck. The majority of our cement sales are made directly to users of gray Portland and masonry cements, generally within a radius of approximately 200 miles of each plant.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 30% of our U.S. operations net sales before eliminations resulting from consolidation in 2008. Our ready-mix concrete operations in the U.S. purchase most of their cement requirements from our U.S. cement operations and roughly half of their aggregates requirements from our U.S. aggregates operations. In addition, our 49.99%-owned Ready Mix USA, LLC joint venture purchases most of its cement requirements from our U.S. cement operations. Our ready-mix concrete products are mainly sold to residential, commercial and public contractors and to building companies.

Aggregates. Our aggregates operations represented approximately 17% of our U.S. operations net sales before eliminations resulting from consolidation in 2008. At 2008 production levels, and based on 102 active locations, it is anticipated that our construction aggregates reserves in the U.S. will last for 29 years or more. Our aggregates are consumed mainly by our internal operations and by our trade customers in the ready-mix, concrete products and asphalt industries. Ready Mix USA, LLC purchases most of its aggregates requirements from third parties.

Production Costs. The largest cost components of our plants are electricity and fuel, which accounted for approximately 39% of our U.S. operations total production costs in 2008. We are currently implementing a program to gradually replace coal with more economic fuels such as petcoke and tires, which has resulted in reduced energy costs. By retrofitting our cement plants to handle alternative energy fuels, we have gained more flexibility in supplying our energy needs and have become less vulnerable to potential price spikes. In 2008, the use of alternative

fuels offset the effect on our fuel costs of a significant increase in coal prices. Power costs in 2008 represented approximately 17% of our U.S. cement operations cash manufacturing cost, which represents production cost before depreciation. We have improved the efficiency of our U.S. operations electricity usage, concentrating our manufacturing activities in off-peak hours and negotiating lower rates with electricity suppliers.

Description of Properties, Plants and Equipment. As of December 31, 2008, we operated 14 cement manufacturing plants in the U.S., with a total installed capacity of 17.5 million tons per year, including nearly 0.7 million tons in proportional interests through minority holdings. As of that date, we operated a distribution network of 54 cement terminals, 11 of which are deep-water terminals. All our cement production facilities in 2008 were wholly-owned except for the Louisville, Kentucky plant, which is owned by Kosmos Cement Company, a joint venture in which we own a 75% interest and a subsidiary of Dyckerhoff AG owns a 25% interest, and the Demopolis, Alabama and Clinchfield, Georgia plants, which are owned by CEMEX Southeast, LLC, an entity in which we own a 50.01% interest and Ready Mix USA owns a 49.99% interest. As of December 31, 2008, we had 348 wholly-owned ready-mix concrete plants and 102 aggregates quarries.

As of December 31, 2008, we also had interests in 188 ready-mix concrete plants and 24 aggregates quarries, which are owned by Ready Mix USA, LLC, an entity in which Ready Mix USA owns a 50.01% interest and we own a 49.99% interest.

As of December 31, 2008, we distributed fly ash through 16 terminals and 18 third-party-owned utility plants, which operate both as sources of fly ash and distribution terminals. As of that date, we also owned 196 concrete block, paver, pipe, precast, asphalt and gypsum products distribution facilities, and had interests in 19 concrete block, paver, pipe and precast facilities, which are owned by Ready Mix USA, LLC.

As part of our Global Cost-Reduction Program we have made temporary capacity adjustments and rationalizations in three cement plants in our U.S. operations. Our Davenport plant, located in northern California, will shut down cement production. Our Brooksville plant, located near our recently expanded capacity Brooksville South plant, has already shut down cement production. In addition, we have closed around 30% of our ready-mix concrete plants, around 15% of our concrete block plants and around 31% of our aggregates quarries in the U.S.

Capital Expenditures. We made capital expenditures of approximately U.S.$344 million in 2006, U.S.$496 million in 2007 and U.S.$391 million in 2008, in our U.S. operations. We currently expect to make capital expenditures of approximately U.S.$64 million in our U.S. operations during 2009. We do not expect to be required to contribute any funds with respect to the assets of the companies jointly-owned with Ready Mix USA as capital expenditures during 2009.

