CEMEX SAB DE CV
Form 20-F
June 30, 2008

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, 2007

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

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)

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.

7,840,254,236 CPOs
16,157,281,752 Series A shares (including Series A shares underlying CPOs)
8,078,640,876 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 ü 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 ü
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 ü No

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 ü Accelerated filer Non-accelerated filer
Indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 Item 18 ü

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 ü

TABLE OF CONTENTS

INTRODUCTION

CEMEX, S.A.B. de C.V. is incorporated as a publicly traded stock corporation with variable capital (sociedad anónima bursátil de capital variable) organized under the laws of the United Mexican States, or Mexico. Except as the context otherwise may require, references in this annual report to "CEMEX," "we," "us" or "our" refer to CEMEX, S.A.B. de C.V., its consolidated subsidiaries and, except for accounting purposes, its non-consolidated affiliates. For accounting purposes, references in this annual report to "CEMEX," "we," "us" or "our" refer solely to CEMEX, S.A.B. 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 Mexican FRS, which differ in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. During the periods presented, we are required, pursuant to Mexican FRS, to present our financial statements in constant Pesos representing the same purchasing power for each period presented. Accordingly, unless otherwise indicated, all financial data presented in this annual report are stated in constant Pesos as of December 31, 2007. Beginning January 1, 2008, however, under Mexican FRS inflation accounting will be applied only in high inflation environments. See note 3X to our consolidated financial statements included elsewhere in this annual report. Also, see note 25 to our consolidated financial statements for a description of the principal differences between Mexican FRS and U.S. GAAP as they relate to us. Non-Peso amounts included in our consolidated financial statements are first translated into Dollar amounts, in each case at a commercially available or an official government exchange rate for the relevant period or date, as applicable. Those Dollar amounts are then translated into Peso amounts at the CEMEX accounting rate, described under Item 3 — "Key Information — Mexican Peso Exchange Rates," as of the relevant period or date, as applicable.

References in this annual report to "U.S.$" and "Dollars" are to U.S. Dollars, references to "€" are to Euros, references to " " and "Pounds" are to British Pounds, references to "¥" and "Yen" are to Japanese Yen, and, unless otherwise indicated, references to "Ps," "Mexican Pesos" and "Pesos" are to constant Mexican Pesos as of December 31, 2007. The Dollar amounts provided in this annual report and the financial statements included elsewhere in this annual report, unless otherwise indicated, are translations of constant Peso amounts, at an exchange rate of Ps10.92 to U.S.$1.00, the CEMEX accounting rate as of December 31, 2007. 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. See Item 3 — "Key Information — Selected Consolidated Financial Information."

The noon buying rate for Pesos on December 30, 2007 was Ps10.92 to U.S.$1.00 and on May 30, 2008 was Ps10.33 to U.S.$1.00.

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 are continually analyzing possible acquisitions of new operations, some of which may have a material impact on our financial position, and we may not be able to realize the expected benefits from any such acquisitions, including our recent acquisition of Rinker.

A key element of our growth strategy is to acquire new operations and integrate such operations with our existing operations. Our ability to realize the expected benefits from these 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. Furthermore, our growth strategy depends on our ability to identify and acquire suitable assets at desirable prices. We are continually analyzing possible acquisitions of assets which in some cases, such as the acquisition of Rinker Group Limited, or Rinker, described below, 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 make further acquisitions, we may not be able to continue to grow in the long term at our historic rate.

On November 14, 2006, we launched an offer to purchase all outstanding shares of Rinker, a leading international producer and supplier of materials, products and services used primarily in the construction industry. On August 28, 2007, we completed the acquisition of 100% of the Rinker shares for a total consideration of approximately Ps.169.5 billion (approximately U.S.$15.5 billion) (including the assumption of approximately Ps.13.9 billion (approximately U.S.$1.3 billion) of Rinker's debt), and Rinker's results have been consolidated with our results of operations commencing July 1, 2007. Rinker, which was headquartered in Australia, had operating units primarily in the United

States and Australia. It also had limited operations in China. 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.

2

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

We are a holding company with no significant assets other than the stock of our wholly-owned and non-wholly-owned subsidiaries and our holdings of cash and marketable securities. Our ability to pay dividends and repay debt 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.

We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs and ADSs, increase interest costs and limit our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities.

We have incurred and will continue to incur significant amounts of debt, particularly in connection with financing acquisitions, which could have an adverse effect on the price of our Ordinary Participation Certificates, or CPOs, and American Depositary Shares, or ADSs. Our indebtedness may have important consequences, including increased interest costs if we are unable to refinance existing indebtedness on satisfactory terms. Currently we do not have debt subject to pricing grids based on our debt ratings; however, our interest costs may be increased as we refinance our existing indebtedness as a result of a downgrade event affecting our debt and/or as a result of the current credit crisis or a deeper reduction in the availability of loans by banks and tightening in the debt markets for our securities. In addition, the debt instruments governing a substantial portion of our indebtedness contain various covenants that require us to maintain financial ratios, restrict asset sales and restrict our ability to use the proceeds from a sale of assets. Consequently, our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities could be limited. As of December 31, 2007, we had outstanding debt equal to Ps216,911 million (U.S.$19,864 million), not including approximately Ps33,470 million (U.S.$3,065 million) of perpetual debentures issued by special purpose vehicles, which are not accounted for as debt under Mexican FRS but are considered to be debt for purposes of U.S. GAAP.

In connection with our financing of the Rinker acquisition, 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 have requested and obtained waivers and/or amendments delaying the application of the financial ratio covenants through September 29, 2008, and we expect to have taken such actions as may be necessary to enable us to satisfy such financial covenants by such date. We believe that we and our subsidiaries have good relations with our lenders, and nothing has come to our attention that would lead us to believe that future waivers, if required, would not be forthcoming. However, we cannot assure you that future waivers, if requested, would be forthcoming. 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.

We have to service our Dollar and Japanese Yen 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 or in Japanese Yen to service all our Japanese Yen 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 or the Japanese Yen.

A substantial portion of our outstanding debt is denominated in Dollars. As of December 31, 2007, our Dollar denominated debt represented approximately 75% 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 has 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 2007, Mexico, Spain, the United Kingdom and the Rest of Europe region, our main non-Dollar-denominated operations, together generated approximately 53% of our total net sales in Peso terms (approximately 16%, 9%, 9% and 19%, respectively), before eliminations resulting from consolidation. In 2007, approximately 22% of our sales were generated in the United States, with the remaining 25% of our sales being generated in several countries, with a number of currencies having material appreciations against the Dollar. During 2007, the Peso depreciated approximately 1% against the Dollar, the Euro appreciated approximately 9% against the Dollar and the Pound Sterling appreciated approximately 1% 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.

As of December 31, 2007, 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 have interest and currency swap obligations in Yen. As of the date of this annual report, we do not generate sufficient revenue in Yen from our operations to service all our Yen obligations. Consequently, we have to use revenues generated in Pesos, Dollars, Euros or other currencies to service our Yen obligations. A devaluation or depreciation in the value of the Peso, Dollar, Euro or any of the other currencies of the countries in which we operate, compared to the Yen, could adversely affect our ability to service our Yen obligations. During 2007, the Yen appreciated approximately 7% against the Peso, appreciated approximately 6% against the Dollar and depreciated approximately 4% against the Euro.

In addition, as of December 31, 2007, our Euro denominated debt represented approximately 25% 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.

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 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."

In the United States, certain states, counties and cities have enacted or are in the process of enacting mandatory greenhouse gas emission restrictions, and regulations at the federal level may occur in the future which could affect our operations.

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 petcoke and 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 prevailing conditions remain for a long period of time or if energy and fuel costs continue to increase.

Our operations can be affected by adverse weather conditions.

Construction activity, and thus demand for our products, decreases substantially during periods of cold weather, when it snows or when heavy or sustained rainfalls occur. Consequently, demand for our products is significantly lower during the winter in temperate countries and during the rainy season in tropical countries. Winter weather in our European and North American operations significantly reduces our first quarter sales volumes, and to a lesser extent our fourth quarter sales volumes. Sales volumes in these and similar markets generally increase during the second and third quarters because of normally better weather conditions. However, high levels of rainfall can adversely affect our operations during these periods as well. Such adverse weather conditions can adversely affect our results of operations and profitability if they occur with unusual intensity, during abnormal periods, or last longer than usual in our major markets, especially during peak construction periods.

We are 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 acquisition of RMC Group plc, or RMC, in 2005 and Rinker in 2007, our geographic diversity has significantly increased. As of December 31, 2007, 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 (including Venezuela and Colombia), Africa and the Middle East, Australia and Asia. As of December 31, 2007, our Mexican operations represented approximately 11% of our total assets, our U.S. operations represented approximately 46% of our total assets, our Spanish operations represented approximately 8% of our total assets,our United Kingdom operations represented approximately 5% of our total assets, our Rest of Europe operations represented approximately 9% of our total assets, our South America, Central America and the Caribbean operations represented approximately 7% of our total assets, our Africa and the Middle East operations represented approximately 2% of our total assets, our Australian and Asia operations represented approximately 7% of our total assets and our other operations represented approximately 5% of our total assets. For the year ended December 31, 2007, before eliminations resulting from consolidation (with Rinker's net sales having been consolidated starting July 1, 2007), our Mexican operations represented approximately 16% of our net sales, our U.S. operations represented approximately 22% of our net sales, our Spanish operations represented approximately 9% of our net sales, our United Kingdom operations represented approximately 9% of our net sales, our Rest of Europe operations represented approximately 19% 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 3% of our net sales, our Australian and Asia operations represented approximately 5% of our net sales and our other operations represented approximately 8% of our net sales. As a result of our acquisition of Rinker, we have substantially increased our U.S. operations and now have operations in Australia and China. 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, 2007, please see "Item 4—Information on the Company—Geographic Breakdown of Our 2007 Net Sales."

The performance of the United States economy and its effect on U.S. construction activity may adversely affect our results of operations. The United States economy stalled in the fourth quarter of 2007 and the first quarter of 2008 losing approximately 260,000 jobs through April 2008, with the United States facing a full-fledged credit crunch as a result of the deep downturn in the residential sector and the massive losses in mortgage backed securities in the financial sector. A majority of economists currently believe the United States economy to be in recession. The residential construction sector suffered significant declines in housing starts in 2006 and 2007, and these declines are continuing in 2008. Consequently, we currently expect a further decline in cement sales volumes in the residential sector of about 25% in 2008. At present, it is difficult to determine how long it will take to work off the excess housing inventories and for the market to absorb the increase in foreclosures. We also expect the industrial and commercial sectors to soften in 2008 due to the weak economic environment and tight credit conditions. Although we expect the public sector to remain relatively stable in 2008, we cannot give any assurances that it will not be adversely affected by the declines elsewhere in the economy.

If the Mexican economy experiences a recession or if Mexican inflation and interest rates increase significantly, construction activity may decrease, which may lead to a decrease in sales of cement and ready-mix concrete and in net income from our Mexican operations. The Mexican government does not currently restrict the ability of Mexicans or others to convert Pesos to Dollars, or vice versa. The Mexican Central Bank has consistently made foreign currency available to Mexican private sector entities to meet their foreign currency obligations. Nevertheless, if shortages of foreign currency occur, the Mexican Central Bank may not continue its practice of making foreign currency available to private sector companies, and we may not be able to purchase the foreign currency we need to service our foreign currency obligations without substantial additional cost.

Although we have a diversification of revenue sources in Europe, a number of countries, particularly Germany and Italy, have experienced economic stagnation recently, while Spain, France and the United Kingdom have experienced slow economic growth. To the extent recovery from these economic conditions does not materialize or otherwise takes place over an extended period of time, our business, financial condition and results of operations may be adversely affected. In addition, the economic stagnation in Germany and Italy and slow economic growth in Spain, France and the United Kingdom may negatively impact the economic growth and integration of the ten new countries admitted into the European Union in May 2004, including Poland, the Czech Republic, Hungary, Latvia and Lithuania, in which we acquired operations in the RMC acquisition.

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, in recent years, Venezuela has experienced volatility and depreciation of its currency, high interest rates, political instability, increased inflation, decreased gross domestic product and labor unrest, including a general strike. Venezuelan authorities have imposed foreign exchange and price controls on specified products, including cement. In furtherance of Venezuela's announced policy to nationalize certain sectors of the economy, on June 18, 2008, presidential decree No. 6,091 Decreto con Rango, Valor y Fuerza de Ley Orgánica de Ordenación de las Empresas Productoras de Cemento (the "Nationalization Decree") was promulgated, mandating that the cement production industry in Venezuela be reserved to the State and ordering the conversion of foreign-owned cement companies, including CEMEX Venezuela, into state-controlled companies with Venezuela holding an equity interest of at least 60%. The Nationalization Decree provides for the formation of a transition committee to be integrated with the board of directors of the relevant cement company to guaranty the transfer of control over all activities of the relevant cement company to Venezuela by December 31, 2008. The Nationalization Decree further establishes a deadline of August 17, 2008 for the shareholders of foreign-owned cement companies, including CEMEX Venezuela, to reach an agreement with the Government of Venezuela on the compensation for the nationalization of their assets. The Nationalization Decree also provides that this deadline may be extended by mutual agreement of the Government of Venezuela and the relevant shareholder. Pursuant to the Nationalization Decree, if an agreement is not reached, Venezuela shall assume exclusive operational control of the relevant cement company and the Venezuelan National Executive shall decree the expropriation of the relevant shares according to the Venezuelan expropriation law. No assurance can be given that an agreement with the Government of Venezuela will be reached. The Government of Venezuela has been advised by our subsidiaries in Spain and The Netherlands that are investors in CEMEX Venezuela that these subsidiaries reserve their rights to bring expropriation claims in arbitration under the Bilateral Investment Treaties Venezuela signed with those countries. Any significant political instability or political instability and economic volatility in the countries in South America, Central America and the Caribbean 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 results of operations.

Our operations in Africa and the Middle East have faced instability as a result of, among other things, civil unrest, extremism, the continued 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 the conflict 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 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.

You may be unable to enforce judgments against us.

You may be unable to enforce judgments against us. 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 those persons or to enforce judgments against them or against us in U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. We have been advised by Lic. Ramiro G. Villarreal, General Counsel of CEMEX, that it may not be possible to enforce, in original actions in Mexican courts, liabilities predicated solely on the U.S. federal securities laws and it may not be possible to enforce, in Mexican courts, judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws.

The Mexican Congress recently approved legislation that could increase our tax liabilities.

In September 2007, the Mexican Congress approved a new federal tax applicable to all Mexican corporations, known as the Impuesto Empresarial a Tasa Única (Single Rate Corporate Tax), or IETU, which is a form of alternative minimum tax and replaces the asset tax that has applied to corporations and other taxpayers in Mexico for several years. The IETU is a tax that will be imposed at a rate of 16.5% for calendar year 2008, 17% for calendar year 2009 and 17.5% for calendar year 2010 and thereafter. A Mexican corporation is required to pay the IETU if, as a result of the calculation of the IETU, the amount payable under the IETU exceeds the income tax payable by the corporation under the Mexican income tax law. In general terms, the IETU is determined by applying the rates specified above to the amount resulting from deducting from a corporation's gross income, among other items, goods acquired (consisting of raw materials and capital expenditures), services provided by independent contractors and lease payments required for the performance of the activities taxable under the IETU. Interest payments arising from financing transactions, tax loss carryforwards and other specified items are not deductible for purposes of determining the IETU. The legislation became effective in January 2008. Although we believe, given our current business assumptions and expectations, the IETU will not have a material adverse effect on us for at least two years, we cannot predict the impact of this legislation or quantify its effects on our tax liability for future years. If our regularly determined taxable income in Mexico in any given year yields an income tax that is below the amount of IETU determined for the same tax period, the IETU could materially increase our tax liabilities and cash tax payments, which could adversely affect our results of operations, cash flows and financial condition.

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 depreciated against the Dollar by approximately 8% in 2003, appreciated against the Dollar by approximately 1% and 5% in 2004 and 2005, respectively, depreciated against the Dollar by approximately 2% in 2006, and depreciated against the Dollar by approximately 1% in 2007. 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			
Year ended December 31,	End of Period	Average(1)	High	Low	End of Period	Average(1)	High	Low
2003	11.24	10.84	11.39	10.10	11.24	10.85	11.41	10.11
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
Monthly (2007-2008)								
November	10.91	—	11.02	10.69	10.90	—	11.00	10.67
December	10.92	—	10.91	10.81	10.92	—	10.92	10.80
January	10.83	—	11.00	10.83	10.82	—	10.97	10.82
February	10.71	—	10.85	10.67	10.73	—	10.82	10.67
March	10.65	—	10.85	10.64	10.63	—	10.85	10.63
April	10.49	—	10.58	10.44	10.51	—	10.60	10.44
May	10.32	—	10.58	10.32	10.33	—	10.57	10.31

(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 May 30, 2008, the noon buying rate for Pesos was Ps10.33 to U.S.$1.00 and the CEMEX accounting rate was Ps10.32 to U.S.$1.00.

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, 2007 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 2007 and 2006 and for each of the three years ended December 31, 2007, 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. These financial statements were approved by our shareholders at the 2007 annual general meeting, which took place on April 24, 2008.

The audited consolidated financial statements for the year ended December 31, 2005 include RMC's results of operations for the ten-month period ended December 31, 2005, and the audited consolidated financial statements for the years ended December 31, 2007 and 2006 include RMC's results of operations for the entire years ended December 31, 2007 and 2006, while the audited consolidated financial statements for each of the two years ended December 31, 2004 do not include RMC's results of operations. As a result, the financial data for the years ended December 31, 2005, December 31, 2006 and December 31, 2007 are not comparable to the prior periods.

The audited consolidated financial statements for the year ended December 31, 2007 include Rinker's results of operations for the six-month period ended December 31, 2007, while the audited consolidated financial statements for each of the four years ended December 31, 2006 do not include Rinker's results of operations. As a result, the financial data for the year ended December 31, 2007 are not comparable to the prior periods.

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Mexican FRS, which differ in significant respects from U.S. GAAP. During the periods presented, we are required, pursuant to Mexican FRS, to present our financial statements in constant Pesos representing the same purchasing power for each period presented. Accordingly, unless otherwise indicated, all financial data presented below and elsewhere in this annual report are stated in constant Pesos as of December 31, 2007. Beginning January 1, 2008, however, under Mexican FRS inflation accounting will be applied only in high inflation environments. See note 3X to our consolidated financial statements included elsewhere in this annual report. Also, see note 25 to our consolidated financial statements for a description of the principal differences between Mexican FRS 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.

During the periods presented, under Mexican FRS, each time we reported results for the most recently completed period, the Pesos previously reported in prior periods were required to be adjusted to Pesos of constant purchasing power as of the most recent balance sheet by multiplying the previously reported Pesos by a weighted average inflation index. This index has been 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. 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
2003	1.0624	1.2047
2004	0.9590	1.1339
2005	1.0902	1.1824
2006	1.0846	1.0846

The Dollar amounts provided below and, unless otherwise indicated, elsewhere in this annual report are translations of constant Peso amounts at an exchange rate of Ps10.92 to U.S.$1.00, the CEMEX accounting rate as of December 31, 2007. 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, 2007 was Ps10.92 to U.S.$1.00 and on May 30, 2008 was Ps10.33 to U.S.$1.00. From December 31, 2007 through May 30, 2008, the Peso appreciated by approximately 5.4% 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,					
	2003	2004	2005	2006	2007	2007
		(in millions of constant Pesos as of December 31, 2007 and Dollars, except ratios and share and per share amounts)				Convenience Translation (2)
Income Statement Information:						
						U.S. $
Net sales	Ps 97,012	Ps 102,945	Ps 192,392	Ps 213,767	Ps 236,669	21,673
Cost of sales(1)	(55,924)	(57,936)	(116,422)	(136,447)	(157,696)	(14,441)
Gross profit	41,088	45,009	75,970	77,320	78,973	7,232
Operating expenses	(21,383)	(21,617)	(44,743)	(42,815)	(46,525)	(4,261)
Operating income	19,705	23,392	31,227	34,505	32,448	2,971
Other expense, net (3)	(6,415)	(6,487)	(3,976)	(580)	(3,281)	(300)
Comprehensive financing result (4)	(3,621)	1,683	3,076	(505)	1,087	100
Equity in income of associates	471	506	1,098	1,425	1,487	136
Income before income tax	10,140	19,094	31,425	34,845	31,741	2,907
Minority interest	411	265	692	1,292	837	77
Majority interest net income	8,515	16,512	26,519	27,855	26,108	2,391
Basic earnings per share(5)(6)	0.46	0.82	1.28	1.29	1.17	0.11
Diluted earnings per share(5)(6)	0.43	0.82	1.27	1.29	1.17	0.11
Dividends per share(5)(7)(8)	0.23	0.25	0.27	0.28	0.29	0.03
Number of shares outstanding(5)(9)	19,444	20,372	21,144	21,987	22,297	22,297
Balance Sheet Information:						
Cash and temporary investments	3,945	4,324	7,552	18,494	8,670	794
Net working capital (10)	7,796	6,633	15,920	10,389	16,690	1,528
Property, machinery and equipment, net	125,463	121,439	195,165	201,425	262,189	24,010
Total assets	216,868	219,559	336,081	351,083	542,314	49,662
Short-term debt	17,996	13,185	14,954	14,657	36,257	3,320
Long-term debt	61,433	61,731	104,061	73,674	180,654	16,544
Minority interest and perpetual debentures (11)(12)	7,203	4,913	6,637	22,484	40,985	3,753

Total majority stockholders' equity (13)	84,418	98,919	123,381	150,627	163,168	14,942
Book value per share(5)(9)(14)	4.34	4.86	5.84	6.85	7.32	0.67
Other Financial Information:						
Operating margin	20.3%	22.7%	16.2%	16.1%	13.7%	13.7%
EBITDA(15)	28,546	32,064	44,672	48,466	49,859	4,566
Ratio of EBITDA to interest expense, capital securities dividends and preferred equity dividends(15)	5.27	6.82	6.76	8.38	5.66	5.66
Investment in property, machinery and equipment, net	5,333	5,483	9,862	16,067	21,779	1,994
Depreciation and amortization	11,168	10,830	13,706	13,961	17,666	1,617
Net resources provided by operating activities(16)	21,209	27,915	43,080	47,845	45,625	4,178
Basic earnings per CPO(5)(6)	1.38	2.46	3.84	3.87	3.51	0.33

11

	As of and for the year ended December 31,					
	2003	2004	2005	2006	2007	2007 Convenience Translation (2)
	(in millions of constant Pesos as of December 31, 2007 and Dollars, except per share amounts)					
U.S. GAAP(17):						
Income Statement Information:						
						U.S. $
Majority net sales	Ps 93,686	Ps 100,163	Ps 172,632	Ps 203,660	Ps 235,258	21,544
Operating income	15,985	18,405	26,737	32,756	29,363	2,689
Majority net income	9,723	20,027	23,933	26,384	21,367	1,957
Basic earnings per share	0.51	1.01	1.15	1.23	0.96	0.09
Diluted earnings per share	0.50	1.00	1.14	1.23	0.96	0.09
Balance Sheet Information:						
Total assets	218,858	230,027	317,896	351,927	563,565	51,609
Perpetual debentures(12)	—	—	—	14,037	33,470	3,065
Long-term debt(12)	52,618	48,645	89,402	69,375	164,515	15,065
Minority interest	6,366	5,057	6,200	7,581	8,010	734
Total majority stockholders' equity	83,552	103,257	120,539	153,239	172,217	15,771

(1) Cost of sales includes depreciation.

(2) The Income Statement Information, Balance Sheet Information, Other Financial Information and U.S.GAAP information, as of December 31, 2007, included in the selected consolidated financial information, caption by caption, under the column "Convenience translation" are amounts denominated in Dollars. These amounts in Dollars have been presented solely for the convenience of the reader at the rate of Ps10.92 per U.S.$1, the CEMEX accounting exchange rate as of December 31, 2007. These translations are informative data and should not be construed as representations that the amounts in Pesos actually represent those Dollar amounts or could be converted into Dollars at the rate indicated.

(3) Under new MFRS B-3 "Income Statement", commencing on January 1, 2007, current and deferred Employees' Statutory Profit Sharing ("ESPS") is included within "Other expenses, 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 2003, 2004, 2005 and 2006 were reclassified to conform with the presentation required for 2007, as described in note 3T to the consolidated financial statements included elsewhere in this annual report.

(4) 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."

(5) Our capital stock consists of series A shares and series B shares. Each of our CPOs represents two series A shares and one series B share. As of December 31, 2007, approximately 97.0% of our outstanding share capital was represented by CPOs.

(6) Earnings per share are calculated based upon the weighted average number of shares outstanding during the year, as described in note 19 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 Mexican FRS.

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

(8) 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 constant Pesos as of December 31, 2007, were as follows: 2003, Ps0.72 per CPO (or Ps0.24 per share); 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); and 2007, Ps0.84 per CPO (or Ps0.28 per share). As a result of dividend elections made by shareholders, in 2003, Ps80 million in cash was paid and approximately 396 million additional CPOs were issued in respect of dividends declared for the 2002 fiscal year; 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; and 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. 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. At our 2007 annual shareholders' meeting, which was held on April 24, 2008, our shareholders approved a dividend for the 2007 fiscal year of the Peso equivalent of U.S.$0.0835 per CPO (U.S.$0.02783 per share) or Ps0.8678 (Ps0.2893 per share), based on the Peso/Dollar exchange rate in effect for May 29, 2008 of Ps10.3925 to U.S.$1.00, as published by the Mexican Central Bank. Holders of our series A shares, series B shares and CPOs are entitled to receive the dividend in either stock or cash consistent with our past practices; however, under the terms of the deposit agreement pursuant to which our ADSs are issued, we instructed the depositary for the ADSs not to extend the option to elect to receive cash in lieu of the stock dividend to the holders of ADSs. As a result of dividend elections made by shareholders, on June 4, 2008, approximately Ps214 million in cash was paid and approximately 284 million additional CPOs were issued in respect of dividends declared for the 2007 fiscal year.

(9) 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.

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

(11) The balance sheet item minority interest at December 31, 2003 includes an aggregate liquidation amount of U.S.$66 million (Ps834 million) of 9.66% Putable Capital Securities, which were initially issued by one of our subsidiaries in May 1998 in an aggregate liquidation amount of U.S.$250 million. In April 2002, approximately U.S.$184 million in aggregate liquidation amount of these capital securities were tendered to, and accepted by, us in a tender offer. In November 2004, we exercised a purchase option and redeemed all the outstanding capital securities. Until January 1, 2004, for accounting purposes under Mexican FRS, this transaction was recognized as minority interest in our balance sheet, and dividends paid on the capital securities were accounted as minority interest net income in our income statement. Accordingly, minority interest net income includes capital securities dividends in the amount of approximately U.S.$13 million (Ps173 million) in 2003. As of January 1, 2004, as a result of new accounting pronouncements under Mexican FRS, this transaction was recorded as debt in our balance sheet, and dividends paid on the capital securities during 2004, which amounted to approximately U.S.$ 6 million (Ps76 million), were recorded as part of financial expenses in our income statement.

(12) Minority interest as of December 31, 2006 and December 31, 2007 includes U.S.$1,250 million (Ps14,642 million) and U.S.$3,065 million (Ps33,470 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 Mexican FRS, 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.

(13) In December 2002, we entered into forward contracts with a number of banks covering a number of ADSs which increased to approximately 25 million ADSs as a result of stock dividends through June 2003. In October 2003, in connection with an offering of all the ADSs underlying those forward contracts, we agreed with the banks to settle those forward contracts for cash. As a result of the final settlement in October 2003, we recognized an increase of approximately U.S.$18 million (Ps228 million) in our stockholders' equity, arising from changes in the valuation of the ADSs from December 2002 through October 2003. During the life of these forward contracts, the underlying ADSs were considered to have been owned by the banks and the forward contracts were treated as equity transactions, and, therefore, changes in the fair value of the ADSs were not recorded until settlement of the forward contracts.

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

(15) EBITDA equals operating income before amortization expense and depreciation. Under Mexican FRS, amortization of goodwill, until December 31, 2004, was not included in operating income, but instead was recorded in other expense, net. EBITDA and the ratio of EBITDA to interest expense, capital securities dividends and preferred equity dividends 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 and preferred equity. 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. EBITDA is reconciled below to operating income under Mexican FRS before giving effect to any minority interest, which we consider to be the most comparable measure as determined under Mexican FRS. We are not required to prepare a statement of cash flows under Mexican FRS and therefore do not have such Mexican FRS cash flow measures to present as comparable to EBITDA. Interest expense under Mexican FRS does not include coupon payments and issuance costs of the perpetual debentures issued by consolidated entities of approximately Ps152 million for 2006 and of approximately Ps1,847 million for 2007, as described in note 16D to the consolidated financial statements included elsewhere in this annual report.

	For the year ended December 31,					
	2003	2004	2005	2006	2007	2007

	(in millions of constant Pesos as of December 31, 2007 and Dollars)								Convenience Translation *	
Reconciliation of EBITDA to operating income										
EBITDA	Ps	28,546	Ps	32,064	Ps	44,672	Ps48,466	Ps49,859	U.S.$	4,566
Less:										
Depreciation and amortization expense		8,841		8,672		13,445	13,961	17,411		1,594
Operating income	Ps	19,705	Ps	23,392	Ps	31,227	Ps34,505	Ps32,448	U.S.$	2,971

* See Note (2) above.

(16) Net resources provided by operating activities equals majority interest net income plus items not affecting cash flow plus investment in working capital excluding effects from acquisitions.

(17) We have restated the information at and for the years ended December 31, 2003, 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 according to Mexican FRS and applied to the information presented under Mexican FRS of prior years. See note 25 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican FRS and U.S. GAAP as they relate to CEMEX.

Item Information on the Company
4 -

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

Business Overview

We are a publicly traded stock corporation with variable capital, or sociedad anónima bursátil de capital variable, organized under the laws of 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. As of July 3, 2006, CEMEX's full legal and commercial name is CEMEX, Sociedad Anónima Bursátil de Capital Variable, or CEMEX, S.A.B. de C.V. The change in our corporate name, which means that we are now called a publicly traded stock corporation (sociedad anónima bursátil), was made to comply with the requirements of the new Mexican Securities Law enacted on December 28, 2005, which became effective on June 28, 2006.

As of December 31, 2007, we were the third largest cement company in the world, based on installed capacity of approximately 96.7 million tons. As of December 31, 2007, we were the largest ready-mix concrete company in the world with annual sales volumes of approximately 80.5 million cubic meters, and one of the largest aggregates companies in the world with annual sales volumes of approximately 222.7 million tons, in each case based on our annual sales volumes in 2007 and giving pro forma effect to our acquisition of Rinker. We are also one of the world's largest traders of cement and clinker, having traded approximately 13.4 million tons of cement and clinker in 2007. 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, 2007, we had total assets of approximately Ps542,314 million (U.S.$49,662 million) and an equity market capitalization of approximately Ps212.4 billion (U.S.$19.4 billion).

As of December 31, 2007, our main cement production facilities were located in Mexico, the United States, Spain, the United Kingdom, Germany, Poland, Croatia, Latvia, Venezuela, Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Egypt, the Philippines and Thailand. As of December 31, 2007, 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, 2007		
	Assets after eliminations (in billions of constant Pesos)	Number of Cement Plants	Installed Capacity (millions of tons per annum)
North America			
Mexico	61	15	27.2
United States	247	14	15.4
Europe			
Spain	43	8	11.4
United Kingdom	29	3	2.8
Rest of Europe	50	8	11.9
South America, Central America and the Caribbean	37	14	15.6
Africa and the Middle East	12	1	5.0
Australia and Asia			
Australia	26	—	0.9
Asia	10	4	6.5
Cement and Clinker Trading Assets and Other Operations	27	—	—

In the above table, "Rest of Europe" includes our subsidiaries in Germany, France, Ireland, Austria, Poland, Croatia, the Czech Republic, Hungary, Latvia and other assets in the European region, and, for purposes of the columns labeled "Assets" and "Installed Capacity," includes our 34% interest, as of December 31, 2007, in a Lithuanian cement producer that operated one cement plant with an installed capacity of 1.3 million tons as of December 31, 2007. In the above table, "South America, Central America and the Caribbean" includes our subsidiaries in Venezuela, 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.

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 that 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, the two most significant being our acquisition in 2007 of Rinker and our acquisition in 2005 of RMC:

- On August 28, 2007, we completed the acquisition of 100% of the Rinker shares for a total consideration of approximately U.S.$14.2 billion (approximately Ps155.6 billion) (excluding the assumption of approximately U.S.$1.3 billion (approximately Ps13.9 billion) of Rinker's debt). For its fiscal year ended March 31, 2007, Rinker reported consolidated revenues of approximately U.S.$5.3 billion. Approximately U.S.$4.1 billion of these revenues were generated in the United States, and approximately U.S.$1.2 billion were generated in Australia and China. As of that date, Rinker had more than 13,000 employees. During such fiscal period, Rinker produced approximately 2 million tons of cement, 93 million tons of aggregates and sold close to 13 million cubic meters of ready-mix concrete. In Australia, Rinker's main activities are oriented to the production and sale of ready-mix concrete and other construction materials. See note 2 to our consolidated financial statements included elsewhere in this annual report.

- On January 1, 2006, CEMEX acquired a 51% equity interest in a cement-grinding mill facility with capacity of 400,000 tons per year in Guatemala for approximately U.S.$17 million (approximately Ps204 million).

- On March 20, 2006, we agreed to terminate our lease on the Balcones cement plant located in New Braunfels, Texas prior to expiration, and purchased the Balcones cement plant for approximately U.S.$61 million.

- On March 2, 2006, we acquired two companies engaged in the ready-mix concrete and aggregates business in Poland from Unicon A/S, a subsidiary of Cementir Group, an Italian cement producer, for approximately €12 million.

- In July 2005, we acquired 15 ready-mix concrete plants through the purchase of Concretera Mayaguezana, a ready-mix concrete producer located in Puerto Rico, for approximately Ps326 million (U.S.$30 million).

- 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 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.

- In August and September 2003, we acquired 100% of the outstanding shares of Mineral Resource Technologies Inc., and the cement assets of Dixon-Marquette Cement for a combined purchase price of approximately U.S.$100 million. Located in Dixon, Illinois, the single cement plant has an annual production capacity of 560,000 tons. This cement plant was sold on March 31, 2005 as part of the U.S. asset sale described below.

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:

- 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 (approximately Ps4,053 million) including dividends declared of approximately U.S.$7 million (approximately Ps82 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. 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. We received net cash proceeds of approximately €6 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 and related assets. On August 29, 2005, we sold RMC's operations in the Tucson, Arizona area to California Portland Cement Company for a purchase price of approximately U.S.$16 million.

- On July 1, 2005, we and Ready Mix USA, Inc., or Ready Mix USA, a privately-owned ready-mix concrete producer with operations in the southeastern United States, established two jointly-owned limited liability companies, CEMEX Southeast, LLC, a cement company, and Ready Mix USA, LLC, a ready-mix concrete company, to serve the construction materials market in the southeast region of the United States. Under the terms of the limited liability company agreements and related asset contribution agreements, we contributed two cement plants (Demopolis, Alabama and Clinchfield, Georgia) and 11 cement terminals to CEMEX Southeast, LLC, 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. In January 2008, we and Ready Mix USA agreed to expand the scope of the Ready-Mix USA, LLC joint venture. As part of the transaction, which closed on January 11, 2008, we contributed assets valued at approximately U.S.$260 million to the joint venture and sold additional assets to the joint venture for approximately U.S.$120 million in cash. As part of the transaction, Ready Mix USA made a U.S.$125 million cash contribution to the joint venture and the joint venture made a U.S.$135 million special distribution to us. Ready Mix USA will manage all the newly acquired assets. Following the transaction, the joint venture continues to be owned 50.01% by Ready Mix USA and 49.99% by us. 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.

- In July 2005, we sold a cement terminal to the City of Detroit for approximately U.S.$24 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 (Ps817 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.$389 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.

17

On May 6, 2008, we announced that we are exploring the sale of certain assets, including operations in Austria (consisting of 26 aggregates and 39 ready-mix concrete plants), Hungary (consisting of five aggregates, 31 ready-mix concrete and five paving stone plants) and select building products in the United Kingdom (consisting of floors, roof titles and rail product businesses). We expect to use the proceeds from the potential sale of these assets to repay debt.

Geographic Breakdown of Our 2007 Net Sales

The following chart indicates the geographic breakdown of our net sales, before eliminations resulting from consolidation, for the year ended December 31, 2007:

For a description of a breakdown of total revenues by geographic markets for each of the years ended December 31, 2005, 2006 and 2007, please see Item 5 — "Operating and Financial Review and Prospects."

Geographic Breakdown of Pro Forma 2007 Net Sales

The pro forma net sales data for the year ended December 31, 2007 set forth below include Rinker's net sales data for the six-months period ended June 30, 2007, which are unaudited and have been obtained from Rinker's accounting records.

The following chart indicates the geographic breakdown of our net sales on a pro forma basis giving effect to the Rinker acquisition as though it had been completed on January 1, 2007 and before eliminations resulting from consolidation, for the year ended December 31, 2007:

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.

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, 2007, 56 of our 67 operative production plants used the dry process, nine used the wet process and two used both processes. Our production plants that use the wet process are located in Venezuela, Colombia, Nicaragua, the Philippines, 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:

Focus on and vertically integrate 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 diversify our operations and allocate capital effectively by expanding into selected new markets

Subject to economic conditions that may affect our ability to complete acquisitions, 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.

We evaluate potential acquisitions in light of our three primary investment principles:

- The potential for increasing the acquired entity's value should be principally driven by factors that we can influence, particularly the application of our management and turnaround expertise;
- The acquisition should not compromise our financial strength and investment-grade credit quality; and
- The acquisition should provide a long-term return on our investment that is well in excess of our weighted cost of capital and should offer a minimum return on capital employed of at least ten percent.

In order to minimize our capital commitments and maximize our return on capital, we will continue to analyze potential capital raising sources available in connection with acquisitions, including sources of local financing and possible joint ventures. We normally consider opportunities for, and routinely engage in preliminary discussions concerning, acquisitions.

Implement platforms to achieve optimal operating standards and quickly integrate acquisitions

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.

With each international acquisition, we have refined the implementation of both the technological and managerial processes required to rapidly integrate acquisitions into our existing corporate structure. The implementation of the platforms described above has allowed us to integrate our acquisitions more rapidly and efficiently.

As of December 31, 2007, we believe we have achieved approximately U.S.$360 million and U.S.$79 million of annual savings from the RMC acquisition and the Rinker acquisition, respectively, through cost-saving synergies. In the case of the Rinker acquisition, we expect to achieve significant cost savings in the acquired operations by optimizing the production and distribution of ready-mix concrete and aggregates, reducing costs in the cement manufacturing facilities, partly by implementing CEMEX operating standards at such facilities, reducing raw material and energy costs by centralizing procurement processes and reducing other operational costs by centralizing technological and managerial processes. We expect to realize annual savings from the Rinker acquisition of approximately U.S.$400 million through cost-saving synergies between the date of this annual report and 2010.

We plan to continue to eliminate redundancies at all levels, streamline corporate structures and centralize administrative functions to increase our efficiency and lower costs. In addition, 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.

Provide 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.

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.

Strengthen our financial structure

We believe our strategy of cost-cutting initiatives, increased value proposition and geographic expansion will translate into growing operating cash flows. Our objective is to strengthen our financial structure by:

- Optimizing our borrowing costs and debt maturities;
- Increasing our access to various capital sources; and

- Maintaining the financial flexibility needed to pursue future growth opportunities.

We intend to continue monitoring our credit risk while maintaining the flexibility to support our business strategy.

Focus 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, 2007, as adjusted to reflect a recent internal reorganization through which we acquired from CEMEX Venezuela S.A.C.A., or CEMEX Venezuela, its indirect ownership interests in CEMEX Dominicana S.A. and Cementos Bayano, S.A., our operating subsidiaries in the Dominican Republic and Panama, respectively. 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.

24

(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 CEMEX France Gestion (S.A.S.)'s 10% interest.
(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 a 30% interest by CEMEX España.
(6) Represents CEMEX Asia Holdings' indirect economic interest.
(7) Represents our economic interest in four UAE companies, CEMEX Topmix LLC, CEMEX Supermix LLC, Gulf Quarries LLC and CEMEX Falcon LLC. We own a 49% equity interest in each of these companies, and we have purchased the remaining 51% of the economic benefits through agreements with other shareholders.
(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 holding company of CEMEX operations in Australia that include Rinker Group LLC.
(11) CEMEX Asia B.V. holds 100% of the beneficial interest.

North America

For the year ended December 31, 2007, 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, 2007, our business in North America represented approximately 44% of our total installed cement capacity and approximately 57% 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 16% of our net sales in constant Peso terms, before eliminations resulting from consolidation, and approximately 11% of our total assets for the year ended December 31, 2007.

As of December 31, 2007, 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 current production capacity of the Yaqui cement plant is approximately 1.6 million tons of cement per year. The construction of the new kiln, which is designed to increase our total production capacity in the Yaqui cement plant to approximately 3.1 million tons of cement per year, is expected to be completed in the third quarter of 2008. We expect our total capital expenditure in the construction of this new kiln to be approximately U.S.$190 million, including approximately U.S.$26 million and U.S.$100 million in capital expenditures made during 2006 and 2007, respectively. We expect to spend approximately U.S.$64 million in capital expenditures during 2008. We expect that this investment will be fully funded with free cash flow generated during the construction period.

25

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 7.7 million tons of cement per year, is expected to be completed in 2009. We expect our total capital expenditure in the construction of this new kiln to be approximately U.S.$500 million, including approximately U.S.$32 million and U.S.$94 million in capital expenditures made during 2006 and 2007, respectively. We expect to spend approximately U.S.$266 million in capital expenditures during 2008. We expect that this investment will be fully funded with free cash flow generated during the construction period.

During the second quarter of 2002, the production operations at our oldest cement plant (Hidalgo) were suspended. However, as a result of an increase in regional demand, we resumed production operations at this plant during May 2006.

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, 2007, more than 750 independent concessionaries with more than 2,200 stores were integrated into the Construrama program, with nationwide coverage.

The Mexican Cement Industry

According to the Instituto Nacional de Estadística, Geografía e Informática, total construction output in Mexico increased 2.1% in 2007 compared to 2006. The increase in total construction output in 2007 was primarily driven by the commercial and industrial housing and infrastructure segments, while the retail (self-construction) market increased 1% and formal construction increased 5%.

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 2007 accounted for approximately 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 as much as 40% 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 major brands in Mexico, such as "Tolteca," "Monterrey" and "Maya." 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

(1) In 2002, production operations at the Hidalgo cement plant were suspended, but were resumed during May 2006.

Currently, we operate 15 plants (including Hidalgo, which resumed operations during May 2006) and 94 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 the Caribbean, Central and South American and U.S. markets.

Products and Distribution Channels

Cement. Our cement operations represented approximately 58% of our Mexican operations' net sales before eliminations resulting from consolidation in 2007. Our domestic cement sales volume represented approximately 93% of our total Mexican cement sales volume in 2007. As a result of the retail nature of the Mexican market, our Mexican operations are not dependent on a limited number of large customers. In 2007, our Mexican operations sold approximately 60% of their cement sales volume through more than 5,800 distributors throughout the country, most of whom work on a regional basis. The five most important distributors in the aggregate accounted for approximately 6% of our Mexican operations' total sales by volume for 2007.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 27% of our Mexican operations' net sales before eliminations resulting from consolidation in 2007. Our ready-mix concrete operations in Mexico purchase all their cement requirements from our Mexican cement operations. Ready-mix concrete is sold through our own internal sales force, which is divided into national accounts that cater to large construction companies and local representatives that support medium- and small-sized construction companies.

Aggregates. Our aggregates operations represented approximately 2% of our Mexican operations' net sales before eliminations resulting from consolidation in 2007.

Exports. Our Mexican operations export a portion of their cement production. Exports of cement and clinker by our Mexican operations represented approximately 7% of our total Mexican cement sales volume in 2007. In 2007, approximately 82% of our cement and clinker exports from Mexico were to the United States, 15% to Central America and the Caribbean and 3% 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.

Since 1990, exports of cement and clinker to the U.S. from Mexico have been subject to U.S. anti-dumping duties. 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 and 2007, Mexican cement imports into the U.S. were subject to volume limitations of 3 million tons and 3.1 million tons per year, respectively. During 2008, the third year of the transition period, this amount may be increased or decreased in response to market conditions, subject to a maximum increase or decrease per year of 4.5%. 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. 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 alternate fuels, to further reduce the consumption of residual fuel oil and natural gas. These alternate fuels represented approximately 3% of the total fuel consumption for our Mexican operations in 2007, and we expect to increase this percentage to more than 6% by the end of 2008.

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 and to supply electricity to us for a period of 20 years. 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 on April 29, 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. As of December 31, 2007, after 44 months of operation, the power plant has supplied electricity to all 15 of our cement plants in Mexico covering approximately 59.7% of their needs for electricity and has represented a decrease of approximately 28% in our cost of electricity at these plants.

In April 2007, we announced that we had entered into an agreement to purchase power generated by a wind-driven power plant to be located in Oaxaca, Mexico, and to be built by Spanish construction company Acciona S.A. The power plant, which is currently under construction, is expected to generate up to 250 megawatts of electricity per year and supply one-third of our current power needs in Mexico. The power plant, which is expected to be financed by Acciona S.A., is estimated to cost approximately U.S.$400 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, 2007, we had 15 wholly-owned cement plants located throughout Mexico, with a total installed capacity of 27.2 million tons per year. As described above, production operations at our Hidalgo cement plant had been suspended since 2002, but were resumed during May 2006. Our Mexican operations' most significant gray cement plants are the Huichapan, Tepeaca and Barrientos plants, which serve the central region of Mexico, the Monterrey, Valles and Torreon plants, which serve the northern region of Mexico, and the Guadalajara and Yaqui plants, which serve the Pacific region of Mexico. 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 2007 production levels. As of December 31, 2007, all our production plants in Mexico utilized the dry process.

As of December 31, 2007, we had a network of 86 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 325 ready-mix concrete plants throughout 80 cities in Mexico, approximately 2,900 ready-mix concrete delivery trucks and 24 aggregates quarries.

Capital Expenditures

We made capital expenditures of approximately U.S.$102 million in 2005, U.S.$353 million in 2006 and U.S.$398 million in 2007, in our Mexican operations. We currently expect to make capital expenditures of approximately U.S.$460 million in our Mexican operations during 2008, including those related to the expansion of the Yaqui and Tepeaca cement plants described above.

Our U.S. Operations

Overview

Our U.S. operations represented approximately 22% of our net sales in constant Peso terms, before eliminations resulting from consolidation and approximately 46% of our total assets, for the year ended December 31, 2007. As of December 31, 2007, we held 100% of CEMEX, Inc., our operating subsidiary in the United States.

As of December 31, 2007, our U.S. operations include the U.S. assets we acquired through the Rinker acquisition. We began consolidating the financial results of Rinker on July 1, 2007.

As of December 31, 2007, we had a cement manufacturing capacity of approximately 15.4 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, 2007, 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 50 rail or water served active cement distribution terminals in the United States. As of December 31, 2007, we had 374 ready-mix concrete plants located in the Carolinas, Florida, Georgia, Texas, New Mexico, Nevada, Arizona, California, Oregon, Washington and Utah 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, Inc., or Ready Mix USA, a privately-owned ready-mix concrete producer with operations in the southeastern United States, established two jointly-owned limited liability companies, CEMEX Southeast, LLC, a cement company, and Ready Mix USA, LLC, a ready-mix concrete company, to serve the construction materials market in the southeast region of the United States. 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 will have the right, but not the obligation, to sell to us Ready Mix USA's interest in the two companies at a price equal to the greater of a) eight times the companies' operating cashflow for the trailing twelve months, b) eight times the average of the companies' 36 previous months operating cashflow, or c) the net book value of the 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.

In January 2008, we and Ready Mix USA agreed to expand the scope of the Ready-Mix USA LLC joint venture. As part of the transaction, which closed on January 11, 2008, we contributed assets valued at approximately U.S.$260 million to the joint venture and sold additional assets to the joint venture for approximately U.S.$120 million in cash. As part of the transaction, Ready Mix USA made a U.S.$125 million cash contribution to the joint venture and the joint venture made a U.S.$135 million special distribution to us. Ready Mix USA will manage all the newly acquired assets. Following the transaction, the joint venture continues to be owned 50.01% by Ready Mix USA and 49.99% by us. 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 that we intend to begin the permitting process for the construction of a 1.7 million ton cement manufacturing facility near Seligman, Arizona, which is expected to begin operations by 2012.

We expect our total capital expenditure in the construction of the Seligman Crossing Plant to amount to approximately U.S.$400 million over five years, including U.S.$0.6 million in 2007 and an expected U.S.$1.8 million during 2008. The state-of-the-art facility will manufacture cement to serve the growing needs of Arizona, including the Phoenix metropolitan area.

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 current production capacity of the Balcones cement plant is approximately 1.1 million tons per year. The construction of the new kiln, which is designed to increase our total production capacity in the Balcones cement plant to approximately 2.2 million tons per year, is expected to be completed in the third quarter of 2008. We expect our total capital expenditures in the construction of this new kiln will be approximately U.S.$340 million, including U.S.$27 million in 2006, U.S.$187 million in 2007 and an expected U.S.$126 million during 2008. We expect that this investment will be fully funded with free cash flow generated during the three-year construction period.

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 current production capacity of the Brooksville South plant is approximately 0.7 million tons per year. The construction of the new kiln is expected to be completed in the third quarter of 2008. We expect our total capital expenditures in the construction of this new kiln will be approximately U.S.$259 million, including U.S.$1.6 million in 2005, U.S.$58.2 million in 2006, U.S.$121 million in 2007 and an expected U.S.$78 million during 2008.

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

According to the U.S. Census Bureau, total construction spending in the U.S. decreased 2.6% in 2007 compared to 2006. The decrease in total construction spending in 2007 was primarily driven by one of the worst housing downturns on record with residential construction down 18.1%, which was partially offset by strong growth in the industrial and commercial sector (up 18.0%) and the public sector (up 14.0%).

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.

Since the early 1990s, cement demand in the United States has become less vulnerable to recessionary pressures than in previous cycles, due to the growing importance of the generally counter-cyclical public sector. In 2007, according to our estimates, public sector spending accounted for approximately 56.1% of the total cement consumption in the U.S. but was not sufficient to offset the decline in residential construction. Strong cement demand over the past decade has driven industry capacity utilization up to maximum levels. According to the Portland Cement Association, average domestic capacity utilization has been higher than 92% in the last three years.

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 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 2007 U.S. Geological Survey, approximately 5,370 companies operated approximately 9,660 quarries and pits.

Our United States Cement Operating Network

The map below reflects 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, 2007.

Products and Distribution Channels

Cement. Our cement operations represented approximately 31% of our U.S. operations' net sales before eliminations resulting from consolidation in 2007. 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 34% of our U.S. operations' net sales before eliminations resulting from consolidation in 2007. 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 products are mainly sold to residential, commercial and public contractors and to building companies.

Aggregates. Our aggregates operations represented approximately 16% of our U.S. operations' net sales before eliminations resulting from consolidation in 2007. At 2007 production levels, and based on 107 active locations, it is anticipated that approximately 90% of our construction aggregates reserves in the U.S. will last for 34 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 38% of our U.S. operations' total production costs in 2007. We are currently implementing an alternative fuels 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 2007, the use of alternative fuels offset the effect on our fuel costs of a significant increase in coal prices. Power costs in 2007 represented approximately 18% 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, 2007, we operated 15 cement manufacturing plants in the U.S., with a total installed capacity of 15.4 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 50 cement terminals, 10 of which are deep-water terminals. All our cement production facilities in 2007 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, 2007, we had 374 wholly-owned ready-mix concrete plants and 117 aggregates quarries.

As of December 31, 2007, we also had interests in 178 ready-mix concrete plants and 13 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 discussed above, in January 2008 we expanded the scope of this joint venture, contributing 12 concrete plants and 15 aggregates quarries to the joint venture.

As of December 31, 2007, we distributed fly ash through 16 terminals and 14 third-party-owned utility plants, which operate both as sources of fly ash and distribution terminals. As of that date, we also owned 175 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.