Europe

For the year ended December 31, 2008, our business in Europe, which includes our operations in Spain, the United Kingdom and our Rest of Europe segment, as described below, represented approximately 35% of our net sales before eliminations resulting from consolidation. As of December 31, 2008, our business in Europe represented approximately 27% of our total installed capacity and approximately 26% of our total assets.

Our Spanish Operations

Overview. Our Spanish operations represented approximately 7% of our net sales in Peso terms, before eliminations resulting from consolidation, and approximately 10% of our total assets, for the year ended December 31, 2008.

As of December 31, 2008, we held 99.8% of CEMEX España, S.A., or CEMEX España, our operating subsidiary in Spain. Our cement activities in Spain are conducted by CEMEX España. Our ready-mix concrete activities in Spain are conducted by Hormicemex, S.A., a subsidiary of CEMEX España, and our aggregates activities in Spain are conducted by Aricemex S.A., a subsidiary of CEMEX España. CEMEX España is also a holding company for most of our international operations.

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

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

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

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

The Spanish Cement Industry. According to our latest estimates, in 2008, investment in construction sector fell by about 4.8% when compared to 2007, primarily as a result of a severe correction in the housing sector, which fell by about 10.9%. According to the latest estimates from the Asociación de Fabricantes de Cemento de España, or OFICEMEN, the Spanish cement trade organization, cement consumption in Spain in 2008 decreased 23.8% compared to 2007.

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

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

Competition. According to OFICEMEN, as of December 31, 2008, approximately 60% of installed capacity for production of clinker and cement in Spain was owned by five multinational groups, including CEMEX.

Competition in the ready-mix concrete industry is particularly intense in large urban areas. Our subsidiary, Hormicemex, has achieved a relevant market presence in areas such as the Baleares islands, Levante (includes the Castellón, Valencia, Alicante and Murcia regions) and Aragón (includes the Huesca, Zaragoza and Teruel regions). In other areas, such as central Spain and Cataluña (includes the Barcelona, Lleida and Tarragona regions), our market share is smaller due to greater competition in the relatively larger urban areas. The overall high degree of competition in the Spanish ready-mix concrete industry has in the past led to weak pricing. The distribution of ready-mix concrete remains a key component of CEMEX España s business strategy.

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Our Spanish Operating Network

Products and Distribution Channels

Cement. Our cement operations represented approximately 54% of our Spanish operations net sales before eliminations resulting from consolidation in 2008. CEMEX España offers various types of cement, targeting specific products to specific markets and users. In 2008, approximately 14% of CEMEX España s domestic sales volume consisted of bagged cement through distributors, and the remainder of CEMEX España s domestic sales volume consisted of bulk cement, primarily to ready-mix concrete operators, which include CEMEX España s own subsidiaries, as well as industrial customers that use cement in their production processes and construction companies.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 24% of our Spanish operations net sales before eliminations resulting from consolidation in 2008. Our ready-mix concrete operations in Spain in 2008 purchased over 85% of their cement requirements from our Spanish cement operations, and approximately 51% of their aggregates requirements from our Spanish aggregates operations.

Aggregates. Our aggregates operations represented approximately 6% of our Spanish operations net sales before eliminations resulting from consolidation in 2008.

Exports. Exports of cement by our Spanish operations represented approximately 2% of our Spanish operations net sales before eliminations resulting from consolidation in 2008. Export prices are usually lower than domestic market prices, and costs are usually higher for export sales. Of our total export sales from Spain in 2008, 10% consisted of white cement, 22% of gray cement and 68% of grey clinker. In 2008, 72% of our exports from Spain were to Africa, 27% to Europe and 1% to other countries.

Production Costs. We have improved the profitability of our Spanish operations by introducing technological improvements that have significantly reduced our energy costs, including the use of alternative fuels, in accordance with our cost reduction efforts. In 2008, we burned meal flour, organic waste, tires and plastics as fuel, achieving, in 2008, an 11% substitution rate for petcoke in our gray clinker kilns for the year. During 2009, we expect to increase the quantity of these alternative fuels and to reach a substitution level of over 25%.