Capital Expenditures

We made capital expenditures of approximately U.S.$160 million in 2005, U.S.$344 million in 2006 and U.S.$496 million in 2007, in our U.S. operations. We currently expect to make capital expenditures of approximately U.S.$507 million in our U.S. operations during 2008, including those related to the expansion of the Balcones and the Brooksville South cement plants, and the new Seligman Crossing cement plant, described above. We do not expect to be required to contribute any funds in respect of the assets of the companies jointly-owned with Ready Mix USA as capital expenditures during 2008.

Europe

For the year ended December 31, 2007, our business in Europe, which includes our operations in Spain, the United Kingdom and our Rest of Europe segment, as described below, represented approximately 37% of our net sales before eliminations resulting from consolidation. As of December 31, 2007, our business in Europe represented approximately 27% of our total installed capacity and approximately 22% of our total assets.

Our Spanish Operations

Overview

Our Spanish operations represented approximately 9% of our net sales in constant Peso terms, before eliminations resulting from consolidation, and approximately 8% of our total assets, for the year ended December 31, 2007.

As of December 31, 2007, 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 itself and Cementos Especiales de las Islas, S.A., or CEISA, a joint venture 50%-owned by CEMEX España and 50%-owned by Tudela Veguín, a Spanish cement producer. 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 an expected €2 million during 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, and the project is expected to be completed by early 2010.

Additionally, 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 be completed in the second quarter of 2009. Our investment in the construction of the plant is expected to be approximately €84 million, including approximately €27 million in 2007 and an expected €56 million during 2008. We will hold a 99.34% interest in Cementos Andorra, and the Burgos family will hold a 0.66% interest.

35

The Spanish Cement Industry

According to the Spanish National Institute of Statistics, in 2007, the construction sector of the Spanish economy increased 4% compared to 2006, primarily as a result of a good civil works performance. According to the Asociación de Fabricantes de Cemento de España, or OFICEMEN, the Spanish cement trade organization, cement consumption in Spain in 2007 increased an estimated 0.3% compared to 2006.

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 12.4% in 2005 and 9.5% in 2006 and decreased 10.5% in 2007. Clinker imports have been significant, with increases of 25% in 2005, 19.7% in 2006 and 26.8% in 2007. Imports primarily had an impact on coastal zones, since transportation costs make it less profitable to sell imported cement in inland markets.

In the past, Spain has traditionally been one of the leading exporters of cement in the world exporting up to 6 million tons per year. In recent years, our Spanish operations' 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 competitiveness of the domestic market. These export volumes decreased 40% in 2005, increased 25% in 2006 and decreased 28% in 2007.

Competition

According to OFICEMEN, as of December 31, 2007, 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, the Canarias 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.

Our Spanish Operating Network

Products and Distribution Channels

Cement. Our cement operations represented approximately 52% of our Spanish operations' net sales before eliminations resulting from consolidation in 2007. CEMEX España offers various types of cement, targeting specific products to specific markets and users. In 2007, approximately 13% of CEMEX España's domestic sales volumes consisted of bagged cement through distributors, and the remainder of CEMEX España's domestic sales volumes 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 22% of our Spanish operations' net sales before eliminations resulting from consolidation in 2007. Our ready-mix concrete operations in Spain in 2007 purchased over 77% of their cement requirements from our Spanish cement operations, and approximately 48% of their aggregates requirements from our Spanish aggregates operations. Ready-mix concrete sales for public works represented 14% of our total ready-mix concrete sales, and sales for residential and non-residential buildings represented 86% of our total ready-mix concrete sales in 2007.

Aggregates. Our aggregates operations represented approximately 5% of our Spanish operations' net sales before eliminations resulting from consolidation in 2007.

Exports. Exports of cement by our Spanish operations represented approximately 1% of our Spanish operations' net sales before eliminations resulting from consolidation in 2007. 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 2007, 64% consisted of white cement and 36% consisted of gray cement. In 2007, 18% of our exports from Spain were to the United States, 46% to Africa and 36% to Europe.

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 2007, we burned meal flour, organic waste, tires and plastics as fuel, achieving in 2007 a 8% substitution rate for petcoke in our gray clinker kilns. During 2008, we expect to increase the quantity of those alternative fuels reaching a substitution level of over 10%.

Description of Properties, Plants and Equipment

As of December 31, 2007, our Spanish operations operated eight cement plants located in Spain, with an installed cement capacity of 11.4 million tons, including 1.7 million tons of white cement. As of that date, we also owned four cement mills, one of which is held through CEISA, 27 distribution centers, including 9 land and 18 marine terminals, 114 ready-mix plants, 27 aggregates quarries and 14 mortar plants, including one which is held through CEISA and another in which we also hold a 50% participation.

As of December 31, 2007, we owned nine limestone quarries located in close proximity to our cement plants, which have useful lives ranging from 10 to 30 years, assuming 2007 production levels. Additionally, we have rights to expand those reserves to 50 years of limestone reserves, assuming 2007 production levels.

Capital Expenditures

We made capital expenditures of approximately U.S.$66 million in 2005, U.S.$162 million in 2006 and U.S.$213 million in 2007 in our Spanish operations. We currently expect to make capital expenditures of approximately U.S.$209 million in our Spanish operations during 2008, including those related to the construction of the new cement mill and dry mortar production plant in the Port of Cartagena, and the construction of the new cement production facility in Teruel, described above.

Our U.K. Operations

Overview

Our U.K. operations represented approximately 9% of our net sales in constant Peso terms, before eliminations resulting from consolidation, and approximately 5% of our total assets for the year ended December 31, 2007.

As of December 31, 2007, 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 pre-cast materials solutions such as concrete blocks, concrete block paving, roof tiles, flooring systems and sleepers for rail infrastructure.

The U.K. Cement Industry

According to the U.K.'s Department of Trade and Industry, the annual GDP growth rate for the U.K. was 3.1% during 2007. Total construction output grew by 2.5% in 2007, as compared to 1.3% growth in 2006. The private housing sector declined by approximately 0.6%, and the public housing sector grew by approximately

16.7% in 2007, while the total public construction sector continued its declining trend. Infrastructure construction grew by 1.1% while public works other than public housing declined by 5.0% in 2007. Commercial and industrial construction activity continued to grow by 12.8% and 0.5%, respectively, in 2007. Repair and maintenance activity grew 0.3% in 2007.

Competition

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

Our U.K. Cement Operating Network

Products and Distribution Channels

Cement. Our cement operations represented approximately 15% of our U.K. operations' net sales before eliminations resulting from consolidation for the year ended December 31 2007. About 88% of our cement sales were of bulk cement, with the remaining 12% 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 and to "do-it-yourself" superstores. During 2007, we imported 190 thousand tons of cement, an increase of 22% compared to our 2006 imports. This increase was due to a rise in our 2007 sales.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 31% of our U.K. operations' net sales before eliminations resulting from consolidation in 2007. Special products, including self-compacting concrete, fiber-reinforced concrete, high strength concrete, flooring concrete and filling concrete, represented 11% of our sales volume. Our ready-mix concrete operations in the U.K. in 2007 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 residential, commercial and public contractors.

Aggregates. Our aggregates operations represented approximately 25% of our U.K. operations' net sales before eliminations resulting from consolidation in 2007. In 2007, our U.K. aggregates sales were divided as follows: 57% were sand and gravel, 35% limestone and 8% hard stone. In 2007, 20% of our aggregates were obtained from marine sources along the U.K. coast. In 2007, approximately 44% of our U.K. aggregates production was consumed by our own ready-mix concrete operations as well as our asphalt, concrete block and pre-cast operations. We also sell aggregates to major contractors to build roads and other infrastructure projects.

Production Costs

Cement. In 2007, CEMEX saw improved productivity at all three of its U.K.cement plants which combined achieved world-class efficiency levels of 90.5%. This has resulted in an increase in cement production of 12% compared to 2006. We continued to implement our cost reduction programs and increased the use of alternative fuels by more than 52%.

Ready-Mix Concrete. In 2007, we increased the productivity of our ready-mix concrete plants by 4% based on volume produced. We also increased the utilization of our ready-mix concrete trucks, reducing the need to hire costly third party trucks.

Aggregates. In 2007, we increased the productivity of our quarries by 11% based on volume.

Description of Properties, Plants and Equipment

As of December 31, 2007, we operated three cement plants and a clinker grinding facility in the United Kingdom, with an installed cement capacity of 2.8 million tons per year. As of that date, we also owned six cement import terminals and operated 250 ready-mix concrete plants and 76 aggregates quarries in the United Kingdom. In addition, we had operating units dedicated to the asphalt, concrete blocks, concrete block paving, roof tiles, sleepers, flooring and other pre-cast businesses in the United Kingdom.

In order to ensure increased availability of blended cements, which are more sustainable based on their reduced clinker factor and use of by-products from other industries, we announced plans to construct a new grinding and blending facility at the Port of Tilbury, located on the Thames river east of London. The new facility is expected to be commissioned in the fourth quarter of 2008, will have an annual capacity of approximately 1.2 million tons per annum that will increase our U.K. cement capacity by 20%. We expect our total capital expenditure in the construction of this new grinding mill over the course of two years to be approximately U.S.$89 million, including U.S.$28 million in 2007 and an expected U.S.$61 million in 2008.

Capital Expenditures

We made capital expenditures of approximately U.S.$54 million in 2005, U.S.$115 million in 2006 and U.S.$133 million in 2007 in our U.K. operations. We currently expect to make capital expenditures of approximately U.S.$175 million in our U.K. operations during 2008, including those related to the new grinding mill and blending facility at the Port of Tilbury, described above.

Our Rest of Europe Operations

Our operations in the Rest of Europe, which, as of December 31, 2007, consisted of our operations in Germany, France, Ireland, Austria, Poland, Croatia, the Czech Republic, Hungary, Latvia and Italy, as well as our other European assets and our 34% minority interest in a Lithuanian company, represented approximately 19% of our 2007 net sales in constant Peso terms, before eliminations resulting from consolidation, and approximately 9% of our total assets in 2007.

Our German Operations

Overview

As of December 31, 2007, we held 100% of CEMEX Deutschland AG, our operating subsidiary in Germany. We are a leading provider of building materials in Germany, with vertically integrated cement, ready-mix concrete, aggregates and concrete products operations (consisting mainly of prefabricated concrete ceilings and walls). We maintain a nationwide network for ready-mix concrete and aggregates in Germany.

The German Cement Industry

According to Euroconstruct, total construction in Germany increased by 1% in 2007. Data from the Federal Statistical Office indicate an increase in construction investments of 2% for 2007, driven by increases in the non-residential and civil engineering sectors of 5% each; the residential sector declined. According to the German Cement Association, total cement consumption in Germany decreased by 5.7% to 27.3 millions tons in 2007. The concrete and aggregates markets showed similar declines with decreases of 6% and 2.8%, respectively.

Competition

Our primary competitors in the German cement market are Heidelberg, Dyckerhoff (a subsidiary of Buzzi-Unicem), Lafarge, Holcim and Schwenk, a local German competitor. The ready-mix concrete and aggregates markets in Germany are more fragmented, with more participation of local competitors.

Our German Operating Network

(*) In 2006, we closed the kiln at the Mersmann cement plant, and we do not contemplate resuming kiln operations at this plant, but grinding and packing activities remain operational.

Description of Properties, Plants and Equipment

As of December 31, 2007, we operated two cement plants in Germany (not including the Mersmann plant). As of December 31, 2007, our installed cement capacity in Germany was 5.6 million tons per year (excluding the Mersmann plant cement capacity). As of that date, we also operated four cement grinding mills, 185 ready-mix concrete plants, 40 aggregates quarries, and four land distribution centers and two maritime terminals in Germany.

Capital Expenditures

We made capital expenditures of approximately U.S.$20 million in 2005, U.S.$50 million in 2006 and U.S.$78 million in 2007 in our German operations, and we currently expect to make capital expenditures of approximately U.S.$66 million in 2008.

Our French Operations

Overview

As of December 31, 2007, we held 100% of RMC France SAS, our operating subsidiary in France. We are a leading ready-mix concrete producer and a leading aggregates producer in France. We distribute the majority of our materials by road and a significant quantity by waterways, seeking to maximize the use of this efficient and sustainable alternative.

The French Cement Industry

According to Euroconstruct, total construction output in France grew by 2.1% in 2007. The increase was primarily driven by increases of 11% and 6% in the public works segment and the non-residential sector, respectively. According to the French cement producers association, total cement consumption in France reached 24.7 million tons in 2007, an increase of 3.4 % compared to 2006.

Competition

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

Description of Properties, Plants and Equipment

As of December 31, 2007, we operated 236 ready-mix concrete plants in France, one maritime cement terminal located in LeHavre, on the northern coast of France, and 44 aggregates quarries. As of that date, we also participated in 15 aggregates quarries through joint ventures.

Capital Expenditures

We made capital expenditures of approximately U.S.$20 million in 2005, U.S.$33 million in 2006 and U.S.$47 million in 2007 in our French operations, and we currently expect to make capital expenditures of approximately U.S.$50 million during 2008.

Our Irish Operations

As of December 31, 2007, we held 61.7% of Readymix Plc, our operating subsidiary in the Republic of Ireland. Our operations in Ireland produce and supply sand, stone and gravel as well as ready-mix concrete, mortar and concrete blocks. As part of our strategic plan, in September 2007, we divested parts of our pre-cast concrete products division to Acheson & Glover and in December 2007 we closed our pipes and tiles business units. As of December 31, 2007, we operated 46 ready-mix concrete plants, 27 aggregates quarries, and 16 block plants located in the Republic of Ireland, Northern Ireland and the Isle of Man. We import and distribute cement in the Isle of Man.

According to DKM Economic Consultants, total construction output in the Republic of Ireland is estimated to have decreased by 1.5% in 2007. The decrease was driven by a reduction of 9.4% in the residential sector, partially offset by increases of 25.4% and 2% in the non-residential sector and the infrastructure sector, respectively. We estimate that total cement consumption in the Republic of Ireland and Northern Ireland reached 7.0 million tons in 2007, an increase of 0.3% compared to total cement consumption in 2006.

Our main competitors in the ready-mix concrete and aggregates markets in Ireland are CRH and Kilsaran.

We made capital expenditures of approximately U.S.$9 million in 2005, U.S.$21 million in 2006 and U.S.$28 million in 2007 in our Irish operations, and we currently expect to make capital expenditures of approximately U.S.$42 million in our Irish operations during 2008.

Our Austrian Operations

As of December 31, 2007, we held 100% of CEMEX Austria plc, our operating subsidiary in Austria. We are a leading participant in the concrete and aggregates markets in Austria and also produce admixtures. As of December 31, 2007, we operated 46 ready-mix concrete plants and 29 aggregates quarries in Austria.

According to Euroconstruct, total construction output in Austria grew by 5.5% in 2007. The increase was primarily driven by an increase of 6.7% in public infrastructure (civil engineering) construction in 2007, after an increase of 6.2% in 2006. Demand for new housing construction and renovation also increased 5.7% due to economic upswings and demographic changes as a result of immigration. According to Euroconstruct, total cement consumption in Austria increased 3.0% in 2007.

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

We made capital expenditures of approximately U.S.$15 million in 2005, U.S.$23 million in 2006 million and U.S.$8 million in 2007 in our Austrian operations, and we currently expect to make capital expenditures of approximately U.S.$9 million in Austria during 2008.

Our Polish Operations

As of December 31, 2007, we held 100% of CEMEX Polska sp. z.o.o., our operating subsidiary in Poland. We are a leading provider of building materials in Poland serving the cement, ready-mix concrete and aggregates markets. As of December 31, 2007, we operated two cement plants in Poland, with a total installed cement capacity of 3.0 million tons per year. As of that date, we also operated one grinding mill, 40 ready-mix concrete plants and 11 aggregates quarries in Poland, including one in which we have a 50.1% interest. As of that date, we also operated 11 land distribution centers and two maritime terminals in Poland.

According to Central Statistical Office in Poland, total construction output in Poland increased by 15.7 % in 2007. In addition, according to the Polish Cement Association, total cement consumption in Poland reached 16.6 million tons in 2007, an increase of 15.4% compared to 2006.

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

We made capital expenditures of approximately U.S.$5 million in 2005, U.S.$13 million in 2006 and U.S.$37 million in 2007 in our Polish operations, and we currently expect to make capital expenditures of approximately U.S.$70 million in Poland during 2008.

Our South-East European Operations

As of December 31, 2007, we held 99.2% of Dalmacijacement d.d., our operating subsidiary in Croatia. In January 2008 we completed the acquisition of the 0.8% remaining equity interest, for a total amount of approximately € 3.2 million.

We are the largest cement producer in Croatia based on installed capacity as of December 31, 2007, according to our estimates. As of December 31, 2007, we operated three cement plants in Croatia, with an installed capacity of 2.4 million tons per year. As of that date, we also operated 13 land distribution centers, three maritime cement terminals, two ready-mix concrete facilities and one aggregates quarry in Croatia, Bosnia, Slovenia, Serbia and Montenegro.

According to the Croatian Cement Association, total cement consumption only in Croatia reached 3.05 million tons in 2007, an increase of 8.7% compared to 2006.

Our primary competitors only in the Croatian cement market are Nexe and Holcim.

We made capital expenditures of approximately U.S.$5 million in 2005, U.S.$12 million in 2006 and U.S.$17 million in 2007 in our South-East European operations, and we currently expect to make capital expenditures of approximately U.S.$21 million in the region during 2008.

Our Czech Republic Operations

As of December 31, 2007, we held 100% of CEMEX Czech Republic, s.r.o., our operating subsidiary in the Czech Republic. We are a leading producer of ready-mix concrete and aggregates in the Czech Republic. We also distribute cement in the Czech Republic. As of December 31, 2007, we operated 47 ready-mix concrete plants and seven aggregates quarries in the Czech Republic. As of that date, we also operated one cement grinding mill and one cement terminal in the Czech Republic.

According to Euroconstruct, total construction output in the Czech Republic increased by 6.6% in 2007. The increase was primarily driven by growth of 7.6% in the residential construction sector. According to Euroconstruct, total cement consumption in the Czech Republic reached 5.1 million tons in 2007, an increase of 10.8% compared to 2006.

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

We made capital expenditures of approximately U.S.$2 million in 2005, U.S.$5 million in 2006 and U.S.$11 million in 2007 in our Czech Republic operations, and we currently expect to make capital expenditures of approximately U.S.$17 million in the Czech Republic during 2008.

Our Hungarian Operations

As of December 31, 2007, we held 100% of Danubiusbeton Betonkészító Kft, our operating subsidiary in Hungary. As of December 31, 2007, we operated 35 ready-mix concrete plants and seven aggregates quarries in Hungary.

According to the Hungarian Statistical Office, total construction output in Hungary decreased by 14.1% in 2007. The decrease was primarily driven by a reduction of public infrastructure construction. Total cement consumption in Hungary reached 3.9 million tons in 2007, a decrease of 5% compared to 2006.

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

We made capital expenditures of approximately U.S.$10 million in 2005, U.S.$7 million in 2006 and U.S.$12 million in 2007 in our Hungarian operations, and we currently expect to make capital expenditures of approximately U.S.$7 million in Hungary during 2008.

Our Latvian Operations

As of December 31, 2007, we held 100% of SIA CEMEX, our operating subsidiary in Latvia. We are the only cement producer and a leading ready-mix producer and supplier in Latvia. As of December 31, 2007, we operated one cement plant in Latvia with an installed cement capacity of 0.5 million tons per year. As of that date, we also operated four ready-mix concrete plants in Latvia.

In April 2006, we initiated a plan to expand our cement plant in Latvia in order to increase our cement production capacity by one million tons per year to support strong demand in the country. The construction is expected to be completed at the beginning of 2009. We expect our total capital expenditure in the capacity expansion over the course of three years will be approximately U.S.$258 million, which includes U.S.$11 million and U.S.$86 million invested during 2006 and 2007, respectively, and an expected U.S.$149 million during 2008.

We made capital expenditures of approximately U.S.$3 million in 2005, U.S.$19 million in 2006 and U.S.$100 million in 2007 in our Latvian operations, and we currently expect to make capital expenditures of approximately U.S.$161 million in our Latvian operations during 2008, including those related to the expansion of our cement plant described above.

Our Lithuanian Equity Investment

As of December 31, 2007, we owned a 34% interest in Akmenes Cementas AB, a Lithuanian cement producer, which operates one cement plant in Lithuania with an installed cement capacity of 1.3 million tons per year.

Our Italian Operations

As of December 31, 2007, we held 100% of Cementilce S.R.L., the holding company for our Italian operations. As of that date, we had four grinding mills in Italy, two of which have since been sold. Our first mill started operations at the end of the third quarter of 2005, and has an installed capacity of approximately 450,000 tons per year. Our second mill, which we sold to Italcementi in January 2008 for U.S.$76.4 million, began operations in the second quarter of 2006, and had an installed capacity of approximately 750,000 tons per year. Our third mill began operations in the last quarter of 2006 and has an installed capacity of approximately 420,000 tons per year. Our fourth mill, which we sold to Buzzi in February 2008 for U.S.$61.1 million, was completed in December 2007 and had an installed capacity of approximately 750,000 tons per year. As of March 1, 2008 , we had two grinding mills in Italy with a total installed capacity of 870,000 tons per year. Our operations in Italy enhance our trading operations in the Mediterranean region.

We made capital expenditures of approximately U.S.$33 million in 2005, approximately U.S.$26 million in 2006 and approximately U.S.$38 million in 2007 in our Italian operations. We currently expect to make capital expenditures of approximately U.S.$8 million in our Italian operations during 2008.

Our Other European Operations

As of December 31, 2007, we operated 16 marine cement terminals in Finland, Norway and Sweden through Embra AS, a leading bulk-cement importer in the Nordic region.

We made capital expenditures of approximately U.S.$5 million during 2006 and U.S.$1 million during 2007 in our other European operations. We currently expect to make capital expenditures of less than U.S.$1 million in our other European operations during 2008.

South America, Central America and the Caribbean

For the year ended December 31, 2007, our business in South America, Central America and the Caribbean, which includes our operations in Venezuela, Colombia, Argentina, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico and Jamaica, as well as other assets in the Caribbean, represented approximately 9% of our net sales before eliminations resulting from consolidation. As of December 31, 2007, our business in South America, Central America and the Caribbean represented approximately 16% of our total installed capacity and approximately 7% of our total assets.

Our Venezuelan Operations

Overview

As of December 31, 2007, we held a 75.7% interest in CEMEX Venezuela, S.A.C.A., or CEMEX Venezuela, our operating subsidiary in Venezuela, which is listed on the Caracas Stock Exchange. As of December 31, 2007, CEMEX Venezuela was the largest cement producer in Venezuela, based on an installed capacity of 4.6 million tons. For the year ended December 31, 2007, our operations in Venezuela represented approximately 3% of our net sales before eliminations resulting from consolidation and approximately 2% of our total assets.

In March 2004, we launched the Construrama program in Venezuela. Through the Construrama program, we offer to a group of our Venezuelan 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, 2007, 129 stores were integrated into the Construrama program in Venezuela.

The Venezuelan Cement Industry

According to the Venezuelan Cement Producer Association, cement consumption in Venezuela grew approximately 17.1% in 2007. In February 2003, Venezuelan authorities imposed foreign exchange controls and implemented price controls on many products, including cement. In 2007, the annual inflation rate in Venezuela increased to 22.5%. On January 31, 2007, the Venezuelan National Assembly passed an enabling law, granting President Hugo Chávez the power to govern by decree with the force of law for 18 months. On March 7, 2007, the Venezuelan government announced that the bolívar would be revalued at a ratio of 1 to 1000. In furtherance of Venezuela's announced policy to nationalize certain sectors of the economy, on June 18, 2008, the Nationalization Decree was promulgated, mandating that the cement production industry in Venezuela be reserved to the State and ordering the conversion of foreign-owned cement companies, including CEMEX Venezuela, into state-controlled companies with Venezuela holding an equity interest of at least 60%. See "Item 4—Regulatory Matters and Legal Proceedings—CEMEX Venezuela Nationalization."

Competition

As of December 31, 2007, the Venezuelan cement industry included five cement producers, with a total installed capacity of approximately 10.1 million tons, according to our estimates. Our global competitors, Holcim and Lafarge, own controlling interests in Venezuela's second and third largest cement producers, respectively, and are also subject to the nationalization of the cement industry announced by President Hugo Chávez on April 3, 2008.

In 2007, the ready-mix concrete market accounted for only about 13% of cement consumption in Venezuela, according to our estimates. We believe that Venezuela's construction companies, which typically prefer to install their own ready-mix concrete plants on-site, are the most significant barrier to penetration of the ready-mix concrete sector, with the result that on-site ready-mix concrete mixing represents a high percentage of total ready-mix concrete production.

Other than CEMEX Venezuela, there are two major ready-mix concrete companies in Venezuela, Premezclado Caribe, which is owned by Holcim, and Premex, which is owned by Lafarge. The rest of the ready-mix concrete sector in Venezuela is highly fragmented.

As of December 31, 2007, CEMEX Venezuela was the leading Venezuelan domestic supplier of cement, based on our estimates of sales of gray and white cement in Venezuela. In addition, CEMEX Venezuela was the leading domestic supplier of ready-mix concrete in 2007 with 33 ready-mix concrete production plants throughout Venezuela.

Our Venezuelan Operating Network

As shown below, CEMEX Venezuela's three cement plants and one grinding facility are located near the major population centers and the coast of Venezuela.

Products and Distribution Channels

Transport by land is handled partially by CEMEX Venezuela. During 2007, approximately 40.5% of CEMEX Venezuela's total domestic sales were transported through its own fleet of trucks. CEMEX Venezuela also serves a significant number of its retail customers directly through its wholly-owned distribution centers. CEMEX Venezuela's cement is transported either in bulk or in bags.

Cement. Our cement operations represented approximately 65% of our Venezuelan operations' net sales before elimination resulting from consolidation for the year ended December 31, 2007.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 28% of our Venezuelan operations' net sales before eliminations resulting from consolidation in 2007.

Aggregates. Our aggregates operations represented approximately 3% of our Venezuelan operations' net sales before eliminations resulting from consolidation in 2007.

Exports

During 2007, exports from Venezuela represented approximately 12% of CEMEX Venezuela's net sales before elimination resulting from consolidation. CEMEX Venezuela's main export markets historically have been the Caribbean and the east coast of the United States. In 2007, approximately 9% of our exports from Venezuela were to the United States, and 91% were to South America, Central America and the Caribbean.

Description of Properties, Plants and Equipment

As of December 31, 2007, CEMEX Venezuela operated three wholly-owned cement plants, Lara, Mara and Pertigalete, with a combined installed cement capacity of approximately 4.6 million tons. As of that date, CEMEX Venezuela also operated the Guayana grinding facility with a cement capacity of approximately 375,000 tons. As of December 31, 2007, CEMEX Venezuela owned 33 ready-mix concrete production facilities, one dry mortar plant, 10 land distribution centers and seven limestone quarries with reserves sufficient for over 100 years at 2007 production levels.

The Lara and Mara plants and one production line at the Pertigalete plant use the wet process; the other production line at the Pertigalete plant uses the dry process. All the plants use primarily natural gas as fuel, but a small percentage of diesel fuel is also used at the Lara plant. CEMEX Venezuela has its own electricity generating facilities, which are powered by natural gas and diesel fuel.

As of December 31, 2007, CEMEX Venezuela owned and operated four port facilities, three marine terminals and one river terminal. One port facility is located at the Pertigalete plant, one at the Mara plant, one at the Catia La Mar terminal on the Caribbean Sea near Caracas, and one at the Guayana Plant on the Orinoco River in the Guayana

Region.

Capital Expenditures

We made capital expenditures of approximately U.S.$23 million in 2005, U.S.$41 million in 2006 and U.S.$47 million in 2007 in our Venezuelan operations. Prior to the nationalization announcement, we had expected to make capital expenditures of approximately U.S.$22 million in our Venezuelan operations during 2008.

Our Colombian Operations

Overview

As of December 31, 2007, we owned approximately 99.7% of CEMEX Colombia, S.A., or CEMEX Colombia, our operating subsidiary in Colombia. As of December 31, 2007, CEMEX Colombia was the second-largest cement producer in Colombia, based on installed capacity according to the Colombian Institute of Cement Producers. For the year ended December 31, 2007, our operations in Colombia, represented approximately 2% of our net sales before eliminations resulting from consolidation and approximately 2% of our total assets.

CEMEX Colombia has a significant market share in the cement and ready-mix concrete market in the "Urban Triangle" of Colombia comprising the cities of Bogotá, Medellín and Cali. During 2007, these three metropolitan areas accounted for approximately 45% of Colombia's cement consumption. CEMEX Colombia's Ibague plant, which uses the dry process and is strategically located in the Urban Triangle, is Colombia's largest and had an installed capacity of 2.5 million tons as of December 31, 2007. CEMEX Colombia, through its Bucaramanga and Cúcuta plants, is also an active participant in Colombia's northeastern market. CEMEX Colombia's strong position in the Bogotá ready-mix concrete market is largely due to its access to a ready supply of aggregates deposits in the Bogotá area.

The Colombian Cement Industry

According to the Colombian Institute of Cement Producers, the installed capacity for cement in Colombia in 2007 was 16.0 million tons. According to that organization, total cement consumption in Colombia reached 9.1 million tons during 2007, an increase of 13.5%, while cement exports from Colombia reached 2.0 million tons. We estimate that close to 50% of cement in Colombia is consumed by the self-construction sector, while the housing sector accounts for 28% of total cement consumption and has been growing in recent years. The other construction segments in Colombia, including the public works and commercial sectors, account for the balance of cement consumption in Colombia.

Competition

The "Grupo Empresarial Antioqueño," or Argos, owns or has interests in 11 of Colombia's 18 cement plants. Argos has established a leading position in the Colombian coastal markets through Cementos Caribe in Barranquilla, Compañía Colclinker in Cartagena and Tolcemento in Tolú. The other principal cement producer is Holcim Colombia.

Our Colombian Operating Network

Products and Distribution Channels

Cement. Our cement operations represented approximately 53% of our Colombian operations' net sales before eliminations resulting from consolidation for the year ended December 31, 2007.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 27% of our Colombian operations' net sales before eliminations resulting from consolidation in 2007.

Aggregates. Our aggregates operations represented approximately 5% of our Colombian operations' net sales before eliminations resulting from consolidation in 2007.

Description of Properties, Plants and Equipment

As of December 31, 2007, CEMEX Colombia owned six cement plants, having a total installed capacity of 4.8 million tons per year. Three of these plants utilize the wet process and three plants utilize the dry process. CEMEX Colombia also has an internal electricity generating capacity of 24.7 megawatts through a leased facility. As of December 31, 2007, CEMEX Colombia owned seven land distribution centers, one mortar plant, 32 ready-mix concrete plants, one concrete products plant and seven aggregates operations. As of that date, CEMEX Colombia also owned five limestone quarries with minimum reserves sufficient for over 60 years at 2007 production levels.

Capital Expenditures

We made capital expenditures of approximately U.S.$7 million in 2005, U.S.$31 million in 2006 and U.S.$15 million in 2007 in our Colombian operations. We currently expect to make capital expenditures of approximately U.S.$23 million in our Colombian operations during 2008.

Our Costa Rican Operations

As of December 31, 2007, we owned a 99.1% interest in CEMEX (Costa Rica), S.A., or CEMEX Costa Rica, our operating subsidiary in Costa Rica and a leading cement producer in the country. As of December 31, 2007, CEMEX Costa Rica operated one cement plant in Costa Rica, with an installed capacity of 0.9 million tons. As of that date, CEMEX Costa Rica also operated a grinding mill in the capital city of San José. As of December 31, 2007, CEMEX Costa Rica operated seven ready-mix plants, one aggregate quarry, and one land distribution center.

During 2007, exports of cement by our Costa Rican operations represented approximately 7% of our total cement production in Costa Rica. In 2007, 3% of our exports from Costa Rica were to Nicaragua, 47% to El Salvador and 50% to Panama.

Approximately 1.5 million tons of cement were sold in Costa Rica during 2007, according to the Cámara de la Construcción de Costa Rica, the Costa Rican construction industry association. The Costa Rican cement market is a predominantly retail market, and we estimate that over three quarters of cement sold is bagged cement.

The Costa Rican cement industry includes two producers, CEMEX Costa Rica and Holcim Costa Rica.

We made capital expenditures of approximately U.S.$5 million in 2005, U.S.$7 million in 2006 and U.S.$5 million in 2007 in our Costa Rican operations. We currently expect to make capital expenditures of approximately U.S.$7 million in our Costa Rican operations during 2008.

Our Dominican Republic Operations

As of December 31, 2007, we held, through CEMEX Venezuela, 99.9% of CEMEX Dominicana, S.A., or CEMEX Dominicana, our operating subsidiary in the Dominican Republic and a leading cement producer in the country. In April 2008, we acquired this interest from CEMEX Venezuela. CEMEX Dominicana's sales network covers the country's main consumption areas, which are Santo Domingo, Santiago de los Caballeros, La Vega, San Pedro de Macoris, Azúa and Bavaro. CEMEX Dominicana also has an 18-year lease arrangement with the Dominican Republic government related to the mining of gypsum, which enables CEMEX Dominicana to supply all local and regional gypsum requirements.

In 2007, Dominican Republic cement consumption reached 3.6 million tons. Our principal competitors in the Dominican Republic are Domicem, an Italian cement producer that started cement production in 2005; Cementos Cibao, a local competitor; Cemento Colón, an affiliated grinding operation of Holcim; Cementos Santo Domingo, a cement grinding partnership between a local investor and Cementos La Union from Spain; and Cementos Andinos, a Colombian cement producer which has an installed grinding operation, and partially constructed cement kiln but was out of the market for most of 2007.

As of December 31, 2007, CEMEX Dominicana operated one cement plant in the Dominican Republic, with an installed capacity of 2.6 million tons per year, and held a minority interest in one grinding mill. As of that date, CEMEX Dominicana also operated eight ready-mix concrete plants, one aggregates quarry, three land distribution centers and two marine terminals.

We made capital expenditures of approximately U.S.$87 million in 2005, U.S.$27 million in 2006 and U.S.$11 million in 2007 in our Dominican Republic operations. We currently expect to make capital expenditures of approximately U.S.$15 million in our Dominican Republic operations during 2008.

Our Panamanian Operations

As of December 31, 2007, we held, through CEMEX Venezuela, a 99.5% interest in Cemento Bayano, S.A., or Cemento Bayano, our operating subsidiary in Panama and a leading cement producer in the country. In April 2008, we acquired this interest from CEMEX Venezuela. As of December 31, 2007, Cemento Bayano operated one cement plant in Panama, with an installed capacity of 0.5 million tons per year. As of that date, Cemento Bayano also owned and operated 13 ready-mix concrete plants, two aggregates quarries and three land distribution centers.

Approximately 1.4 million cubic meters of ready-mix concrete were sold in Panama during 2007, according to the General Comptroller of the Republic of Panama (Contraloría General de la República de Panamá). Panamanian cement consumption increased 14.9% in 2007, according to our estimates. The Panamanian cement industry includes two cement producers, Cemento Bayano and Cemento Panamá, an affiliate of Holcim and Colombian Cementos Argos.

On February 6, 2007, we announced that we intend to build a new kiln at our Bayano plant in Panama, and the project is currently under construction. The new kiln is expected to increase the Bayano plant's annual clinker production capacity by approximately 1.1 million tons giving a total capacity of 1.6 million tons of clinker per year. Cement milling production capacity increased to 1.4 million tons per year with a new mill which started operating in February 2008. Construction of the new kiln is expected to be completed by mid 2009 with an investment of approximately U.S.$200 million, which includes U.S.$55 million made in 2007 and an expected U.S.$96 million during 2008.

We made capital expenditures of approximately U.S.$5 million in 2005, U.S.$26 million in 2006 and U.S.$63 million in 2007 in our Panamanian operations. We currently expect to make capital expenditures of approximately U.S.$102 million in our Panamanian operations during 2008, including those related to the construction of the new kiln described above.

Our Nicaraguan Operations

As of December 31, 2007, we owned 100% of CEMEX Nicaragua, S.A., or CEMEX Nicaragua, our operating subsidiary in Nicaragua. As of that date, CEMEX Nicaragua leased and operated one cement plant with an installed capacity of 0.5 million tons. Since March 2003, CEMEX Nicaragua has also leased a 100,000 ton milling plant in Managua, which has been used exclusively for petcoke milling.

According to our estimates, approximately 0.67 million tons of cement were sold in Nicaragua during 2007. Two market participants compete in the Nicaraguan cement industry: CEMEX Nicaragua and Holcim.

In the first half of 2006, we added two ready-mix concrete plants to our ready-mix concrete business in Nicaragua. We now operate one fixed ready-mix concrete plant and four mobile plants in the country. According to our estimates, approximately 144.600 cubic meters of ready-mix concrete were sold in Nicaragua during 2007. At the end of 2006, we also bought the first aggregates quarry for CEMEX in Nicaragua. We now operate two aggregates quarries in the country. According to our estimates, approximately 4.0 million tons of aggregates were sold in Nicaragua during 2007.

We made capital expenditures of approximately U.S.$7 million in 2005, U.S.$6 million in 2006 and U.S.$5 million in 2007 in our Nicaraguan operations. We currently expect to make capital expenditures of approximately U.S.$3 million in our Nicaraguan operations during 2008.

Our Puerto Rican Operations

As of December 31, 2007, we owned 100% of CEMEX de Puerto Rico, Inc., or CEMEX Puerto Rico, our operating subsidiary in Puerto Rico. As of December 31, 2007, CEMEX Puerto Rico operated one cement plant, with an installed cement capacity of approximately 1.2 million tons per year. As of that date, CEMEX Puerto Rico also owned and operated 17 ready-mix concrete plants, one aggregates quarry that was acquired in November 2006 for approximately U.S.$13 million, and two land distribution centers.

In 2007, Puerto Rican cement consumption reached 1.581 million tons. The Puerto Rican cement industry in 2007 was comprised of two cement producers, CEMEX Puerto Rico, and San Juan Cement Co., an affiliate of Italcementi, and Antilles Cement Co., an independent importer.

We made capital expenditures of approximately U.S.$10 million in 2005, U.S.$33 million in 2006 and U.S.$19 million in 2007 in our Puerto Rican operations. We currently expect to make capital expenditures of approximately U.S.$7 million in our Puerto Rican operations during 2008.

Our Guatemalan Operations

In January 2006, we acquired a 51% equity interest in a cement-grinding mill facility in Guatemala for approximately U.S.$17 million. As of December 31, 2007, the cement-grinding mill had an installed capacity of 500,000 tons per year. In addition, we also owned and operated three land distribution centers and a clinker silo close to a maritime terminal in Guatemala.

We made capital expenditures of approximately U.S.$1 million in 2007 in Guatemala, and we currently expect to make capital expenditures of approximately U.S.$2 million during 2008.

Our Other South America, Central America and the Caribbean Operations

As of December 31, 2007, we held 100% of Readymix Argentina S.A., which operates four ready-mix concrete plants in Argentina.

We believe that the Caribbean region holds considerable strategic importance because of its geographic location. As of December 31, 2007, we operated a network of eight marine terminals in the Caribbean region, which facilitated exports from our operations in several countries, including Mexico, Dominican Republic, Venezuela, Costa Rica, Puerto Rico, Spain, Colombia and Panama. Three of our marine terminals are located in the main cities of Haiti, two are in the Bahamas, one is in Bermuda, one is in Manaus, Brazil and one is in the Cayman Islands.

As of December 31, 2007, we had minority positions in Trinidad Cement Limited, with cement operations in Trinidad and Tobago, Barbados and Jamaica, as well as a minority position in Caribbean Cement Company Limited in Jamaica, National Cement Ltd. in the Cayman Islands and Bermuda Cement Co. in Bermuda. As of December 31, 2007, we also held a 100% interest in Rugby Jamaica Lime & Minerals Limited, which operates a calcinated lime plant in Jamaica with a capacity of 120,000 tons per year.

We made capital expenditures in our other operations in South America, Central America and the Caribbean of approximately U.S.$2 million in 2006 and approximately U.S.$3 million in 2007.

Africa and the Middle East

For the year ended December 31, 2007, our business in Africa and the Middle East, which includes our operations in Egypt, the United Arab Emirates and Israel, represented approximately 3% of our net sales before eliminations resulting from consolidation. As of December 31, 2007, our business in Africa and the Middle East represented approximately 5% of our total installed capacity and approximately 2% of our total assets.

Our Egyptian Operations

As of December 31, 2007, we had a 95.8% interest in Assiut Cement Company, or Assiut, our operating subsidiary in Egypt. As of December 31, 2007, we operated one cement plant in Egypt, with an installed capacity of approximately 5.0 million tons. This plant is located approximately 200 miles south of Cairo and serves the upper Nile region of Egypt, as well as Cairo and the delta region, Egypt's main cement market. In addition, as of December 31, 2007, we operated three ready-mix concrete plants and six land distribution centers in Egypt. For the year ended December 31, 2007, our operations in Egypt, represented approximately 1% of our net sales before eliminations resulting from consolidation and approximately 1% of our total assets.

According to our estimates, the Egyptian market consumed approximately 34.5 million tons of cement during 2007. Cement consumption increased by 14.3% in 2007, mainly driven by big real state projects and housing.

As of December 31, 2007, the Egyptian cement industry had a total of nine cement producers, with an aggregate annual installed cement capacity of approximately 43 million tons. According to the Egyptian Cement Council, during 2007, Holcim (minority shareholder in Egyptian Cement Company), Lafarge (Alexandria Portland Cement and Beni Suef Cement), CEMEX (Assiut) and Italcementi (Suez Cement, Tourah Cement and Helwan Portland Cement), four of the largest cement producers in the world, represented approximately 79% of the total installed capacity in Egypt. Other significant competitors in the Egyptian market are Ameriyah (Cimpor), National, Sinai, Misr Beni Suef and Misr Quena Cement Companies.

For the year ended December 31, 2007, our cement operations represented approximately 92% and ready-mix concrete represented approximately 8% of our Egyptian operations' net sales before eliminations resulting from consolidation.

We made capital expenditures of approximately U.S.$9 million in 2005, U.S.$16 million in 2006 and U.S.$27 million in 2007 in our Egyptian operations. We currently expect to make capital expenditures of approximately U.S.$80 million in our Egyptian operations during 2008.

Our United Arab Emirates (UAE) Operations

As of December 31, 2007, we held a 49% equity interest (and 100% economic benefit) in three UAE companies: CEMEX Topmix LLC and CEMEX Supermix LLC, two ready-mix holding companies, and CEMEX Falcon LLC, which specializes in trading. We are not allowed to have a majority interest in these companies since UAE law requires 51% ownership by UAE nationals. However, through agreements with other shareholders in these companies, we have purchased the remaining 51% of the economic benefits in each of the companies. As a result, we own a 100% economic interest in all three companies. As of December 31, 2007, we operated 14 ready-mix concrete plants in the UAE, serving the markets of Dubai, Abu Dhabi, and Sharjah.

In March 2006, we announced a plan to invest approximately U.S.$50 million in the construction of a new grinding facility for cement and slag in Dubai. The construction of the new grinding facility is expected to be completed in the third quarter of 2008 and will increase our total grinding capacity in the region to approximately 1.6 million tons per year.

We made capital expenditures of approximately U.S.$4 million in 2005, U.S.$24 million in 2006 and U.S.$55 million in 2007 in our UAE operations, including those related to the construction of the new grinding facility in Dubai described above. We currently expect to make capital expenditures of approximately U.S.$22 million in our UAE operations during 2008.

Our Israeli Operations

As of December 31, 2007, we held 100% of CEMEX Holdings (Israel) Ltd., our operating subsidiary in Israel. We are a leading producer and supplier of raw materials for the construction industry in Israel. In addition to ready-mix concrete products, we produce a diverse range of building materials and infrastructure products in Israel. As of December 31, 2007, we operated 59 ready-mix concrete plants, one concrete products plant and one admixtures plant in Israel.

As of December 31, 2007, we also held a 50% interest in Lime & Stone (L&S) Ltd., a leading aggregates producer in Israel and an important supplier of lime, asphalt and blocks. On May 18, 2008, we acquired the remaining 50% interest in Lime & Stone (L&S) Ltd. for a total amount of U.S.$41 million. As of December 31, 2007, through Lime & Stone (L&S) Ltd., we operated nine aggregates quarries, two asphalt plants, one lime factory and two blocks factories.

We made capital expenditures of approximately U.S.$3 million in 2005, U.S.$7 million in 2006 and U.S.$5 million in 2007 in our Israeli operations, and we currently expect to make capital expenditures of approximately U.S.$6 million in our Israeli operations during 2008.

Australia and Asia

For the year ended December 31, 2007, our operations in Australia and Asia, which includes our recently acquired operations in Australia (which financial results have been consolidated starting on July 1, 2007), our operations in the Philippines, Thailand and Malaysia, as well as our other assets in Asia, represented approximately 5% of our net sales before eliminations resulting from consolidation. As of December 31, 2007, our operations in Australia and Asia represented approximately 8% of our total installed capacity and approximately 7% of our total assets. During 2006, we sold our 25.5% interest in the Indonesian cement producer PT Semen Gresik for approximately U.S.$346 million (Ps4,053 million) including dividends declared of approximately U.S.$7 million (Ps82 million).

Our Australian Operations

Overview

On August 28, 2007, we completed the acquisition of 100% of the Rinker shares for a total consideration of approximately Ps.169.5 billion (approximately U.S.$15.5 billion) (including the assumption of approximately Ps.13.9 billion (approximately U.S.$1.3 billion) of Rinker's debt). We conduct our operations in Australia through CEMEX Australia Pty Limited (known, before March 1, 2008, as Rinker Australia Pty Limited or also known as Readymix), our operating subsidiary. CEMEX Australia is a vertically integrated heavy building materials business with leading market positions in Australia. As of December 31, 2007, we held 100% of CEMEX Australia. At that date, CEMEX Australia operated 256 ready mix plants, 90 quarries and sand mines and 16 concrete pipe and product plants. Concrete pipe and products are produced by the CEMEX Australia's Humes business. As of December 31, 2007, CEMEX Australia also held a 25% interest in Australia's largest cement manufacturer, Cement Australia. The Cement Australia joint venture has the capacity to produce over three million metric tons of cement a year from four plants in Gladstone, Rockhampton, Kandos and Railton. Cement Australia also operates 17 land distribution centers and 7 marine terminals.

The Australian Construction and Building Industry

Based on estimates by the Australian Bureau of Statistics, total Australian construction and building market spending increased by an annual growth rate of 5.9% between the years ended December 31, 1996 and December 31, 2006. For the year ended December 31, 2007, the Australian Bureau of Statistics estimated that total construction spending by segment was about 34% for residential, 23% for commercial and 43% for civil. Total construction spending increased by 6.1% for the year ended December 31, 2007 compared to the previous year. Residential spending was up by 1.4%, commercial spending by 7.0% and civil spending by 9.6%.

Competition

As of December 31, 2007, CEMEX Australia's major competitors in the Australian aggregates and ready mix markets were Boral and Hanson Australia (a 100%-owned Heidelberg Cement subsidiary). The main competitor in the concrete pipe and products market was Rocla Pipeline Products and there were also small companies who competed in individual regional sectors of that market. As of December 31, 2007, CEMEX Australia's main competitors in the Australian cement market were Blue Circle Southern Cement (a 100% owned Boral subsidiary) and Adelaide Brighton Limited.

Our Australian Operating Network

Description of Properties, Plants and Equipment

As of December 31, 2007, our Australian operations included 90 quarries and sand mines, 256 ready mix plants, 16 concrete pipe and product plants in Australia. We also held a 25% interest in the Cement Australia joint venture, which operated four cement plants, with a total cement installed capacity of approximately 3.8 million tons per year, and seven cement terminals.

For the year ended December 31, 2007, our ready mix operations represented 51% of our Australian net sales, and aggregates represented 33% of net sales before eliminations resulting from consolidation. We made capital expenditures of approximately U.S.$31 million in 2007 in our Australian operations, and we currently expect to make capital expenditures of approximately U.S.$99 million in our Australian operations during 2008.

Our Philippine Operations

As of December 31, 2007, on a consolidated basis through various subsidiaries, we held 100% of the economic benefits of our two operating subsidiaries in the Philippines, Solid and APO Cement Corporation (APO). For the year ended December 31, 2007, our operations in the Philippines represented approximately 1% of our net sales before eliminations resulting from consolidation and approximately 1% of our total assets.

According to Cement Manufacturers' Association of the Philippines (CEMAP), cement consumption in the Philippine market, which is primarily retail, totaled 12.7 million tons during 2007. Philippine demand for cement increased by approximately 11% in 2007. Domestic cement consumption in the Philippines has declined during 6 of the last 10 years.

As of December 31, 2007, the Philippine cement industry had a total of 17 cement plants. Annual installed clinker capacity is 20 million tons, according to CEMAP. Major global cement producers own approximately 92% of this capacity. As of December 31, 2007, our major competitors in the Philippine cement market were Holcim, which had interests in four local cement plants, and Lafarge, which had interests in six local cement plants.

As of December 31, 2007, our Philippine operations included three cement plants with a total capacity of 5.6 million tons per year, one aggregates quarry, six land distribution centers and four marine distribution terminals.

For the year ended December 31, 2007, our cement operations represented 100% of our Philippine operations' net sales before eliminations resulting from consolidation.

We made capital expenditures of approximately U.S.$4 million in 2005, U.S.$11 million in 2006 and U.S.$15 million in 2007 in our Philippine operations. We currently expect to make capital expenditures of approximately U.S.$11 million in our Philippine operations during 2008.

Our Thai Operations

As of December 31, 2007, we held, on a consolidated basis, 100% of the economic benefits of CEMEX (Thailand) Co. Ltd., or CEMEX (Thailand), our operating subsidiary in Thailand. As of December 31, 2007, CEMEX (Thailand) owned one cement plant in Thailand, with an installed capacity of approximately 0.9 million tons.

According to our estimates, at December 31, 2007, the cement industry in Thailand had a total of 14 cement plants, with an aggregate annual installed capacity of approximately 55.5 million tons. We estimate that there are five major cement producers in Thailand, four of which represent 96% of installed capacity and 94% of the market. Our major competitors in the Thai market, which have a significantly larger presence than CEMEX (Thailand), are Siam Cement, Holcim, TPI Polene and Italcementi.

We made capital expenditures of approximately U.S.$4 million in 2005, U.S.$4 million in 2006 and U.S.$ 4 million in 2007 in our Thai operations. We currently expect to make capital expenditures of approximately U.S.$3 million in our Thai operations during 2008.

Our Malaysian Operations

As of December 31, 2007, we held 100% of RMC Industries (Malaysia) Sdn Bhd, our operating subsidiary in Malaysia. We are a leading ready-mix concrete producer in Malaysia, with a significant share in the country's major urban centers. As of December 31, 2007, we operated 17 ready-mix concrete plants, five asphalt plants and three aggregates quarries in Malaysia.

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

We made capital expenditures of approximately U.S.$1 million in 2005, U.S.$2 million in 2006 and U.S.$2 million in 2007 in our Malaysian operations. We currently expect to make capital expenditures of approximately U.S.$3 million in our Malaysian operations during 2008.

Other Asian Operations

Since April 2001, we have been operating a grinding mill near Dhaka, Bangladesh. As of December 31, 2007, this mill had a production capacity of 550,000 tons per year. A majority of the supply of clinker for the mill is produced by our operations in the region. In addition, since June 2001, we have also operated a cement terminal in the port of Taichung located on the west coast of Taiwan.

As of December 31, 2007, we also operated four ready mix concrete plants in China, located in the northern cities of Tianjin and Qingdao, which we acquired through the Rinker acquisition.

We made capital expenditures in our other Asian operations of approximately U.S.$1 million in 2006 and U.S.$5 million in 2007, and we currently expect to make capital expenditures in these operations of approximately U.S.$1 million in 2008.

Our Trading Operations

In 2007, we traded approximately 13.4 million tons of, cementitious materials, including 11.6 million tons of cement and clinker, in line with our 2006 trading volume. Approximately 54% of the cement and clinker trading volume in 2007 consisted of exports from our operations in Costa Rica, Dominican Republic, Croatia, Egypt, Germany, Mexico, the Philippines, Poland, Puerto Rico, Spain and Venezuela. The remaining approximate 46% was purchased from third parties in countries such as Belgium, China, Egypt, France, Israel, Japan, Lithuania, South Korea, Taiwan, Thailand and Turkey. As of December 31, 2007, we had trading activities in 106 countries. In 2007, we traded approximately 1.8 million metric tons of granulated blast furnace slag, a non-clinker cementitious material.