Description of Properties, Plants and Equipment. As of December 31, 2008, our Spanish operations included eight cement plants located in Spain, with an installed cement capacity of 11.4 million tons, including 1.2 million tons of white cement. As of that date, we also owned two cement mills, 25 distribution centers, including 8 land and 17 marine terminals, 104 ready-mix concrete plants, 25 aggregates quarries and 12 mortar plants. As of December 31, 2008, we owned 9 limestone quarries located in close proximity to our cement plants, which have useful lives ranging from 10 to 30 years, assuming 2008 production levels. Additionally, we have rights to expand these reserves to around 50 years of limestone reserves, assuming 2008 production levels.

As part of our Global Cost-Reduction Program we have made temporary capacity adjustments and rationalizations in several cement plants in our Spanish operations. During 2009, six of our plants will partially stop cement production for more than two months. In addition to these partial stoppages, the San Vicente plant, located in Alicante, and the Vilanova plant, located in Tarragona, will stop cement production activities during this year. Also, we have temporarily closed our grinding mill facilities in Muel and Escombreras, and approximately 16% of our ready-mix concrete plants and 8% of our aggregates quarries in Spain.

Capital Expenditures. We made capital expenditures of approximately U.S.$162 million in 2006, U.S.$213 million in 2007 and U.S.$177 million in 2008 in our Spanish operations. We currently expect to make capital expenditures of approximately U.S.$68 million in our Spanish operations during 2009, including those related to the construction of the new cement production facility in Teruel, described above.

Our U.K. Operations

Overview. Our U.K. operations represented approximately 8% of our net sales in Peso terms, before eliminations resulting from consolidation, and approximately 6% of our total assets for the year ended December 31, 2008.

As of December 31, 2008, we held 100% of CEMEX Investments Limited (formerly RMC Group Limited), our operating subsidiary in the United Kingdom. We are a leading provider of building materials in the United Kingdom with vertically integrated cement, ready-mix concrete, aggregates and asphalt operations. We are also an important provider of concrete and precast materials solutions such as concrete blocks, concrete block paving, roof tiles, flooring systems and sleepers for rail infrastructure.

The U.K. Construction Industry. According to the U.K. s Office for National Statistics, the level of GDP in 2008 as a whole in the U.K. was 0.7% higher than in 2007. Total construction output fell 0.4% in 2008, as compared to a 2.5% growth in 2007 over the preceding year. The new private housing sector declined by 19%, and while the new public housing sector declined by approximately 7.1% in 2008, the rest of the public construction sector showed growth. Infrastructure construction grew by 15.3%, while public works other than public housing grew by 15.9% in 2008. Commercial construction activity continued to grow by 1.6%, while industrial construction activity declined by 19.3% in 2008. Repair and maintenance activity grew by 1.8% in 2008.

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

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Our U.K. Operating Network

Products and Distribution Channels

Cement. Our cement operations represented approximately 14% of our U.K. operations net sales before eliminations resulting from consolidation for the year ended December 31, 2008. About 87% of our cement sales were of bulk cement, with the remaining 13% in bags. Our bulk cement is mainly sold to ready-mix concrete, concrete block and pre-cast product customers and contractors. Our bagged cement is primarily sold to national builders merchants. During 2008, we did not import any cement or clinker.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 29% of our U.K. operations net sales before eliminations resulting from consolidation in 2008. Special products, including self-compacting concrete, fiber-reinforced concrete, high strength concrete, flooring concrete and filling concrete, represented 13% of our sales volume. Our ready-mix concrete operations in the U.K. in 2008 purchased approximately 74% of their cement requirements from our U.K. cement operations and approximately 70% of their aggregates requirements from our U.K. aggregates operations. Our ready-mix concrete products are mainly sold to public, commercial and residential contractors.

Aggregates. Our aggregates operations represented approximately 25% of our U.K. operations net sales before eliminations resulting from consolidation in 2008. In 2008, our U.K. aggregates sales were divided as follows: 50% were sand and gravel, 40% limestone and 10% hard stone. In 2008, 16% of our aggregates volumes were obtained from marine sources along the U.K.