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

Freight rates have substantially increased in recent years. Our trading operations, however, have obtained significant savings by contracting maritime transportation far in advance and using our own and chartered fleet, which transported approximately 30% of our trading volume during 2007.

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

Regulatory Matters and Legal Proceedings

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

Tariffs

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

Mexico

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

United States

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

Europe

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

Environmental Matters

We are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental damage or contamination. These standards expose us to the risk of substantial environmental costs and liabilities, including liabilities associated with divested assets and past activities, even where conducted by prior owners or operators and, in some jurisdictions, without regard to fault or the lawfulness of the original activity.

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

We regularly incur capital expenditures that have an environmental component or that are impacted by environmental regulations. However, we do not keep separate accounts for such mixed capital and environmental expenditures. Environmental expenditures that extend the life, increase the capacity, improve the safety or efficiency of assets or are incurred to mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred. For the years ended December 31, 2005, 2006 and 2007, our environmental capital expenditures and remediation expenses were not material. However, our environmental expenditures may increase in the future.

The following is a discussion of the environmental regulation and matters in our major markets.

Mexico

We were one of the first industrial groups in Mexico to sign an agreement with the Secretaría del Medio Ambiente y Recursos Naturales, or SEMARNAT, the Mexican government's environmental ministry, to carry out voluntary environmental audits in our 15 Mexican cement plants under a government-run program. In 2001, the Mexican environmental protection agency in charge of the voluntary environmental auditing program, the

61

Procuraduría Federal de Protección al Ambiente, or PROFEPA, which is part of SEMARNAT, completed auditing our 15 cement plants and awarded all our plants, including our Hidalgo plant, a Certificado de Industria Limpia, Clean Industry Certificate, certifying that our plants are in full compliance with environmental laws. The Clean Industry Certificates are strictly renewed every two years. As of this date, all of the cement plants have a Clean Industry Certificate. The Certificates for Atotonilco, Huichapan, Mérida, Yaqui, Hermosillo, Tamuín, Valles, Zapotiltic and Torreón were renewed at the end of 2006; the Certificates for Barrientos, Tepeaca and Guadalajara were renewed at the end of 2007; the Certificate for Monterrey is valid until February 6, 2010 and the Certificate for Ensenada is valid until September 5, 2008. Now that operations at the Hidalgo plant have resumed, we carried out a voluntary environmental audit by PROFEPA in September 2006, which granted Hidalgo a Clean Industry Certificate in September 2007.

For over a decade, the technology for recycling used tires into an energy source has been employed in our Ensenada and Huichapan plants. Our Monterrey and Hermosillo plants started using tires as an energy source in September 2002 and November 2003, respectively. In 2004, our Yaqui, Tamuín, Guadalajara and Barrientos plants also started using tires as an energy source, and by the end of 2006, all our cement plants in Mexico were using tires as an alternative fuel. Municipal collection centers in Tijuana, Mexicali, Ensenada, Mexico City, Reynosa, Nuevo Laredo and Guadalajara currently enable us to recycle an estimated 10,000 tons of tires per year. Overall, approximately 3.34% of the total fuel used in our 15 operating cement plants in Mexico during 2007 was comprised of alternative substituted fuels.

Between 1999 and March 2008, our Mexican operations have invested approximately U.S.$49.6 million in the acquisition of environmental protection equipment and the implementation of the ISO 14001 environmental management standards of the International Organization for Standardization, or ISO. The audit to obtain the renewal of the ISO 14001 certification took place during April 2006. All our operating cement plants in Mexico and an aggregates plant in Monterrey have obtained the renewal of the ISO 14001 certification for environmental management systems, including the Hidalgo plant.

United States

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

Several of CEMEX, Inc.'s previously owned and currently owned facilities have become the subject of various local, state or Federal environmental proceedings and inquiries in the past. While some of these matters have been settled, others are in their preliminary stages and may not be resolved for years. The information developed to date on these matters is not complete. CEMEX, Inc. does not believe it will be required to spend significantly more on these matters than the amounts already recorded in our consolidated financial statements included elsewhere in this annual report. However, it is impossible for CEMEX, Inc. to determine the ultimate cost that it might incur in connection with such environmental matters until all environmental studies and investigations, remediation work, negotiations with other parties that may be responsible, and litigation against other potential sources of recovery have been completed. With respect to known environmental contingencies, CEMEX, Inc. has recorded provisions for estimated probable liabilities, and we do not believe that the ultimate resolution of such matters will have a material adverse effect on our financial results.

As of March 31, 2008, CEMEX, Inc. and its subsidiaries had accrued liabilities specifically relating to environmental matters in the aggregate amount of approximately U.S.$50.3 million. The environmental matters relate to (i) the disposal of various materials, in accordance with past industry practice, which might be categorized as hazardous substances or wastes, and (ii) the cleanup of sites used or operated by CEMEX, Inc., including discontinued operations, regarding the disposal of hazardous substances or wastes, either individually or jointly with other parties. Most of the proceedings are in the preliminary stage, and a final resolution might take several years. For purposes of recording the provision, CEMEX, Inc. considers that it is probable that a liability has been incurred and the amount of the liability is reasonably estimable, whether or not claims have been asserted, and without giving effect to any possible future recoveries. Based on information developed to date, CEMEX, Inc. does not believe it will be required to spend significant sums on these matters, in excess of the amounts previously recorded. The ultimate cost that might be incurred to resolve these environmental issues cannot be assured until all environmental studies, investigations, remediation work, and negotiations with or litigation against potential sources of recovery have been completed.

Rinker Materials of Florida, Inc., a subsidiary of CEMEX, Inc., holds one and is the beneficiary of one other of 10 federal quarrying permits granted for the Lake Belt area in South Florida. The permit held by Rinker covers Rinker's SCL and FEC quarries. Rinker's Krome quarry is operated under one of the other federal quarry permits. The FEC quarry is the largest of Rinkers' quarries measured by volume of aggregates mined and sold. Rinker's Miami cement mill is located at the SCL quarry and is supplied by that quarry. A ruling was issued on March 22, 2006 by a judge of the U.S. District Court for the Southern District of Florida in connection with litigation brought by environmental groups concerning the manner in which the permits were granted. Although not named as a defendant, Rinker has intervened in the proceedings to protect its interests. The judge ruled that there were deficiencies in the procedures and analysis undertaken by the relevant governmental agencies in connection with the issuance of the permits. The judge remanded the permits to the relevant governmental agencies for further review, which review the governmental agencies have indicated in a recent court filing should take until the end of July 2008 to conclude. The judge also conducted further proceedings to determine the activities to be conducted during the remand period. In July 2007, the judge issued a ruling that halted quarrying operations at three non-Rinker quarries. The judge left in place Rinker's Lake Belt permits until the relevant government agencies complete their review. In a May 2008 ruling, the federal appellate court determined that the district court judge did not apply the proper standard of review to the permit issuance decision of the governmental agency, vacated the district court's prior order, and remanded the proceeding to the district court to apply the proper standard of review. If the Lake Belt permits were ultimately set aside or quarrying operations under them restricted, Rinker would need to source aggregates, to the extent available, from other locations in Florida or import aggregates. This would likely affect profits from our Florida operations. Any adverse impacts on the Florida economy arising from the cessation or significant restriction of quarrying operations in the Lake Belt could also have a material adverse effect on our financial results.

Europe

In 2003, the European Union adopted a directive implementing the Kyoto Protocol on climate change and establishing a greenhouse gas emissions allowance trading scheme within the European Union. The directive requires Member States to impose binding caps on carbon dioxide emissions from installations involved in energy activities, the production and processing of ferrous metals, the mineral industry (including cement production) and the pulp, paper or board production business. Under this scheme, companies with operations in these sectors receive from the relevant Member States allowances that set limitations on the levels of greenhouse gas emissions from their installations. 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. Companies can also use credits issued from the use of the flexibility mechanisms under the Kyoto protocol to fulfill their European obligations. These flexibility mechanisms provide that credits (equivalent to allowances) can be obtained by companies for projects that reduce greenhouse gas emissions in emerging markets. These projects are referred to as Clean Development Mechanism ("CDM") or joint implementation projects depending on the countries where they take place. Failure to meet the emissions caps is subject to heavy penalties.

Companies can also use, up to a certain level, credits issued under the flexible mechanisms of the Kyoto protocol to fulfill their European obligations. Credits for emission reduction projects obtained under these mechanisms are recognized, up to a certain level, under the European emission trading scheme as allowances. To obtain these emission reduction credits, companies must comply with very specific and restrictive requirements from the United Nations Convention on Climate Change (UNFCC).

As required by the directive, each of the Member States established a National Allocations Plan, or NAP, setting out the allowance allocations for each industrial facility for Phase I, from 2005 to 2007. Based on the NAP established by the Member States of the European Union for the 2005 to 2007 period and our actual production, on a consolidated basis after trading allowances between our operations in countries with a deficit of allowances and our operations in countries with an excess of allowances, and after some external operations, we had a surplus of allowances of approximately 1,050,054 tons of carbon dioxide in this Phase I.

For Phase II, comprising 2008 through 2012, however, there has been a reduction in the allowances granted by the Member States that have already approved their NAP. There have been significant delays in the development and approval of the second phase NAPs for other countries, and therefore it is premature to draw conclusions regarding the aggregate position of all our European cement plants. If final NAPs result in a consolidated deficit in our carbon dioxide allowances, we believe we may be able to reduce the impact of such deficit by either reducing carbon dioxide emissions in our facilities or by obtaining additional emission credits through the implementation of CDM projects. If we are not successful in implementing emission reductions in our facilities or obtaining credits from CDM projects, we may have to purchase emission credits in the market, the cost of which may have an impact on our operating results. As of December 31, 2007, the market value of carbon dioxide allowances for Phase I was €0.03 per ton. As of April 30, 2008, the market value of carbon dioxide allowances for Phase II was approximately €24.77 per ton per ton.

The U.K. government's NAP for Phase II of the trading scheme (2008 to 2012) has been approved by the European Commission. Under this NAP, our cement plant in Rugby has only been allocated 80% of the allowances it has under the current NAP, representing a shortfall of 228,414 allowances per year, while competitor plants have been awarded additional allowances compared to Phase I (2005 to 2007). The estimated cost of purchasing allowances to make up for this shortfall is approximately €4 million per year over the five-year period of Phase II, depending on the prevailing market price. Legal challenges to the allocation were pursued both in the U.K. domestic courts and the European Court of First Instance, but these challenges have now been withdrawn.

The Spanish NAP has been finally approved by the Spanish Government, reflecting the conditions that were set forth by the European Commission. The allocations made to our installations allow us to foresee a reasonable availability of allowances; nevertheless, there remains the uncertainty regarding the allocations that, against the reserve for new entrants, we intend to request for the new cement plant in Andorra (Teruel), currently under construction and that it is scheduled to start operating in April 2009.

Latvian and Polish NAPs for Phase II of the trading scheme have been reviewed by the European Commission. However, final approvals are conditioned on major changes. Until each country publishes its allocation per site, it is premature for us to draw conclusions concerning our situation or to fine-tune our strategy.

German NAP and allocation by plant for Phase II of the trading scheme has been issued by law and are final. The German determinations do not have any adverse effect on our budgeted German operations.

On May 29, 2007, the Polish government filed an appeal before the Court of First Instance in Luxemburg regarding the European Commission's rejection of the initial version of the Polish NAP. The Court has denied Poland's request for a quick path verdict in the case, keeping the case in the regular proceeding path. Therefore, the Polish government has started to prepare Polish internal rules on division of allowance at the level already accepted by the European Commission. Seven major Polish cement producers, representing 98% of Polish cement production

(including CEMEX Polska), have also filed seven separate appeals before the Court of First Instance regarding the European Commission's rejection.

The Latvian government filed an appeal in August 2007 before the Court of First Instance in Luxembourg regarding the European Commission's rejection of the initial version of the Latvian NAP for the years 2008 to 2012.

In Great Britain, future expenditure on closed and current landfill sites has been assessed and quantified over the period in which the sites are considered to have the potential to cause environmental harm, generally consistent with the regulator view of up to 60 years from the date of closure. The assessed expenditure relates to the costs of monitoring the sites and the installation, repair and renewal of environmental infrastructure. The costs have been quantified on a net present value basis in the amount of approximately £122 million, and an accounting provision for this sum has been made at December 31, 2007.

Anti-Dumping

U.S. Anti-Dumping Rulings—Mexico

Our exports of Mexican gray cement from Mexico to the United States have been subject to an anti-dumping order that was imposed by the Commerce Department on August 30, 1990. Pursuant to this order, firms that import gray Portland cement from our Mexican operations in the United States must make cash deposits with the U.S. Customs Service to guarantee the eventual payment of anti-dumping duties. As a result, since that year and until April 3, 2006, we have paid anti-dumping duties for cement and clinker exports to the United States at rates that have fluctuated between 37.49% and 80.75% over the transaction amount. Beginning in August 2003, we paid anti-dumping duties at a fixed rate of approximately U.S.$52.41 per ton, which decreased to U.S.$32.85 per ton starting December 2004 and to U.S.$26.28 per ton in January 2006. Over the past decade, we have used all available legal resources to petition the Commerce Department to revoke the anti-dumping order, including the petitions for "changed circumstances" reviews from the International Trade Commission, or ITC, and the appeals to NAFTA described below. As described below, during the first quarter of 2006, the U.S. and Mexican governments entered into an agreement pursuant to which restrictions imposed by the United States on Mexican cement imports will be eased during a three-year transition period and completely eliminated following the transition period.

U.S./Mexico Anti-Dumping Settlement Agreement

On January 19, 2006, officials from the Mexican and the United States governments announced that they had reached an agreement in principle that will bring to an end the long-standing dispute over anti-dumping duties on Mexican cement exports to the United States. According to the agreement, restrictions imposed by the United States will first be eased during a three-year transition period and completely eliminated in early 2009 if Mexican cement producers abide by its terms during the transition period, allowing cement from Mexico to enter the U.S. without duties or other limits on volumes. In 2006, Mexican cement imports into the U.S. were subject to volume limitations of three million tons per year. During the second and third year of the transition period, this amount may be increased or decreased in response to market conditions, subject to a maximum increase or decrease of 4.5%. For the second year of the transition period, the amount was increased by 2.7% while for the third year of the transition period, the amount was decreased by 3.1%. Quota allocations to companies that import Mexican cement into the United States are made on a regional basis. The 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 U.S.$26.28 per ton.

On March 6, 2006, the Office of the United States Trade Representative and the Commerce Department entered into an agreement with the Mexican Secretaría de Economía, providing for the settlement of all administrative reviews and all litigation pending before NAFTA and World Trade Organization panels challenging various anti-dumping determinations involving Mexican cement. As part of the settlement, the Commerce

Department agreed to compromise its claims for duties with respect to imports of Mexican cement. The Commerce Department and the Secretaría de Economía will monitor the regional export limits through export and import licensing systems. The agreement provided that upon the effective date of the agreement, on April 3, 2006, the Commerce Department would order the U.S. Customs Service to liquidate all entries covered by all the completed administrative reviews for the periods from August 1, 1995 through July 31, 2005, plus the unreviewed entries made between August 1, 2005 and April 2, 2006, and refund the cash deposits in excess of 10 cents per metric ton. As a result of this agreement, refunds from the U.S. government associated with the historic anti-dumping duties are shared among the various Mexican and American cement industry participants. As of March 31, 2008, we had received approximately U.S.$111 million in refunds under the agreement. We do not expect to receive further refunds.

As of March 31, 2008, the accrued liability for dumping duties was U.S.$3.2 million to cover the unliquidated liability for the fifth and seventh periods of review which were finalized by the U.S. Customs Service before the agreements between the U.S. and Mexican Governments were entered as described above. As a result of the settlement all the liabilities accrued for past anti-dumping duties have been eliminated.

Anti-Dumping in Taiwan

Five Taiwanese cement producers — Asia Cement Corporation, Taiwan Cement Corporation, Lucky Cement Corporation, Hsing Ta Cement Corporation and China Rebar — filed before the Tariff Commission under the Ministry of Finance (MOF) of Taiwan an anti-dumping case involving imported gray Portland cement and clinker from the Philippines and Korea.

In July 2001, the MOF informed the petitioners and the respondent producers in exporting countries that a formal investigation had been initiated. Among the respondents in the petition were APO, Rizal and Solid, our indirect subsidiaries. In July 2002, the MOF notified the respondent producers that a dumping duty would be imposed on Portland cement and clinker imports from the Philippines and South Korea beginning on July 19, 2002. The duty rate imposed on imports from APO, Rizal and Solid was fixed at 42%.

In September 2002, APO, Rizal and Solid filed before the Taipei High Administrative Court an appeal in opposition to the anti-dumping duty imposed by the MOF. In August 2004, we received a copy of the decision of the Taipei Administrative High Court, which was adverse to our appeal. The decision has since become final. This anti-dumping duty is subject to review by the government after five years following its imposition. If following that review the government determines that the circumstances giving rise to the anti-dumping order have changed and that the elimination of the duty would not harm the domestic industry, the government may decide to revoke the anti-dumping duty. Based on a petition filed by Asian Cement Corporation, Taiwan Cement Corporation, Lucky Cement Corporation, and Hsing-Ta Cement Co. Ltd. in April 2007, the MOF decided to institute the investigation on whether to continue to impose the antidumping duty on Type I and Type II of Portland Cement and of its clinker ("Product") upon the expiration of the five-year period of the duty imposition and issued a public announcement on May 2, 2007, requesting interested parties to present their opinions. In response, APO and Solid submitted a written statement objecting to the continuance of the anti-dumping duty order. On October 22, 2007, the MOF notified interested parties that because of the need for further investigation, the investigation period was extended to March 1, 2008.

On February 26, 2008, the MOF announced that it would instruct the Ministry of Economic Affairs (MOEA) to continue its investigation to determine whether or not the domestic industry would be damaged if the government were to revoke the anti-dumping duty. On April 10, 2008, the International Trade Commission (ITC) of the MOEA made a determination that the revocation of the anti-dumping duty would not likely lead to continuation or recurrence of injury to the domestic industry. As required by the Implementation Regulation on the Imposition of Countervailing and Antidumping Duties, the MOEA notified the MOF of ITC's determination. We received a letter, dated May 5, 2008, from the MOF, stating that the anti-dumping duty imposed on gray portland cement and clinker imports from the Philippines and South Korea will be terminated starting May 5, 2008.

Tax Matters

On April 3, 2007, the Mexican tax authority (Secretaria de Hacienda y Crédito Público) issued a decree providing for a tax amnesty program, which allowed for the settlement of previously issued tax assessments, and which we could apply to tax assessments of which we were notified in May 2006. We decided to take advantage of this program.

As of December 31, 2007, we and some of our subsidiaries in Mexico had been notified by the Mexican tax authority of several tax assessments related to different tax periods in a total amount of approximately Ps145 million (U.S.$13 million). The tax assessments were based primarily on investments made in entities incorporated in foreign countries with preferential tax regimes (currently known as Regímenes Fiscales Preferentes). We filed an appeal for each of these tax assessments before the Mexican federal tax court.

On April 11, 2008 we were notified that we obtained a favorable definitive resolution on our appeals, reducing the tax assessments mentioned above by approximately Ps109 million (U.S.$10 million), to a total amount of Ps36 million (U.S.$3 million).

Pursuant to amendments to the Mexican income tax law (Ley del Impuesto sobre la Renta), which became effective on January 1, 2005, Mexican companies with direct or indirect investments in entities incorporated in foreign countries whose income tax liability in those countries is less than 75% of the income tax that would be payable in Mexico will be required to pay taxes in Mexico on passive income such as dividends, royalties, interest, capital gains and rental fees obtained by such foreign entities, provided that the income is not derived from entrepreneurial activities in such countries (income derived from entrepreneurial activities is not subject to tax under these amendments). The tax payable by Mexican companies in respect of the 2005 tax year pursuant to these amendments was due upon filing their annual tax returns in March 2006. We believe these amendments are contrary to Mexican constitutional principles, and on August 8, 2005, we filed a motion in the Mexican federal courts challenging the constitutionality of the amendments. On December 23, 2005, we obtained a favorable ruling from the Mexican federal court that the amendments were unconstitutional; however, the Mexican tax authority has appealed this ruling, which is pending resolution. If the final ruling is not favorable to us, these amendments may have a material impact on us.

In addition, on March 20, 2006, we filed another motion in the Mexican federal courts challenging the constitutionality of the amendments. On June 29, 2006, we obtained a favorable ruling from the Mexican federal court stating that the amendments were unconstitutional. The Mexican tax authority has appealed the ruling, which is pending resolution.

The Mexican Congress approved several amendments to the Mexican Asset Tax Law (Ley del Impuesto al Activo) that came into effect on January 1, 2007. As a result of such amendments, all Mexican corporations, including us, were no longer allowed to deduct their liabilities from the calculation of the asset tax. We believe that the Asset Tax Law, as amended, is against the Mexican constitution. We have challenged the Asset Tax Law through appropriate judicial action (juicio de amparo).

The asset tax was imposed at a rate of 1.25% on the value of most of the assets of a Mexican corporation. The asset tax was "complementary" to the corporate income tax (impuesto sobre la renta) and, therefore, was payable only to the extent it exceeded payable income tax.

In 2008, the Asset Tax Law was abolished and a new federal tax applicable to all Mexican corporations was enacted, known as the Impuesto Empresarial a Tasa Única (Single Rate Corporate Tax), or IETU, which is a form of alternative minimum tax. See Item 10- Additional Information – Taxation.

Philippines

As of March 31, 2008, the Philippine Bureau of Internal Revenue (BIR), had assessed APO, Solid, IQAC, ALQC and CSPI, our operating subsidiaries in the Philippines, for deficiency taxes covering taxable years 1998-2005 amounting to a total of approximately 1,994 million Philippine Pesos (approximately U.S.$47.75 million as of March 31, 2008, based on an exchange rate of Philippine Pesos 41.76 to U.S.$1.00, which was the Philippine Peso/Dollar exchange rate on March 31, 2008 as published by the Bangko Sentral ng Pilipinas, the central bank of the Republic of the Philippines).

The majority of the tax assessments result primarily from the disallowance of APO's income tax holiday incentives for taxable years 1999 to 2001 (approximately Philippine Pesos 1,078 million or U.S.$25.8 million as of March 31, 2008, based on an exchange rate of Philippine Pesos 41.76 to U.S.$1.00). We have contested the BIR's assessment, arising from the disallowance of the ITH incentive, with the Court of Tax Appeals (CTA). The initial Division ruling of the CTA was unfavorable, but is subject to further appeal with the CTA as a whole. The assessment is now currently on appeal with the CTA En Banc. A motion was filed with the CTA, requesting the court to hold APO totally not liable for alleged income tax liabilities for all the years covered and to this end cancel and withdraw APO's deficiency income tax assessments for taxable years 1999, 2000 and 2001 on the basis of APO's availment of the tax amnesty described below. As of March 31, 2008, resolution on the aforementioned motion is still pending.

Tax Amnesty

The Philippine operating subsidiaries, APO, Solid, IQAC, ALQC and CSPI, have decided to apply for, and avail themselves of, the tax amnesty under R.A. No. 9480, otherwise known as "An Act Enhancing the Revenue Administration and Collection by Granting an Amnesty on all Unpaid Internal Revenue Taxes Imposed by the National Government for Taxable Year 2005 and Prior Years". The above operating companies submitted all the necessary documents and fully paid the amnesty tax according to law and its implementing rules and regulations. The availment of the amnesty made the Philippine operating subsidiaries immune from their alleged tax liabilities and penalties (civil, criminal, or administrative) arising from failure to pay the tax for 2005 and prior years. This includes APO's alleged income tax liability for 1999, 2000, 2001 which is pending with the CTA. The amnesty program, however, does not cover withholding tax liabilities.

The impact of the availment of the amnesty on assessments pending with the CTA has been recognized by the Court of Tax Appeals in a decision rendered in the case of Metrobank v. CIR, CTA EB No. 269, CTA Case No. 6504, promulgated on March 28, 2008. In the said case, the CTA ruled that in view of taxpayer's compliance with the tax amnesty, the court considered the pending tax assessment case closed and terminated, and the tax deficiencies extinguished.

On the basis of the above, we believe that these outstanding Philippine tax assessments should not have a material adverse effect on CEMEX.

Polish Antitrust Investigation

During the period from May 31, 2006 to June 2, 2006, officers of the Polish Competition and Consumer Protection Office, or the Protection Office, assisted by police officers, conducted a search in the Warsaw office of

CEMEX Polska, one of our indirect subsidiaries in Poland, and in offices of other cement producers in Poland. The search took place as a part of the exploratory investigation that the head of the Polish Competition and Consumer Protection Office started on April 26, 2006. On January 2, 2007, CEMEX Polska received a notification from the Protection Office informing about the formal initiation of an antitrust proceeding against all cement producers in Poland, including CEMEX Polska and another of our indirect subsidiaries in Poland. In the notification it was assumed that there was an agreement between all cement producers in Poland regarding prices and other sales conditions of cement, an agreed division of the market with respect to the sale and production of cement, and the exchange of confidential information, all of which limited competition in the Polish market with respect to the production and sale of cement. On January 22, 2007, CEMEX Polska filed its response to the notification, denying firmly that it has committed the practices listed by the Protection Office in the notification. In its response, CEMEX Polska also included various formal comments and objections gathered during the proceeding, as well as facts supporting its position and proving that its activities were in line with competition law. The proceeding is still carried by the Protection Office. The Protection Office extended the date of the completion of the antitrust proceeding until July 2, 2008 due to the complexity of the case. Further extension of the proceeding is expected due to the fact the Protection Office has not yet completed formal works on records collected from all participants of the proceeding.

According to Polish competition law, the maximum fine could reach up to 10% of the total revenues of the company for the calendar year preceding the imposition of the fine. Based on revenues for the year ended December 31, 2007 and exchange rates prevailing at that date, CEMEX Polska could face up to 109.8 million Polish Zloty (approximately U.S.$44.7 million) in fines. We believe, at this stage, there are no justified factual grounds to expect fines to be imposed on CEMEX Polska.

CEMEX Venezuela Nationalization

In furtherance of Venezuela's announced policy to nationalize certain sectors of the economy, on June 18, 2008, the Nationalization Decree was promulgated, mandating that the cement production industry in Venezuela be reserved to the State and orders the conversion of foreign-owned cement companies, including CEMEX Venezuela, into state-controlled companies with Venezuela holding an equity interest of at least 60%. The Nationalization Decree provides for the formation of a transition committee to be integrated with the board of directors of the relevant cement company to guaranty the transfer of control over all activities of the relevant cement company to Venezuela by December 31, 2008. The Nationalization Decree further establishes a deadline of August 17, 2008 for the shareholders of foreign-owned cement companies, including CEMEX Venezuela, to reach an agreement with the Government of Venezuela on the compensation for the nationalization of their assets. The Nationalization Decree also provides that this deadline may be extended by mutual agreement of the Government of Venezuela and the relevant shareholder. Pursuant to the Nationalization Decree, if an agreement is not reached, Venezuela shall assume exclusive operational control of the relevant cement company and the Venezuelan National Executive shall decree the expropriation of the relevant shares according to the Venezuelan expropriation law.

No assurance can be given that an agreement with the Government of Venezuela will be reached. The Government of Venezuela has been advised by our subsidiaries in Spain and The Netherlands that are investors in CEMEX Venezuela that these subsidiaries reserve their rights to bring expropriation claims in arbitration under the Bilateral Investment Treaties Venezuela signed with those countries.Any significant political instability or political instability and economic volatility in the countries in South America, Central America and the Caribbean 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 results of operations.

As of December 31, 2007, CEMEX Venezuela, S.A.C.A. was the holding entity of several of CEMEX's investments in the region, including CEMEX's operations in the Dominican Republic and Panama, as well as CEMEX's minority investment in Trinidad. In the wake of statements by the Government of Venezuela about the nationalization of assets in Venezuela, in April 2008, CEMEX concluded the transfer of all material non-Venezuelan investments to CEMEX

España for approximately U.S.$355 million plus U.S.$112 million of net debt, having distributed all accrued profits from the non-Venezuelan investments to the stockholders of CEMEX Venezuela amounting to approximately U.S.$132 million. At this time, the net impact or the outcome of the nationalization on CEMEX's consolidated financial results cannot be reasonably estimated. The approximate net assets of CEMEX's Venezuelan operations under Mexican FRS at December 31, 2007 were approximately Ps8,973 million.

On June 13, 2008, the Venezuelan securities authority initiated an administrative proceeding against CEMEX Venezuela, claiming that the company did not sufficiently inform its shareholders and the securities authority in connection with the transfer of the non-Venezuelan assets described above. We are currently reviewing the factual and legal considerations relative to this proceeding and will respond within the applicable legal time period.

Other Legal Proceedings

In May 1999, several companies filed a civil liability suit in the civil court of the circuit of Ibague, Colombia, against two of our Colombian subsidiaries, alleging that these subsidiaries were responsible for deterioration of the rice production capacity of the land of the plaintiffs caused by pollution from our cement plants located in Ibague, Colombia. On January 13, 2004, CEMEX Colombia was notified of the judgment the court entered against CEMEX Colombia, which awarded damages to the plaintiffs in the amount of 21,114 million Colombian Pesos (approximately U.S.$12.2 million as of June 4, 2008, based on an exchange rate of CoP1730 to U.S.$1.00, which was the Colombian Peso/Dollar exchange rate on June 4, 2008, as published by the Banco de la República de Colombia, the central bank of Colombia). On January 15, 2004, CEMEX Colombia appealed the judgment. The appeal was admitted and the case was sent to the Tribunal Superior de Ibagué, where CEMEX Colombia filed, on March 23, 2004, a statement of the arguments supporting its appeal. The case is currently under review by the appellate court. We expect this proceeding to continue for several years before final resolution.

In March 2001, 42 transporters filed a civil liability suit in the civil court of Ibague, Colombia, against three of our Colombian subsidiaries. The plaintiffs contend that these subsidiaries are responsible for alleged damages caused by the breach of raw material transportation contracts. The plaintiffs asked for relief in the amount of CoP127,242 million (approximately U.S.$73.5 million as of June 4, 2008, based on an exchange rate of CoP1730 to U.S.$1.00, which was the Colombian Peso/Dollar exchange rate on June 4, 2008, as published by the Banco de la República de Colombia, the central bank of Colombia). On February 23, 2006, CEMEX was notified of the judgment of the court, dismissing the claims of the plaintiffs. The case is currently under review by the appellate court.

On August 5, 2005, a lawsuit was filed against a subsidiary of CEMEX Colombia, claiming that it was liable along with the other members of the Asociación Colombiana de Productores de Concreto, or ASOCRETO, a union formed by all the ready-mix concrete producers in Colombia, for the premature distress of the roads built for the mass public transportation system of Bogotá using ready-mix concrete supplied by CEMEX Colombia and other ASOCRETO members. The plaintiffs allege that the base material supplied for the road construction failed to meet the quality standards offered by CEMEX Colombia and the other ASOCRETO members and/or that they provided insufficient or inaccurate information in connection with the product. The plaintiffs seek the repair of the roads in a manner which guarantees their service during the 20-year period for which they were originally designed, and estimate that the cost of such repair will be approximately U.S.$45 million. The lawsuit was filed within the context of a criminal investigation of two ASOCRETO officers and other individuals, alleging that the ready-mix concrete producers were liable for damages if the ASOCRETO officers were criminally responsible. The court completed the evidentiary stage, and on August 17, 2006 dismissed the charges against the members of ASOCRETO.

The other defendants (one ex-director of the Distrital Institute of Development, the legal representative of the constructor and the legal representative of the contract auditor) were formally accused. The decision was appealed, and on December 11, 2006, the decision was reversed and the two ASOCRETO officers were formally accused as participants (determiners) in the execution of a state contract without fulfilling all legal requirements thereof. The first public hearing took place on November 20, 2007. In this hearing the judge dismissed an annulment petition filed by the ASOCRETO officers. The petition was based on the fact that the officers were formally accused of a different crime than the one they were being investigated for. This decision was appealed, but the decision was confirmed by the Superior Court of Bogota. On January 21, 2008, CEMEX Colombia was subject to a judicial order, issued by the court, sequestering a quarry called El Tujuelo, as security for a possible future money judgment to be rendered against CEMEX Colombia in these proceedings. The court determined that in order to lift this attachment and prevent further attachments, CEMEX Colombia was required within a period of 10 days to deposit with the Court in cash CoP$337,800 million (approximately U.S.$195 million as of June 4, 2008, based on an exchange rate of CoP1730 to U.S.$1.00, which was the Colombian Peso/Dollar exchange rate on June 4, 2008, as published by the Banco de la República de Colombia, the central bank of Colombia), instead of being allowed to post an insurance policy to secure such recovery. CEMEX Colombia asked for reconsideration, and the court allowed CEMEX to present an insurance policy. Nevertheless, CEMEX appealed this decision, in order to reduce the amount of the insurance policy, and also requested that the guarantee be covered by all defendants in the case. The measure does not affect the normal activity of the quarry. At this stage, we are not able to assess the likelihood of an adverse result or the potential damages which could be borne by CEMEX Colombia.

In 2006 CEMEX and the Indonesian government agreed to settle their arbitration case before the ICSID. In this regard, CAH and the Indonesian government filed on July 29, 2006 a joint letter to the ICSID, requesting the issuance of an Award on Agreed Terms. On February 23, 2007, the Arbitral Tribunal issued an award embodying the parties' settlement agreement.

On August 5, 2005, Cartel Damages Claims, SA, or CDC, filed a lawsuit in the District Court in Düsseldorf, Germany against CEMEX Deutschland AG and other German cement companies. CDC is seeking €102 million in respect of damage claims by 28 entities relating to alleged price and quota fixing by German cement companies between 1993 and 2002, which entities had assigned their claims to CDC. CDC is a Belgian company established by two lawyers in the aftermath of the German cement cartel investigation that took place from July 2002 to April 2003 by Germany's Federal Cartel Office with the express purpose of purchasing potential damages claims from cement consumers and pursuing those claims against the cartel participants. In January 2006, another entity assigned alleged claims to CDC, and the amount of damages being sought by CDC increased to €113.5 million plus interest. On February 21, 2007, the District Court of Düsseldorf decided to allow this lawsuit to proceed without going into the merits of this case by issuing an interlocutory judgment. All defendants appealed. The appeal hearing took place on April 22, 2008, and the appeal was dismissed on May 14, 2008. The lawsuit will proceed at the level of court of first instance. As of the date of this annual report the defendants are assessing whether or not to file a complaint before the Federal High Court. In the meantime, CDC had acquired new assigners and announced an increase in the claim to €131 million. As of March 31, 2008, we had accrued liabilities regarding this matter for a total amount of approximately €20 million.

After an extended consultation period, in April 2006, the cities of Kastela and Solin in Croatia published their respective Master (physical) Plans defining the development zones within their respective municipalities, adversely impacting the mining concession granted to Dalmacijacement, our subsidiary in Croatia, by the Government of Croatia in September 2005. During the consultation period, Dalmacijacement submitted comments and suggestions to the Master Plans, but these were not taken into account or incorporated into the Master Plan by Kastela and Solin. Most of these comments and suggestions were intended to protect and preserve the rights of Dalmacijacement´s mining concession granted by the Government of Croatia in September 2005. Immediately after publication of the Master Plans, Dalmacijacement filed a series of lawsuits and legal actions before the local and federal courts to protect its acquired rights under the mining concessions. The legal actions taken and filed by Dalmacijacement were as follows: (i) on May 17, 2006, a constitutional appeal before the constitutional court in Zagreb, seeking a declaration by the court concerning Dalmacijacement's constitutional claim for decrease and obstruction of rights earned by investment, and seeking prohibition of implementation of the Master Plans; (ii) on May 17, 2006, a possessory action against the cities of Kastela and Solin seeking the enactment of interim measures prohibiting implementation of the Master Plans and including a request to implead the Republic of Croatia into the proceeding on our side, and (iii) on May 17, 2006, an administrative proceeding before the State Lawyer, seeking a declaration from the Government of Croatia confirming that Dalmacijacement acquired rights under the mining concessions. Dalmacijacement received State Lawyer's opinion which confirmes the Dalmacijacement's acquired rights according to the previous decisions ("old concession"). The municipal court in Solin issued a first instance judgment dismissing our possessory action. We filed an appeal against that judgment. The appeal has been resolved by County Court, affirming the judgment and rendering it final. The Municipal Court in Kaštela has issued a first instance judgment dismissing our possessory action. We have filed an appeal against said judgment. Currently it is difficult for Dalmacijacement to ascertain the approximate economic impact of these measures by Kastela and Solin. These cases are currently under review by the courts and applicable administrative entities in Croatia, and it is expected that these proceedings will continue for several years before resolution.

Club of Environmental Protection, a Latvian environmental protection organization, has initiated a court administrative proceeding against the amended environmental pollution permit for the Broceni Cement Plant in Latvia, owned by CEMEX SIA. This case is currently under review by the first instance of the administrative court, and it is expected that the case will continue for a few years if the parties appeal further to the next court instances. Dispute of the decision shall not suspend the operation and validity of the permit during the court proceedings, allowing CEMEX SIA to continue to operate fully. If the court decides to cancel or invalidate the permit, CEMEX SIA will not be allowed to perform the activities covered by the permit. The permit subject to this proceeding was issued for the existing cement line, which will be fully substituted in 2009 by a new cement line currently under construction at the Broceni plant.

On December 8, 2006, the United States District Court, District of Puerto Rico, issued a summons against Ready Mix Concrete, Inc. and Puerto Rican Cement Company, Inc., in the amount of U.S.$21 million, after an employee of the Puerto Rico Highway Authority was injured by a truck owned and operated by CEMEX. On April 21, 2007, the First Instance Court for the Commonwealth of Puerto Rico issued a summons against Hormigonera Mayagüezana Inc., seeking damages in the amount of U.S.$39 million, after the death of two people in an accident in which a Hormigonera Mayagüezana Inc. concrete mixer truck was involved. As of March 31, 2008 both cases are still pending trial.

On July 23, 2007, American Waste Management and Recycling, Inc. filed a lawsuit in the United States District Court for the District of Puerto Rico against CEMEX Puerto Rico and Canopy Ecoterra Corp. alleging breach of contract, collection of monies, and damages in the amount of U.S.$10 million, plus the amount a jury could award regarding the value of the irreparable harm and other damages that are unable to be quantified. At issue is an alleged contract in which plaintiff dismantled structures located at the CEMEX Plant in Ponce, and purchase the scrap metal resulting from the harvesting and dismantling of such structures. On January 10, 2008, the District Court for the District of Puerto Rico entered judgment dismissing the action without prejudice of state court jurisdiction. Since the Plaintiff did not appeal this decision the judgment became final.

On October 4, 2007 all Egyptian cement producers (including CEMEX) were referred to the public prosecutor for an alleged agreement on price fixing. The country manager and director of sales of CEMEX Egypt were both named as defendants. The case was referred to criminal court on February 13, 2008. If producers are found guilty, the maximum penalty for each entity could be 10 million Egyptian pounds (approximately US$ 1.8 million). Hearings on this matter have taken place, during which witnesses were heard and defenses were presented. The final court hearing was held on June 9, 2008, where the parties submitted their final statements of defense. At this hearing, the court announced that it will render its final judgment on August 25, 2008.

On July 13, 2007, the Australian Takeovers Panel published a declaration of unacceptable circumstances, namely, that CEMEX's May 7, 2007 announcement that it would allow Rinker shareholders to retain the final dividend of $0.25 per share constituted a departure from CEMEX's announcement on April 10, 2007 that its offer of US$15.85 per share was its "best and final offer". The Panel ordered CEMEX to pay compensation of $0.25 per share to Rinker shareholders who sold their shares during the period from April 10 to May 7, 2007, net of any purchases that were made. CEMEX believes that the market was fully informed by its announcements on April 10,

72

2007, and notes that the Takeovers Panel has made no finding that CEMEX breached any law. CEMEX has lodged a request for a review of the Panel decision. On July 20, 2007, the Review Panel made an interim order staying the operation of the orders until further notice. Although there is insufficient information about the exact figure, CEMEX estimates that the amount it would have to pay if the Panel's orders were affirmed is approximately AU$29 million.

As of the date of this annual report, we are involved in various legal proceedings involving product warranty claims, environmental claims, indemnification claims relating to acquisitions and similar types of claims brought against us that have arisen in the ordinary course of business. We believe we have made adequate provisions to cover both current and contemplated general and specific litigation risks, and we believe these matters will be resolved without any significant effect on our operations, financial position or results of operations.

Item 4A - Unresolved Staff Comments

Not applicable.

Item 5 - Operating and Financial Review and Prospects

Cautionary Statement Regarding Forward Looking Statements

This annual report contains forward-looking statements that reflect our current expectations and projections about future events based on our knowledge of present facts and circumstances and assumptions about future events. In this annual report, the words "expects," "believes," "anticipates," "estimates," "intends," "plans," "probable" and variations of such words and similar expressions are intended to identify forward-looking statements. Such statements necessarily involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Some of the risks, uncertainties and other important factors that could cause results to differ, or that otherwise could impact us or our subsidiaries, include:

- the cyclical activity of the construction sector;
- competition;
- general political, economic and business conditions;
- weather and climatic conditions;
- national disasters and other unforeseen events; and

- the other risks and uncertainties described under Item 3 "— Key Information — Risk Factors" and elsewhere in this annual report.

Readers are urged to read this entire annual report and carefully consider the risks, uncertainties and other factors that affect our business. The information contained in this annual report is subject to change without notice, and we are not obligated to publicly update or revise forward-looking statements. Readers should review future reports filed by us with the U.S. Securities and Exchange Commission.

This annual report also includes statistical data regarding the production, distribution, marketing and sale of cement, ready-mix concrete, clinker and aggregates. We generated some of these data internally, and some were obtained from independent industry publications and reports that we believe to be reliable sources. We have not independently verified these data nor sought the consent of any organizations to refer to their reports in this annual report.

Overview

The following discussion should be read in conjunction with our consolidated financial statements included elsewhere in this annual report. Our financial statements have been prepared in accordance with Mexican FRS, which differ in significant respects from U.S. GAAP. See note 25 to our consolidated financial statements, included elsewhere in this annual report, for a description of the principal differences between Mexican FRS and U.S. GAAP as they relate to us.

Mexico experienced annual inflation rates of 3.0% in 2005, 4.1% in 2006 and 4.0% in 2007. Mexican FRS requires that our consolidated financial statements during the periods presented recognize the effects of inflation. Consequently, financial data for all periods in our consolidated financial statements and throughout this annual report, except as otherwise noted, have been restated in constant Mexican Pesos as of December 31, 2007. They have been restated using the CEMEX weighted average inflation factors, as explained in note 3B to our consolidated financial statements included elsewhere in this annual report. Beginning January 1, 2008, however, under Mexican FRS inflation accounting will be applied only in high inflation environments. See note 3X to our consolidated financial statements.

The percentage changes in cement sales volumes described in this annual report for our operations in a particular country or region include the number of tons of cement and/or the number of cubic meters of ready-mix concrete sold to our operations in other countries and regions. Likewise, unless otherwise indicated, the net sales financial information presented in this annual report for our operations in each country or region includes the Mexican Peso amount of sales derived from sales of cement and ready-mix concrete to our operations in other countries and regions, which have been eliminated in the preparation of our consolidated financial statements included elsewhere in this annual report.

The following table sets forth selected financial information as of and for each of the three years ended December 31, 2005, 2006 and 2007 by principal geographic segment expressed as an approximate percentage of our total consolidated group. Through the RMC acquisition, we acquired new operations in the United States, Spain, Africa and the Middle East and Asia, which had a significant impact on our operations in those segments, and we acquired operations in the United Kingdom and the Rest of Europe, in which segments we did not have operations prior to the RMC acquisition. The financial information as of and for the year ended December 31, 2005 in the table below includes the consolidation of RMC's operations for the ten-month period ended December 31, 2005, and the financial information as of and for the year ended December 31, 2006 in the table below includes the consolidation of RMC's operations for the entire year ended December 31, 2006. Through the Rinker acquisition, we acquired new operations in the United States, which have had a significant impact on our operations in that segment, and we acquired operations in Australia, in which segment we did not have operations prior to the Rinker acquisition. The financial information as of and for the year ended December 31, 2007 in the table below includes the consolidation of Rinker's operations for the six-month period ended December 31, 2007. We operate in countries and regions with economies in different stages of development and structural reform, with different levels of fluctuation in exchange rates, inflation and interest rates. These economic factors may affect our results of operations and financial condition depending upon the depreciation or appreciation of the exchange rate of each country and region in which we operate compared to the Mexican Peso and the rate of inflation of each of these countries and regions. The variations in (1) the exchange rates used in the translation of the local currency to Mexican Pesos, and (2) the rates of inflation used for the restatement of our financial information to constant Mexican Pesos, as of the latest balance sheet presented, may affect the comparability of our results of operations and consolidated financial position from period to period.

	% Mexico	% United States	% Spain	% United Kingdom	% Rest of Europe	% South America, Central America and the Caribbean	% Africa and the Middle East	% Australia and Asia	% Others	Combined	Eliminations	Consolidated
	(in millions of constant Mexican Pesos as of December 31, 2007, except percentages)											
Net Sales For the Period Ended(1):												
December 31, 2005	19%	25%	9%	9%	16%	8%	4%	2%	8%	207,699	(15,307)	192,392
December 31, 2006	18%	21%	9%	10%	20%	8%	4%	2%	8%	234,155	(20,388)	213,767
December 31, 2007	16%	22%	9%	9%	19%	9%	3%	5%	8%	253,937	(17,268)	236,669
Operating Income For the Period Ended(2):												
December 31, 2005	41%	27%	14%	2%	7%	9%	4%	2%	(6)%	31,227	—	31,227
December 31, 2006	38%	29%	16%	1%	6%	12%	5%	2%	(9)%	34,505	—	34,505
December 31, 2007	39%	18%	19%	(1)%	10%	18%	5%	6%	(14)%	32,448	—	32,448
Total Assets at: (2)												
December 31, 2005	18%	23%	10%	9%	11%	10%	3%	6%	10%	336,081	—	336,081
December 31, 2006	18%	23%	10%	8%	13%	10%	3%	6%	9%	351,083	—	351,083
December 31, 2007	11%	46%	8%	5%	9%	7%	2%	7%	5%	542,314	—	542,314

(1) Percentages by reporting segment are determined before eliminations resulting from consolidation.
(2) Percentages by reporting segment are determined before eliminations resulting from consolidation.

Critical Accounting Policies

We have identified below the accounting policies we have applied under Mexican FRS that are critical to understanding our overall financial reporting.

Income Taxes

Our operations are subject to taxation in many different jurisdictions throughout the world. Under Mexican FRS, we recognize deferred tax assets and liabilities using a balance sheet methodology, which requires a determination of the permanent and temporary differences between the financial statements carrying amounts and the tax basis of assets and liabilities. Our worldwide tax position is highly complex and subject to numerous laws that require interpretation and application and that are not consistent among the countries in which we operate. Significant judgment is required to appropriately assess the amounts of tax assets and liabilities. We record tax assets when we believe that the recoverability of the asset is determined to be more likely than not in accordance with established accounting principles. If this determination cannot be made, a valuation allowance is established to reduce the carrying value of the asset.

Our overall strategy is to structure our worldwide operations to minimize or defer the payment of income taxes on a consolidated basis. Many of the activities we undertake in pursuing this tax reduction strategy are highly complex and involve interpretations of tax laws and regulations in multiple jurisdictions and are subject to review by the relevant taxing authorities. It is possible that the taxing authorities could challenge our application of these regulations to our operations and transactions. The taxing authorities have in the past challenged interpretations that we have made and have assessed additional taxes. Although we have from time to time paid some of these additional assessments, in general we believe that these assessments have not been material and that we have been successful in sustaining our positions. No assurance can be given, however, that we will continue to be as successful as we have been in the past or that pending appeals of current tax assessments will be judged in our favor.

Recognition of the effects of inflation

Until December 31, 2007, under Mexican FRS, the financial statements of each subsidiary were restated to reflect the loss of purchasing power (inflation) of its functional currency. Newly issued Mexican Financial Reporting Standard B-10, Inflation effects ("MFRS B-10"), effective beginning January 1, 2008, establishes significant changes to inflationary accounting in Mexico. The most significant changes are:

- Inflationary accounting will be only applied in a high-inflation environment, defined by MFRS B-10 as existing when the cumulative inflation for the preceding three years equals or exceeds 26%. Until December 31, 2007, inflationary accounting was applied to all of our subsidiaries regardless 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,

- The new standard eliminates the alternative to restate inventories using specific cost indexes, as well as the rule to restate fixed assets of foreign origin using the factor that considers the inflation of the country of origin of the asset and the variation in the foreign exchange rate between the currency of the country of origin and the country holding the asset. MFRS B-10 establishes the use of the factors derived from the general price indexes of the country holding the assets as the sole alternative for restatement.,

- MFRS B-10 eliminates the requirement to restate the amounts of the income statement for the period (constant peso amounts), as well as the comparative financial statements for prior periods, into constant peso amounts as of the most recent balance sheet date. Beginning in 2008, the income statement for subsequent periods will be presented in nominal values, and, as long as the cumulative inflation for the preceding three years in Mexico is below 26%, the financial statements for periods prior to 2008 will be presented in constant pesos as of December 31, 2007, the last date when inflationary accounting was applied generally.

- When moving from a high-inflation to a low-inflation environment, MFRS B-10 provides that the restatement adjustments as of the date of discontinuing the inflationary accounting should prevail as part of the carrying amounts. When moving from a low-inflation to a high-inflation environment, the initial restatement factor for properties, machinery and equipment, as well as for intangible assets, should consider the cumulative inflation since the last time inflationary accounting was discontinued. Upon adoption of new MFRS B-10, the accumulated result for holding non-monetary assets, included within "Deficit in equity restatement" (see note 16B to the financial statements included elsewhere in this annual report), should be reclassified to "Retained earnings". As of December 31, 2007, most of our subsidiaries operate in low-inflation environments; therefore, restatement of their historical cost financial statements to take account of inflation will be suspended starting January 1, 2008. We do not anticipate that the adoption of new MFRS B-10 will have a material adverse effect on our results of operations.

Under inflationary accounting until December 31, 2007, the inflation effects arising from holding monetary assets and liabilities were reflected in the income statements as monetary position result. Inventories, fixed assets and deferred charges, with the exception of fixed assets of foreign origin and the equity accounts, were restated to account for inflation using the consumer price index applicable in each country. Fixed assets of foreign origin were restated using the inflation index of the assets' origin country and the variation in the foreign exchange rate between the country of origin currency and the functional currency. The result was reflected as an increase or decrease in the carrying value of each item, and was presented in consolidated stockholders' equity in the line item "Effects from Holding

Non-Monetary Assets." Income statement accounts were also restated for inflation into constant Mexican Pesos as of the reporting date.

Foreign currency translation

As mentioned above, until December 31, 2007, the financial statements of consolidated foreign subsidiaries were restated for inflation in their functional currency based on the subsidiary country's inflation rate. Subsequently, the restated financial statements were translated into Mexican Pesos using the foreign exchange rate at the end of the corresponding reporting period for balance sheet and income statement accounts.

In connection with the changes in inflationary accounting under Mexican FRS, concurrent with the use of nominal amounts during low-inflation periods, beginning January 1, 2008, the translation of foreign currency financial statements into Mexican pesos will be made using the foreign exchange rate at the end of the corresponding reporting period for balance sheet and the exchange rates at the end of each month for the income statement accounts. For subsidiaries operating in high-inflation environments, the financial statements will be first restated into constant amounts in their functional currency, and then translated into Mexican pesos using the exchange rate at the reporting date for balance sheet and income statement accounts.

Derivative financial instruments

As mentioned in note 3L to our consolidated financial statements included elsewhere in this annual report, in compliance with the guidelines established by our risk management committee, we use derivative financial instruments such as interest rate and currency swaps, currency and stock forward contracts, and other instruments, in order to change the risk profile associated with changes in interest rates and foreign exchange rates of debt agreements, as a vehicle to reduce financing costs, as an alternative source of financing, and as hedges of: (i) highly probable forecasted transactions, (ii) our net assets in foreign subsidiaries and (iii) future exercises of options under our executive stock option programs. These instruments have been negotiated with institutions with significant financial capacity; therefore, we consider the risk of non-compliance with the obligations agreed to by such counterparties to be minimal.

Derivative financial instruments are recognized as assets or liabilities in the balance sheet at their estimated fair value and the changes in such fair values are recognized in the income statement for the period in which they occur, except for changes in the fair value of derivative instruments that are designated and effective as hedges of the variability in the cash flows associated with existing assets or liabilities and/or forecasted transactions. Some of our instruments have been designated as accounting hedges of debt or equity instruments (see note 3L to our consolidated financial statements included elsewhere in this annual report).

Interest accruals generated by interest rate swaps and cross currency swaps are recognized as financial expense, adjusting the effective interest rate of the related debt. Interest accruals from other hedging derivative instruments are recorded within the same item when the effects of the primary instrument subject to the related hedging transactions are recognized. See notes 12C, D and E to our consolidated financial statements included elsewhere in this annual report.

Pursuant to the accounting principles established by Mexican FRS, our balance sheets and income statements are subject to volatility arising from variations in interest rates, exchange rates, share prices and other conditions established in our derivative instruments. The estimated fair value represents the amount at which a financial asset could be bought or sold, or a financial liability could be extinguished at the reporting date, between willing parties in an arm's length transaction. Occasionally, there is a reference market that provides the estimated fair value; in the absence of a market, such value is determined by the net present value of projected cash flows or through mathematical valuation models. The estimated fair values of derivative instruments determined by us and used by us for recognition and disclosure purposes in the financial statements and their notes, are supported by the confirmations of these values received from the counterparties to these financial instruments; nonetheless, significant judgment is required to account appropriately for the effects of derivative financial instruments in the financial statements.

The estimated fair values of derivative financial instruments fluctuate over time, and are based on estimated settlement costs or quoted market prices. These values should be viewed in relation to the fair values of the underlying instruments or transactions, and as part of our overall exposure to fluctuations in foreign exchange rates, interest rates and prices of shares. The notional amounts of derivative instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure through our use of derivatives. The amounts exchanged are determined on the basis of the notional amounts and other variables included in the derivative instruments.

Impairment of long-lived assets

Our balance sheet reflects significant amounts of long-lived assets (mainly fixed assets and goodwill) associated with our operations throughout the world. Many of these amounts have resulted from past acquisitions, which have required us to reflect these assets at their fair market values at the dates of acquisition. According to their characteristics and the specific accounting rules related to them, we assess the recoverability of our long-lived assets periodically and at least once a year, as is the case for goodwill and other intangible assets of indefinite life, or whenever events or circumstances arise that we believe trigger a requirement to review such carrying values, as is the case with property, machinery and equipment and intangible assets of definite life.

Goodwill is evaluated for impairment by determining the value in use (fair value) of the reporting units, which consists of the discounted amount of estimated future cash flows to be generated by such reporting units to which goodwill relates. A reporting unit refers to a group of one or more cash generating units. Each reporting unit, for purposes of the impairment evaluation, consists of all operations in each country. An impairment loss is recognized if such discounted cash flows are lower than the net book value of the reporting unit. In applying the value in use (fair value) method, we determine the discounted amount of estimated future cash flows over a period of 5 years.

For the years ended December 31, 2005, 2006 and 2007, the geographic segments we reported in note 18 to our consolidated financial statements included elsewhere in this annual report, each integrated by multiple cash generating units, also represent our reporting units for purposes of testing goodwill for impairment. Based on our analysis, we concluded that the operating components that integrate the reported segments have similar economic characteristics, by considering: a) the reported segments are the level used by us to organize and evaluate our activities in the internal information system, b) the homogenous nature of the items produced and traded in each operative component, which are all used by the construction industry, c) the vertical integration in the value chain of the products comprising each component, d) the type of clients, which are substantially similar in all components, e) the operative integration among operating components, evidenced by the adoption of shared service centers, and f) the compensation system of any of our country operations is based on the consolidated results of the geographic segment and not on the particular results of the components.

Impairment evaluations are significantly sensitive, among other factors, to the estimation of future prices of our products, the development of operating expenses, 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 evaluations. We use specific discount rates for each reporting unit, which consider the weighted average cost of capital of each geographic segment. This determination requires substantial judgment and is highly complex when considering the many countries in which we operate, each of which has its own economic circumstances that have to be monitored. Additionally, we monitor the lives assigned to these long-lived assets for purposes of depreciation and amortization, when applicable. This determination is subjective and is integral to the determination of whether an impairment has occurred.

Valuation reserves on accounts receivable and inventories

On a periodic basis, we analyze the recoverability of our accounts receivable and our inventories (supplies, raw materials, work-in-process and finished goods), in order to determine if due to credit risk or other factors in the case of our receivables and due to weather or other conditions in the case of our inventories, some receivables may not be recovered or certain materials in our inventories may not be utilizable in the production process or for sale purposes. If we determine such a situation exists, book values related to the non-recoverable assets are adjusted and charged to the income statement through an increase in the doubtful accounts reserve or the inventory obsolescence reserve, as appropriate. These determinations require substantial management judgment and are highly complex when considering the various countries in which we have operations, each having its own economic circumstances that require continuous monitoring, and our numerous plants, deposits, warehouses and quarries. As a result, final losses from doubtful accounts or inventory obsolescence could differ from our estimated reserves.

Asset retirement obligations

We recognize unavoidable obligations, legal or constructive, to restore operating sites upon retirement of tangible long-lived assets at the end of their useful lives. These obligations represent the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' book value. The additional asset is depreciated during its remaining useful life. The increase of the liability, by the passage of time, is charged to the income statement of the period. Adjustments to the obligation for changes in the estimated cash flows or the estimated disbursement period are made against fixed assets, and depreciation is modified prospectively.

Asset retirement obligations are related mainly to future costs of demolition, cleaning and reforestation, so that at the end of their operation, raw materials extraction sites, maritime terminals and other production sites are left in acceptable condition. Significant judgment is required in assessing the estimated cash outflows that will be disbursed upon retirement of the related assets. See notes 3M and 13 to our consolidated financial statements included elsewhere in this annual report.

Transactions in our own stock

From time to time we have entered into various transactions involving our own stock. These transactions have been designed to achieve various financial goals but were primarily executed to give us a means of satisfying future transactions that may require us to deliver significant numbers of shares of our own stock. These transactions are described in detail in the notes to our consolidated financial statements included elsewhere in this annual report. We have viewed these transactions as hedges against future exposure even though they do not meet the definition of hedges under accounting principles. There is significant judgment necessary to properly account for these transactions, as the obligations underlying the related transactions are required to be reflected at market value, with the changes in such value reflected in our income statement. These transactions raise the possibility that we could be required to reflect losses on the transactions in our own shares without having a converse reflection of gains on the transactions under which we would deliver such shares to others. See notes 3U and 17 to our consolidated financial statements included elsewhere in this annual report.

Results of Operations

Consolidation of Our Results of Operations

Our consolidated financial statements, included elsewhere in this annual report, include those subsidiaries in which we hold a majority interest or which we otherwise control. The financial statements of joint ventures, which are those entities in which we and third-party investors have agreed to exercise joint control, are consolidated through the proportional integration method considering our interest in the results of operations, assets and liabilities of such entities. Full consolidation or the equity method, as applicable, is applied for those joint ventures in which one of the venture partners controls the entity's administrative, financial and operating policies.

Investments in associates (see note 9A to our consolidated financial statements) are accounted for by the equity method, when CEMEX holds between 10% and 50% of the issuer's capital stock and does not have effective control. Under the equity method, after acquisition, the investment's original cost is adjusted for the proportional interest of the holding company in the associate's equity and earnings, considering the effects of inflation.

All significant intercompany balances and transactions have been eliminated in consolidation.

For the periods ended December 31, 2005, 2006, and 2007 our consolidated results reflect the following transactions:

- On August 28, 2007, we completed the acquisition of 100% of the Rinker shares for a total consideration of approximately U.S.$14.2 billion (approximately Ps155.6 billion) (excluding the assumption of approximately U.S.$1.3 billion (approximately Ps13.9 billion) of Rinker's debt). For accounting purposes, July 1, 2007 was established as Rinker's acquisition date and we began consolidating the financial results of Rinker on such date. Our consolidated financial statements for the year ended December 31, 2007 include Rinker's results of operations for the six-month period ended December 31, 2007 only. For its fiscal year ended March 31, 2007, Rinker reported consolidated revenues of approximately U.S.$5.3 billion. Approximately U.S.$4.1 billion of these revenues were generated in the United States, and approximately U.S.$1.2 billion were generated in Australia and China. As of that date, Rinker had more than 13,000 employees. During such fiscal period, Rinker produced approximately 2 million tons of cement, 93 million tons of aggregates and sold close to 13 million cubic meters of ready-mix concrete. In Australia, Rinker's main activities are oriented to the production and sale of ready-mix concrete and other construction materials.

- 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, CEMEX 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 CEMEX's pre-Rinker acquisition operations.

- 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. Our consolidated financial statements for the year ended December 31, 2005 include our 50% interest in the results of operations relating to these joint venture assets through the proportionate consolidation method for the period from March 1, 2005 through December 22, 2005 only.

- On August 29, 2005, we sold RMC's operations in the Tucson, Arizona area, consisting of several ready-mix concrete and related assets, to California Portland Cement Company for a purchase price of approximately U.S.$16 million. Our income statement for the year ended December 31, 2005 includes the results of operations relating to these assets for the period from March 1, 2005 through August 29, 2005 only.

- 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. For the years ended December 31, 2007, 2006 and 2005, we had control of, and consolidated, CEMEX Southeast, LLC, while our interest in Ready Mix USA, LLC was accounted for by the equity method since it was controlled by Ready Mix USA. Our consolidated income statement for the year ended December 31, 2005 include the results of operations relating to the assets we contributed to Ready Mix USA, LLC for the period from January 1, 2005 through July 1, 2005 only and the results of operations relating to the assets we sold to Ready Mix USA, LLC for the period from March 1, 2005 through September 1, 2005 only, since we acquired those assets in the RMC acquisition.

- In July 2005, we acquired 15 ready-mix concrete plants through the purchase of Concretera Mayaguezana, a ready-mix concrete producer located in Puerto Rico, for approximately Ps326 million (U.S.$30 million). Our consolidated income statement for the year ended December 31, 2005 include the results of operations relating to the assets for the period from July 1, 2005 through December 31, 2005 only.

- In July 2005, we sold a cement terminal to the City of Detroit for approximately U.S.$24 million. Our consolidated income statement for the year ended December 31, 2005 includes the results of operations relating to this cement terminal for the six-month period ended June 30, 2005 only.

- 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.$389 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. Our consolidated income statement for the year ended December 31, 2005 includes the results of operations relating to these assets for the three-month period ended March 31, 2005 only.

- 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. Our consolidated income statement for the year ended December 31, 2005 includes RMC's results of operations for the ten-month period ended December 31, 2005. 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 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.

Selected Consolidated Income Statement Data

The following table sets forth our selected consolidated income statement data for each of the three years ended December 31, 2005, 2006, and 2007 expressed as a percentage of net sales.

	Year Ended December 31,		
	2005	2006	2007
Net sales	100.0	100.0	100.0
Cost of sales	(60.5)	(63.8)	(66.6)
Gross profit	39.5	36.2	33.4
Administrative and selling expenses	(12.8)	(13.4)	(14.0)
Distribution expenses	(10.5)	(6.7)	(5.7)
Total operating expenses	(23.3)	(20.1)	(19.7)
Operating income	16.2	16.1	13.7
Other expenses, net	(2.2)	(0.3)	(1.4)
Comprehensive financing result:			
Financial expense	(3.4)	(2.7)	(3.7)
Financial income	0.3	0.3	0.4
Results from financial instruments	2.5	(0.1)	1.0
Foreign exchange result	(0.5)	0.1	(0.1)
Monetary position result	2.8	2.2	2.9
Net comprehensive financing result	1.7	(0.2)	0.5
Equity in income of associates	0.6	0.7	0.6
Income before income tax	16.3	16.3	13.4
Income taxes	(2.2)	(2.6)	(2.0)
Consolidated net income	14.1	13.7	11.4
Minority interest net income	0.3	0.7	0.4
Majority interest net income	13.8	13.0	11.0

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Overview

Summarized in the table below are the percentage (%) increases (+) and decreases (-) for the year ended December 31, 2007 compared to the year ended December 31, 2006 in our domestic cement and ready-mix concrete sales volumes as well as export sales volumes of cement and domestic cement and ready-mix concrete average prices for each of our geographic segments.

	Domestic Sales Volumes		Export Sales Volumes	Average Domestic Prices in Local Currency(1)	
Geographic Segment	Cement	Ready-Mix Concrete	Cement	Cement	Ready-Mix Concrete
North America					
Mexico	+4%	+8%	-21%	-1%	+2%
United States(2)	-8%	+13%	N/A	+4%	+1%
Europe					
Spain	-5%	-4%	-28%	+9%	+7%
UK	+12%	-2%	N/A	+8%	+4%
Rest of Europe	+5%	Flat	N/A	+15%	+5%
South/Central America and the Caribbean(3)					
Venezuela	+16%	+10%	-51%	+5%	+26%
Colombia	+19%	+24%	N/A	+17%	+12%

82

Rest of South/Central America and the Caribbean(4)	-3%	+7%	N/A	+23%	+11%
Africa and the Middle East(5)					
Egypt	+8%	+16%	-100%	+9%	+14%
Rest of Africa and the Middle East(6)	N/A	-2%	N/A	N/A	+13%
Australia and Asia(7)					
Australia	N/A	N/A	N/A	N/A	N/A
Philippines	+12%	N/A	-9%	+5%	N/A
Rest of Asia(8)	+18%	+11%	N/A	+10%	+10%

N/A = Not Applicable

(1) Represents the average change in domestic cement and ready-mix concrete prices in local currency terms. For purposes of a geographic segment consisting of a region, the average prices in local currency terms for each individual country within the region are first translated into Dollar terms (except for the Rest of Europe region, which is translated first into Euros) at the exchange rates in effect as of the end of the reporting period. Variations for a region represent the weighted average change of prices in Dollar terms (except for the Rest of Europe region, which represent the weighted average change of prices in Euros) based on total sales volumes in the region.

(2) Our cement and ready-mix concrete sales volumes and average prices in the United States for the year ended December 31, 2007 include the sales volumes and average prices of the cement and ready-mix concrete operations in the United States we acquired as a result of the Rinker acquisition for the six-month period ended December 31, 2007, except that the sales volumes and average prices relating to the assets we were required to divest as a result of the Rinker acquisition by the Antitrust Division of the United States Department of Justice, are included only for the periods from January 1, 2007 through November 30, 2007 (with respect to the assets subject to divestiture owned by us prior to our acquisition of Rinker) and from July 1, 2007 through November 30, 2007 (with respect to the assets subject to divestiture owned by Rinker prior to our acquisition of Rinker).

(3) Our South America, Central America and the Caribbean segment includes our operations in Venezuela, Colombia and the operations listed in note 4 below; however, in above table, our operations in Venezuela and Colombia are presented separately from our other operations in the segment for purposes of presentation of our operations in the region.

(4) Our Rest of South/Central America and the Caribbean segment includes our operations in Costa Rica, Panama, the Dominican Republic, Nicaragua, Puerto Rico, Jamaica and Argentina and our trading activities in the Caribbean.

(5) Our Africa and the Middle East segment includes our operations in Egypt and the operations listed in note 6 below.

(6) Our Rest of Africa and the Middle East segment includes the operations in the United Arab Emirates and Israel.

(7) Our Australia and Asia segment includes the operations in Australia as well as limited operations in China we acquired as a result of the Rinker acquisition for the six-month period ended December 31, 2007, our operations in the Philippines and the operations listed in note 8 below.

(8)

Our Rest of Asia segment includes our operations in Malaysia, Thailand, Bangladesh and other assets in the Asian region.

On a consolidated basis, our cement sales volumes increased approximately 2%, from 85.7 million tons in 2006 to 87.3 million tons in 2007, and our ready-mix concrete sales volumes increased approximately 9%, from 73.6 million cubic meters in 2006 to 80.5 million cubic meters in 2007. Our net sales increased approximately 11% from Ps213,767 million in 2006 to Ps236,669 million in 2007, and our operating income decreased approximately 6% from Ps34,505 million in 2006 to Ps32,448 million in 2007.

Approximately 69% of the increase in the cement sales volumes during 2007 compared to 2006 resulted from the consolidation of Rinker's operations for six months during 2007 compared to 2006. All the increase in ready-mix concrete sales volumes during 2007 compared to 2006 resulted from the consolidation of Rinker's operations for six months during 2007 compared to 2006. All the increase in net sales during 2007 compared to 2006 resulted from the consolidation of Rinker's operations for six-months in 2007 compared to 2006. Both our and Rinker's United States operations experienced significant declines in net sales in 2007, as described below.

The following tables present selected condensed financial information of net sales and operating income for each of our geographic segments for the years ended December 31, 2006 and 2007. Variations in net sales determined on the basis of constant Mexican Pesos include the appreciation or depreciation which occurred during the period between the local currencies of the countries in the regions vis-à-vis the Mexican Peso, as well as the effects of inflation as applied to the Mexican Peso amounts using our weighted average inflation factor; therefore, such variations differ substantially from those based solely on the countries' local currencies:

	Net Sales				
Geographic Segment	Variations in Local Currency (1)	Fluctuations, Net of Inflation Effects Approximate Currency	Variations in Constant Mexican Pesos	For the Year Ended December 31, 2006	2007
				(In millions of constant Mexican Pesos as of December 31, 2007)	
North America					
Mexico	+7%	-9%	-2%	42,577	41,814
United States(2)	+18%	-6%	+12%	48,911	54,607
Europe					
Spain	+4%	+5%	+9%	21,834	23,781
United Kingdom	Flat	-6%	-6%	23,854	22,432
Rest of Europe	+4%	+1%	+5%	44,691	47,100
South/Central America and the Caribbean(3)					
Venezuela	+22%	-4%	+18%	6,217	7,317
Colombia	+38%	+5%	+43%	4,206	6,029
Rest of South / Central America and the Caribbean(4)	+22	-3%	+19%	9,046	10,722
Africa and Middle East(5)					
Egypt	+10%	-6%	+4%	3,577	3,723
Rest of Africa and the Middle East(6)	+3%	-6%	-3%	4,794	4,666
Australia and Asia(7)					
Australia (8)	N/A	N/A	N/A	—	8,633
Philippines	+9%	+12%	+21%	2,620	3,173
Rest of Asia(9)	+24%	-2%	+22%	1,694	2,068
Others(10)	-5%	-6%	-11%	20,134	17,872
			+8%	234,155	253,937
Eliminations from consolidation				(20,388)	(17,268)
Consolidated net sales			+11%	213,767	236,669

	Operating Income				
Geographic Segment	Variations in Local Currency (1)	Approximate Currency Fluctuations, Net of Inflation Effects	Variations in Constant Mexican Pesos	For the Year Ended December 31, 2006	2007
				(In millions of constant Mexican Pesos as of December 31, 2007)	
North America					
Mexico	+3%	-8%	-5%	13,210	12,549
United States(2)	-31%	-9%	-41%	10,092	5,966
Europe					
Spain	+4%	+3%	+7%	5,637	6,028
United Kingdom	-418%	+28%	-390%	154	(446)
Rest of Europe	+22%	+26%	+48%	2,220	3,281
South/Central America and the Caribbean(3)					
Venezuela	+14%	-4%	+10%	1,799	1,971
Colombia	+78%	+1%	+79%	1,138	2,037
Rest of South/Central America and the Caribbean(4)	+59%	-10%	+49%	1,322	1,975
Africa and Middle East(5)					
Egypt	+12%	-8%	+4%	1,475	1,534
Rest of Africa and the Middle East(6)	-146%	+3%	-143%	120	(51)
Australia and Asia(7)					
Australia (8)	N/A	N/A	N/A	—	1,177
Philippines	+13%	+4%	+17%	726	851
Rest of Asia(9)	+157%	-4%	+153%	(62)	33
Others(10)	-32%	-2%	-34%	(3,326)	(4,457)
Consolidated operating income			-6%	34,505	32,448

N/A = Not Applicable

(1) For purposes of a geographic segment consisting of a region, the net sales and operating income data in local currency terms for each individual country within the region are first translated into Dollar terms at the exchange rates in effect as of the end of the reporting period. Variations for a region represent the weighted average change in Dollar terms based on net sales and operating income for the region.

(2) Our net sales and operating income in the United States for the year ended December 31, 2007 include the results of the cement and ready-mix concrete operations in the United States we acquired as a result of the Rinker acquisition for the six-month period ended December 31, 2007, except that the sales volumes and average prices relating to the assets we were required to divest as a result of the Rinker acquisition by the Antitrust Division of the United States Department of Justice, are included only for the periods from January 1, 2007 through November 30,

2007 (with respect to the assets subject to divestiture owned by us prior to our acquisition of Rinker) and from July 1, 2007 through November 30, 2007 (with respect to the assets subject to divestiture owned by Rinker prior to our acquisition of Rinker).

(3) Our South America, Central America and the Caribbean segment includes our operations in Venezuela, Colombia and the operations listed in note 4 below; however, in above table, our operations in Venezuela and Colombia are presented separately from our other operations in the segment.

(4) Our Rest of South/Central America and the Caribbean segment includes our operations in Costa Rica, Panama, the Dominican Republic, Nicaragua, Puerto Rico, Jamaica and Argentina and our trading activities in the Caribbean.

(5) Our Africa and the Middle East segment includes our operations in Egypt and the operations listed in note 6 below.

(6) Our Rest of Africa and the Middle East segment includes our operations in the United Arab Emirates and Israel.

(7) Our Australia and Asia segment includes our operations in Australia described in note 8 below, our operations in the Philippines and the operations described in note 9 below.

(8) Australia includes our operations in Australia we acquired as a result of the Rinker acquisition for the six-month period ended December 31, 2007.

(9) Our Rest of Asia segment includes our operations in Malaysia, Thailand, Bangladesh and other assets in the Asian region.

(10) Our Others segment includes our worldwide maritime trade operations, our information solutions company and other minor subsidiaries.

Net Sales

Our net sales increased approximately 11% from Ps213,767 million in 2006 to Ps236,669 million in 2007 in constant Peso terms. The increase in net sales was entirely attributable to the consolidation of Rinker's operations for six months in 2007. On a pro forma basis excluding the consolidation of Rinker's operations for six months in 2007, our consolidated net sales would have decreased by approximately 1% in 2007 as compared to the previous year, mainly as a result of the decline in sales volumes in our United States operations as explained below. This decline was partially offset by higher sales volumes and prices in our operations in most of our markets. Of our consolidated net sales before eliminations resulting from consolidation in 2006 and 2007, including the last six months of Rinker in 2007, approximately 37% and 36%, respectively, were derived from sales of cement, approximately 30% and 32%, respectively, from sales of ready-mix concrete and approximately 33% and 32%, respectively, from sales of other construction materials, including aggregates, services and our Others segment business.

Through the Rinker acquisition, we acquired additional operations in the United States, which had a significant impact on our operations in that geographic segment, and we acquired operations in Australia, a geographic segment in which we did not have operations prior to the Rinker acquisition, as well as limited operations in China. The operating data set forth below in the discussion of our United States operations for 2006 and during the first six months of 2007 reflect operating data for those operations prior to our acquisition of Rinker.

Set forth below is a quantitative and qualitative analysis of the effects of the various factors affecting our net sales on a geographic segment basis.

Mexico

Our Mexican operations' domestic cement sales volumes increased approximately 4% in 2007 compared to 2006, and ready-mix concrete sales volumes increased approximately 8% during the same period. The main drivers of the increase in domestic sales volumes during the year were government infrastructure spending and residential construction. Our Mexican operations' net sales represented approximately 16% of our total net sales in 2007, in constant Peso terms, before elminations resulting from consolidation. Our Mexican operations' cement export volumes, which represented approximately 7% of our Mexican cement sales volumes in 2007, decreased approximately 21% in 2007 compared to 2006, primarily as a result of lower export volumes to the United States. Of our Mexican operations' total cement export volumes during 2007, 82% was shipped to the United States, 15% to Central America and the Caribbean and 3% to South America. Our Mexican operations' average domestic cement sales price decreased approximately 1% in 2007 compared to 2006 in constant Peso terms (increased approximately 3% in nominal Peso terms). Our Mexican operations' average sales price of ready-mix concrete increased approximately 2% in constant Peso terms (increased approximately 6% in nominal Peso terms) over the same period. For the year ended December 31, 2007, cement represented approximately 58%, ready-mix concrete represented approximately 27% and our other business represented approximately 16% of our Mexican operations' net sales before eliminations resulting from consolidation.

As a result of the decrease in average sales price of domestic cement partially offset by the increases in domestic cement and ready-mix concrete sales volumes and sales price of ready-mix concrete, our net sales in Mexico, in constant Peso terms, decreased approximately 2% (increased approximately 7% in nominal Peso terms) in 2007 compared to 2006.

United States

Our U.S. operations' cement sales volumes, which include cement purchased from our other operations and the operations we acquired from Rinker, which were consolidated in our U.S. operations' results for the six-month period ended December 31, 2007, decreased approximately 8% in 2007 compared to 2006. Our U.S. operations' ready-mix concrete sales volumes increased approximately 13% during the same period. As noted above, these U.S. sales volumes also include pre-divestiture volumes from the assets we divested on November 30, 2007 pursuant to the U.S. antitrust consent decree we entered into in connection with the Rinker acquisition. The decrease in cement sales volumes resulted primarily from the continued decline in the U.S. residential sector. Aditionally, volumes were adversely affected by unfavorable weather conditions, primarily in California, Arizona and Florida. These effects were partially offset by the consolidation of Rinker's U.S. operations for the six-month period ended December 31, 2007 (representing approximately 6% of our U.S. cement sales volumes and approximately 18% of our U.S. ready-mix concrete sales volumes). The increase in ready-mix concrete sales volumes in 2007 compared to 2006 resulted primarily from the consolidation of Rinker's U.S. operations for the six-month period ended December 31, 2007 partially offset by the on-going downturn in the residential sector. The duration of the ongoing market correction and the timing of the recovery in the residential sector in the United States continue to be uncertain. Our U.S. operations' net sales represented approximately 22% of our total net sales in 2007, in constant Peso terms, before eliminations resulting from consolidation. Our U.S. operations' average sales price of cement increased approximately 4% in Dollar terms in 2007 compared to 2006, and the average sales price of ready-mix concrete increased approximately 1% in Dollar terms over the same period. For the year ended December 31, 2007, cement represented approximately 31%, ready-mix concrete represented approximately 34% and our other business represented approximately 35% of our U.S. operations' net sales before eliminations resulting from consolidation.

As a result of the increases in ready-mix concrete sales volumes (primarily driven by the consolidation of the Rinker operations for the six-month period ended December 31, 2007), and the average sales prices of domestic cement and ready-mix concrete, despite the decrease in domestic cement sales volumes, net sales in the United States, in Dollar terms, increased approximately 18% (increased approximately 12% in constant Peso terms) in 2007 compared to 2006.

Spain

Our Spanish operations' domestic cement sales volumes decreased approximately 5% in 2007 compared to 2006, and ready-mix concrete sales volumes decreased approximately 4% during the same period. The decreases in sales volumes resulted primarily from the continued deceleration in the residential sector and a decrease in major infrastructure projects from pre-election levels. Our Spanish operations' net sales represented approximately 9% of our total net sales in 2007, in constant Peso terms, before eliminations resulting from consolidation. Our Spanish operations' cement export volumes, which represented approximately 1% of our Spanish cement sales volumes in 2007, decreased approximately 28% in 2007 compared to 2006, primarily due to decreases in African and United States demand. Of our Spanish operations' total cement export volumes in 2007, 36% was shipped to Europe and the Middle East, 46% to Africa, and 18% to the United States. Our Spanish operations' average domestic sales price of cement increased approximately 9% in Euro terms in 2007 compared to 2006, and the average price of ready-mix concrete increased approximately 7% in Euro terms over the same period. For the year ended December 31, 2007, cement represented approximately 52%, ready-mix concrete represented approximately 22% and our other business represented approximately 26% of our Spanish operations' net sales before eliminations resulting from consolidation.

As a result of the increases in average domestic sales prices of cement and ready-mix concrete, partially offset by the decreases in domestic cement and ready-mix concrete sales volumes and the decline in cement export volumes, net sales in Spain, in Euro terms, increased approximately 4% (increased approximately 9% in constant Peso terms) in 2007 compared to 2006.

United Kingdom

Our United Kingdom operations' domestic cement sales volumes increased approximately 12% in 2007 compared to 2006, and ready-mix concrete sales volumes decreased approximately 2% during the same period. The increases in domestic cement sales volumes were primarily driven by infrastructure projects relating to industrial, commercial and residential construction. The infrastructure sector continued with its recovery trend. Our United Kingdom operations' net sales for the year ended December 31, 2007 represented approximately 9% of our net sales in constant Peso terms, before eliminations resulting from consolidation, for 2007. Our United Kingdom operations' average domestic sales price of cement increased approximately 8% in British pounds sterling terms in 2007 compared to 2006, and the average price of ready-mix concrete increased approximately 4% in British pounds sterling terms over the same period. For the year ended December 31, 2007, cement represented approximately 15%, ready-mix concrete represented approximately 31% and our aggregates and other business represented approximately 54% of our United Kingdom operations' net sales before eliminations resulting from consolidation.

The decrease in ready-mix concrete sales volumes were offset by the increases in domestic cement sales volumes and the average sales prices of domestic cement and ready-mix concrete, and, as a result, net sales from our United Kingdom operations in British sterling pounds remained flat (decreased approximately 6% in constant Peso terms) in 2007 compared to 2006.

Rest of Europe

Our operations in our Rest of Europe segment in 2007 consisted of our operations in Germany, France, Croatia, Poland, Latvia, the Czech Republic, Ireland, Italy, Austria, Hungary, Portugal, Denmark, Finland, Norway and Sweden. Our Rest of Europe operations' net sales for the year ended December 31, 2007 represented approximately 19% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Domestic cement sales volumes in the Rest of Europe region increased approximately 5% in 2007 compared to 2006, while ready-mix concrete sales volumes remained flat during the same period. The increase in domestic cement sales volumes was primarily attributable to the increase in the demand in most of our Rest of Europe operations, mainly in Croatia, Poland and France.

As a result of the increase in domestic cement sales volumes, our Rest of Europe operations' net sales, in Euro terms, increased approximately 4% in 2007 compared to 2006. Our Rest of Europe operations' average domestic sales price of cement increased approximately 15% in Euro terms in 2007 compared to 2006, and the average price of ready-mix concrete increased approximately 5% in Euro terms over the same period. For the year ended December 31, 2007, cement represented approximately 23%, ready-mix concrete represented approximately 47% and our other business represented approximately 30% of our Rest of Europe operations' net sales before eliminations resulting from consolidation. Set forth below is a discussion of sales volumes and average prices in Germany and France, the most significant countries in our Rest of Europe segment, based on net sales.

In Germany, domestic cement sales volumes decreased approximately 6% in 2007 compared to 2006, and ready-mix concrete sales volumes decreased approximately 9% during the same period. These decreases were primarily due to a decline in the residential sector partially offset by increased activity in the non-residential and civil engineering sectors. Our German operations' average domestic sales price of cement increased approximately 9% in Euro terms in 2007 compared to 2006, and the average price of ready-mix concrete increased approximately 1% in Euro terms over the same period. As a result of the decreases in domestic cement and ready-mix concrete sales volumes, which were partially offset by increases in domestic cement and ready-mix concrete sales prices, net sales in Germany, in Euro terms, decreased approximately 3% in 2007 compared to 2006.

In France, ready-mix concrete sales volumes increased approximately 5% in 2007 compared to 2006, primarily driven by the infrastructure sector, which is showing strong activity in anticipation of local elections in 2008, an to a lesser extent, the non-residential sector. Our French operations' average ready-mix concrete sales price increased approximately 4% in Euro terms in 2007 compared to 2006. As a result of the increase in ready-mix concrete sales volumes and sales prices, net sales in France, in Euro terms, increased approximately 7% in 2007 compared to 2006.

For the reasons mentioned above, net sales before eliminations resulting from consolidation in our Rest of Europe operations, in Euro terms, increased approximately 4% (increased approximately 5% in constant Peso terms) in 2007 compared to 2006.

South America, Central America and the Caribbean

Our operations in South America, Central America and the Caribbean in 2007 consisted of our operations in Venezuela, Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Jamaica and Argentina, as well as several cement terminals and other assets in other Caribbean countries and our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement produced by our operations in Venezuela and Mexico.

Our South America, Central America and the Caribbean operations' domestic cement sales volumes increased 8% in 2007 compared to 2006, and ready-mix concrete sales volumes increased 13% over the same period. The increases in sales volumes were primarily attributable to increased sales volumes in our Venezuelan and Colombian operations described below, as well as increased sales volumes in most of our markets in Central America and the Caribbean. Our South America, Central America and the Caribbean operations' average domestic sales price of cement increased approximately 20% in Dollar terms in 2007 compared to 2006, while the average sales price of ready-mix concrete also increased approximately 20% in Dollar terms over the same period. For the year ended December 31, 2007, our South America, Central America and the Caribbean operations represented approximately 9% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. As a result of the increases in domestic cement and ready-mix concrete sales volumes and the average sales prices of domestic cement and ready-mix concrete, net sales in our South America, Central America and the Caribbean operations, in Dollar terms, increased approximately 28% in 2007 compared to 2006. For the year ended December 31, 2007, cement represented approximately 65%, ready-mix concrete approximately 25% and our other businesses approximately 10% of our South America, Central America and the Caribbean operations' net sales before eliminations resulting from consolidation. Set forth below is a discussion of sales volumes in Venezuela and Colombia, the most significant countries in our South America, Central America and the Caribbean segment, based on net sales.

Our Venezuelan operations' domestic cement sales volumes increased approximately 16% in 2007 compared to 2006, and ready-mix concrete sales volumes increased approximately 10% during the same period. The increases in volumes resulted primarily from increased demand in the public sector and the self-construction sector. For the year ended December 31, 2007, Venezuela represented approximately 3% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Venezuelan operations' cement export volumes, which represented approximately 12% of our Venezuelan cement sales volumes in 2007, decreased approximately 51% in 2007 compared to 2006 primarily due to increased domestic demand. Of our Venezuelan operations' total cement export volumes during 2007, 9% was shipped to North America and 91% to South America and the Caribbean. Our Venezuelan operations' average domestic sales price of cement increased approximately 5% in Bolivar terms in 2007 compared to 2006, and the average sales price of ready-mix concrete increased approximately 26% in Bolivar terms over the same period. As a result of the increases in domestic cement and ready-mix concrete sales volumes and the increase in the average domestic cement and ready-mix concrete sales prices, despite the decrease in cement exports, net sales, before eliminations resulting from consolidation, of our Venezuelan operations, in Bolivar terms, increased approximately 22% (increased approximately 18% in constant Peso terms) in 2007 compared to 2006. For the year ended December 31, 2007, cement represented approximately 65%, ready-mix concrete approximately 28% and our other businesses approximately 7% of our Venezuelan operations' net sales before eliminations resulting from consolidation. In furtherance of Venezuela's announced policy to nationalize certain sectors of the economy, on June

18, 2008, the Nationalization Decree was promulgated, mandating that the cement production industry in Venezuela be reserved to the State and ordering the conversion of foreign-owned cement companies, including CEMEX Venezuela, into state-controlled companies with Venezuela holding an equity interest of at least 60%. See "Item 4—Regulatory Matters and Legal Proceedings—CEMEX Venezuela Nationalization."

Our Colombian operations' cement volumes increased approximately 19% in 2007 compared to 2006, and ready-mix concrete sales volumes increased approximately 24% during the same period. The increases in sales volumes resulted primarily from increased demand in the infrastructure, self-construction and industrial sectors as a result of economic growth in Colombia. For the year ended December 31, 2007, Colombia represented approximately 2% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Colombian operations' average domestic sales price of cement increased approximately 17% in Colombian Peso terms in 2007 compared to 2006, and the average price of ready-mix concrete increased approximately 12% in Colombian Peso terms over the same period. As a result of the increase in the average domestic sales prices of cement and ready-mix concrete and the increase in domestic cement and ready-mix concrete sales volumes, net sales of our Colombian operations, in Colombian Peso terms, increased approximately 38% (increased approximately 43% in constant Peso terms) in 2007 compared to 2006. For the year ended December 31, 2007, cement represented approximately 53%, ready-mix concrete approximately 27% and our other businesses approximately 20% of our Colombian operations' net sales before eliminations resulting from consolidation.

Our Rest of South and Central America and the Caribbean operations' domestic cement volumes decreased approximately 3% in 2007 compared to 2006, and ready-mix concrete sales volumes increased approximately 7% during the same period. For the year ended December 31, 2007, the Rest of South and Central America and the Caribbean represented approximately 4% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Rest of South and Central America and the Caribbean operations' average domestic sales price of cement increased approximately 23% in Dollar terms in 2007 compared to 2006, and the average sales price of ready-mix concrete increased approximately 11% in Dollar terms over the same period. As a result of the increase in the ready-mix concrete sales valumes and the increases in the average domestic cement and ready-mix concrete sales prices, net sales, before eliminations resulting from consolidation, of our Rest of South and Central America and the Caribbean operations, in Dollar terms, increased approximately 22% (increased approximately 19% in constant Peso terms) in 2007 compared to 2006, despite the decrease in domestic cement sales volumes. For the year ended December 31, 2007, cement represented approximately 72%, ready-mix concrete approximately 23% and our other businesses approximately 5%, of our Rest of South and Central America and the Caribbean operations' net sales before eliminations resulting from consolidation.

As a result of the increases in domestic cement and ready-mix concrete sales volumes, and the average sales prices of domestic cement and ready-mix concrete, net sales in our South America, Central America and the Caribbean operations, in Dollar terms, increased approximately 28% (increased approximately 24% in constant Peso terms) in 2007 compared to 2006, despite a decrease in our Venezuelan operations' cement export volumes.

Africa and the Middle East

Our operations in Africa and the Middle East consist of our operations in Egypt, the United Arab Emirates (UAE) and Israel. Our Africa and the Middle East operations' domestic cement sales volumes increased approximately 8% in 2007 compared to 2006, and ready-mix concrete sales volumes remained flat during the same period. The increase in domestic cement sales volumes mainly was driven by the increased demand in Egypt described below. For the year ended December 31, 2007, Africa and the Middle East represented approximately 3% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Africa and the Middle East operations' average domestic sales price of cement increased approximately 11% in Dollar terms in 2007 compared to 2006, and the average domestic sales price of ready-mix concrete increased approximately 13% in Dollar terms over the same period. For the year ended December 31, 2007, cement represented approximately 40%, ready-mix concrete approximately 51% and our other businesses approximately 9% of our African and the Middle East operations' net sales before eliminations resulting from consolidation.

Our Egyptian operations' domestic cement sales volumes increased approximately 8% in 2007 compared to 2006, and ready-mix concrete sales volumes increased approximately 16% during the same period. The increases in sales volumes resulted primarily from the favorable economic environment in Egypt, mainly in the residential sector. For the year ended December 31, 2007, Egypt represented approximately 1% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. The average domestic sales price of cement increased approximately 9% in Egyptian pound terms in 2007 compared to 2006, and the average domestic sales price of ready-mix concrete increased approximately 14% in Egyptian pound terms. During 2007 our Egyptian operations did not export any cement as production was directed to meet increased domestic demand. As a result of the increases in domestic cement and ready-mix concrete sales volumes and average prices, net sales of our Egyptian operations, in Egyptian pound terms, increased approximately 10% in 2007 compared to 2006. For the year ended December 31, 2007, cement represented approximately 91%, ready-mix concrete approximately 8% and our other businesses approximately 1% of our Egyptian operations' net sales before eliminations resulting from consolidation.

Our operations in Rest of Africa and the Middle East consist of the ready-mix concrete operations in the UAE and Israel. Our Rest of Africa and the Middle East operations' ready-mix concrete sales volumes decreased approximately 2% in 2007 compared to 2006, and the average ready-mix concrete sales price increased approximately 13%, in Dollar terms, in 2007 compared to 2006. For the year ended December 31, 2007, the UAE and Israel represented approximately 2% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. As a result of the increase in ready-mix concrete average sales price, net sales of our Rest of Africa and the Middle East operations, in Dollar terms, increased approximately 3% (decreased approximately 3% in constant Peso terms) in 2007 compared to 2006. For the year ended December 31, 2007, ready-mix concrete represented approximately 84% and our other businesses approximately 16% of our UAE and Israel operations' net sales before eliminations resulting from consolidation.

As a result of the increases in domestic cement and ready-mix sales volumes and the average domestic sales prices of cement and ready-mix in our Egyptian operations, net sales before eliminations resulting from consolidation in our Africa and the Middle East operations, in Dollar terms, increased approximately 7% (remained flat in constant Peso terms) in 2007 compared to 2006, despite the decline in cement export volumes of our Egyptian operations and the decrease in average ready-mix concrete sales price in our Rest of Africa and the Middle East operations.

Australia and Asia

Our operations in Australia and Asia consist of (i) our Rinker's Australian operations, which are consolidated in our results of operations for the six-month period ended December 31, 2007 (CEMEX did not have operations in Australia prior to the acquisition of Rinker), and (ii) our operations in the Philippines, Thailand, Bangladesh, Taiwan, Malaysia, and the operations we acquired from Rinker in China, which are also consolidated in our results of operations for the six-month period ended December 31, 2007. Our Australian and Asian operations' domestic cement sales volumes increased approximately 7% in 2007 compared to 2006, primarily due to increased demand in the Philippines discussed below, and an increase of approximately 15%, in Dollar terms, in the average domestic sales price of cement in the region during the same period. Our Australian and Asian operations' ready-mix concrete sales volumes increased significantly by 297% in 2007 compared to 2006, primarily due to the consolidation of our Australian operations acquired from Rinker for the six-month period ended December 31, 2007. The average sales price of ready-mix concrete in our Australian and Asian operations increased significantly, by approximately 181% in Dollar terms in 2007 compared to 2006, primarily as a result of the inclusion of Australia in these operations. Approximately 96% of the increase in ready-mix concrete sales volumes in our Australia and Asia operations during 2007 compared to 2006 resulted from the consolidation of our Australian operations acquired from Rinker for the six-month period ended December 31, 2007.

For the year ended December 31, 2007, Australia and Asia represented approximately 5% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Asian operations' cement export volumes, which represented approximately 22% of our Asian operations' cement sales volumes in 2007, decreased approximately 9% in 2007 compared to 2006 primarily due to a decrease in our exports to Africa. Of our Asian operations' total cement export volumes during 2007, approximately 96% was shipped to Europe and 4% to the Southeast Asia region. For the year ended December 31, 2007, cement represented approximately 25%, ready-mix concrete approximately 40% and our other businesses approximately 35% of our Australian and Asian operations' net sales before eliminations resulting from consolidation.

Through the Rinker acquisition, we acquired additional operations in Australia, which had a significant impact on our Australian and Asian operations. We did not have operations in Australia prior to our recent acquisition of Rinker. The discussion below regarding the Australian ready-mix concrete operations in 2006 and from January 2007 to June 2007 represent operating data for those operations prior to our acquisition of Rinker.

Our Australian operations' net sales for the year ended December 31, 2007 represented approximately 3% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Australian operations' ready-mix concrete sales volumes represented 4% in 2007 of our total ready-mix concrete sales volumes. The main drivers of ready-mix concrete demand in Australia are the commercial and civil construction sectors. For the year ended December 31, 2007, ready-mix concrete represented approximately 51%, aggregates represented approximately 33% and our other businesses approximately 16% of our Australian operations' net sales before eliminations resulting from consolidation.

Our Philippines operations' domestic cement volumes increased approximately 12% in 2007 compared to 2006. For the year ended December 31, 2007, the Philippines represented approximately 1% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Philippines operations' average domestic sales price of cement increased approximately 5% in Philippine Peso terms in 2007 compared to 2006. As a result of the increases in the average domestic sales price of cement and sales volumes, net sales of our Philippines operations, in Philippine Peso terms, increased approximately 8% (increased approximately 21% in constant Peso terms) in 2007 compared to 2006. For the year ended December 31, 2007, cement represented 100% of our Philippine operations' net sales before eliminations resulting from consolidation.

Our Rest of Asia operations' ready-mix concrete sales volumes, which include our Malaysian operations (representing nearly all our ready-mix concrete sales volumes in the Rest of Asia region) increased approximately 11% in 2007 compared to 2006. The average sales price of ready-mix concrete increased approximately 10%, in Dollar terms, during 2007. For the reasons mentioned above, net sales of our Rest of Asia operations, in Dollar terms, increased approximately 24% (increased approximately 22% in constant Peso terms) in 2007 compared to 2006. For the year ended December 31, 2007, cement represented approximately 34%, ready-mix concrete approximately 48% and our other businesses approximately 19% of our Rest of Asia operations' net sales before eliminations resulting from consolidation.

For the reasons described above, our Australian and Asian operations' net sales in Dollar terms, increased significantly by approximately 263% (increased approximately 222% in constant Peso terms) in 2007 compared to 2006. Approximately 89% of the increase in net sales in our Australian and Asian operations during 2007 compared to 2006 resulted from the consolidation of our Australian operations acquired from Rinker for the six-month period ended December 31, 2007.

Others

Our Others segment includes our worldwide cement, clinker and slag trading operations, our information solutions company and other minor subsidiaries. Net sales, before eliminations resulting from consolidation, in our Others segment decreased approximately 11% in 2007 compared to 2006 in constant Peso terms (decreased approximately 5% in Dollar terms), primarily as a result of a 21% decrease in our trading operations' net sales in 2007 compared to 2006, reflecting the decrease of demand for cement in the United States. For the year ended December 31, 2007, our trading operations' net sales represented approximately 53% of our Others segment's net sales.

Cost of Sales

Our cost of sales, including depreciation, increased approximately 16% from Ps136,447 million in 2006 to Ps157,696 million in 2007 in constant Peso terms. Approximately 91% of the increase is attributable to the consolidation of Rinker's operations for the last six months during 2007. On a pro forma basis excluding the consolidation of Rinker's operations for six months in 2007, our cost of sales would have increased by approximately 1% in 2007 as compared to the previous year, primarily due to higher energy, electricity and transportation costs. As a percentage of net sales, cost of sales, including Rinker's operations for the last six months in 2007, increased from 64% in 2006 to 67% in 2007.The increase in cost of sales as a percentage of net sales was primarily due to the consolidation of Rinker, which changed our product mix as we had a higher percentage of sales of ready-mix concrete, aggregates and other products having a higher cost of sales and a lower profit margin as compared to cement.

Gross Profit

Our gross profit increased approximately 2% from Ps77,320 million in 2006 to Ps78,973 million in 2007 in constant Peso terms. All the increase in our gross profit during 2007 compared to 2006, in constant Peso terms, resulted from the consolidation of Rinker's operations for six months during 2007 compared to 2006. On a pro forma basis excluding the consolidation of Rinker's operations for the last six months in 2007, our gross profit would have decreased by approximately 6% in 2007 as compared to the previous year mainly as a result of the reduction in net sales and the increase in cost of sales discussed above. For the reasons explained above, including Rinker's operations for the last six months in 2007, our gross margin decreased from 36% in 2006 to 33% in 2007.

Operating Expenses

Our operating expenses increased approximately 9% from Ps42,815 million in 2006 to Ps46,525 million in 2007 in constant Peso terms. Approximately 88% of the increase is attributable to the consolidation of Rinker's operations for the last six months in 2007. On a pro forma basis excluding the consolidation of Rinker's operations for the last six months in 2007, our operating expenses would have increased by approximately 1% in 2007 as compared to the previous year. As a percentage of net sales, our operating expenses remained flat in 2007 compared to 2006.

Operating Income

For the reasons mentioned previously, our operating income decreased approximately 6% from Ps34,505 million in 2006 to Ps32,448 million in 2007 in constant Peso terms. On a pro forma basis excluding the consolidation of Rinker's operations for the last six months in 2007, our operating income would have decreased by approximately 14% in 2007 as compared to the previous year. As a percentage of net sales, operating income, decreased from 16% in 2006 to 14% in 2007. Additionally, set forth below is a quantitative and qualitative analysis of the effects of the various factors affecting our operating income on a geographic segment basis.

Mexico

Our Mexican operations' operating income decreased approximately 5% (increased approximately 3% in nominal Peso terms) from Ps13,210 million in 2006 to Ps12,549 million in 2007 in constant Peso terms. The decrease in operating income was primarily due to increases in production cost and operating cost, coupled by decreases in the average prices of domestic cement and the decrease in our Mexican exports. The increases in production cost and operating cost were partially offset by increases in domestic cement and ready-mix concrete sales volumes and average sales price of ready-mix concrete. As a percentage of net sales, in constant Peso terms, operating margin decreased from 31% in 2006 to 30% in 2007.

United States

Our U.S. operations' operating income decreased approximately 41% from Ps10,092 million in 2006 to Ps5,966 million in 2007 in constant Peso terms (decreased approximately 31% in Dollar terms). The decrease in operating income resulted primarily from the decrease in domestic cement sales volumes, partially offset by the consolidation of Rinker's U.S. operations for the last six months of 2007 (representing approximately 17% of our U.S. operations' operating income for the full year).

Spain

Our Spanish operations' operating income increased approximately 7% (increased approximately 4% in Euro terms) from Ps5,637 million in 2006 to Ps6,028 million in 2007 in constant Peso terms. The increase in operating income resulted primarily from the increases in the average domestic cement and ready-mix concrete sales prices. This increase was partially offset by decreases in domestic cement and ready-mix concrete sales volumes and by a decrease in exports.

United Kingdom

Our United Kingdom operations' operating income decreased significantly from an income of Ps154 million in 2006 to a loss of Ps446 million in 2007 in constant Peso terms (decreased approximately £27 million, or 418%, in British Pounds terms). The decrease in operating income resulted primarily from an increase in variable cost of sales driven by the increase in cost of fuels and electric power due to increases in international oil prices. The decrease was partially offset by increases in domestic cement sales volumes and the average sales prices of domestic cement and ready-mix concrete.

Rest of Europe

Our Rest of Europe operations' operating income increased approximately 48% from Ps2,220 million in 2006 to Ps3,281 million in 2007 in constant Peso terms (increased approximately 22% in Euro terms). The increase in operating income resulted primarily from the increase in domestic cement and ready-mix concrete sales prices in most of our markets as well as increased domestic cement sales volumes. These increases were partially offset by a decrease in our operating margin in our German operations.

South America, Central America and the Caribbean

Our South America, Central America and the Caribbean operations' operating income increased approximately 40% from Ps4,259 million in 2006 to Ps5,983 million in 2007 in constant Peso terms (increased approximately 51% in

Dollar terms). The increase in operating income was primarily attributable to the significant increase in domestic cement and ready-mix concrete sales prices and volumes in our Colombian and Venezuelan operations as well as price and volume increases in our Dominican Republic operations. Approximately 53% of the increase in Dollar terms in our South America, Central America and the Caribbean operations was due to the increase in operating income in our Colombian operations.

Africa and the Middle East

Our Africa and the Middle East operations' operating income decreased approximately 7% from Ps1,595 million in 2006 to Ps1,483 million in 2007 in constant Peso terms (increased approximately 3% in Dollar terms). The increase in operating income in Dollar terms resulted primarily from the increase in our operating income in Egypt due to better price environment and the increases in domestic cement and ready-mix concrete sales volumes. These increases were partially offset by a decrease in our operating income in our UAE operations.

Australia and Asia

Our Australian and Asian operations' operating income increased significantly by approximately 210% from Ps664 million in 2006 to Ps2,061 million in 2007 in constant Peso terms. The increase in operating income resulted primarily from our operations in Australia, which are consolidated in our results of operations for six-month period ended December 31, 2007 (representing approximately 57% of our Australian and Asia operations' operating income for the year ended December 31, 2007). We did not have operations in Australia prior the acquisition of Rinker. These increases were complemented by an approximately 33% increase in our Asian operations' operating income, from Ps664 million in 2006 to Ps884 million in 2007 in constant Peso terms.

Others

Operating loss in our Others segment increased approximately 34% from an operating loss of Ps3,326 million in 2006 to an operating loss of Ps4,457 million in 2007 in constant Peso terms (increased approximately 32% in Dollar terms). The increase in operating loss was primarily attributable to the decrease in our trading operations' net sales in 2007 compared to 2006, reflecting the decrease in construction market demand for imported cement in the United States.

Other Expenses, Net

Our other expenses, net increased significantly, from Ps580 million in 2006 to Ps3,281 million in 2007 in constant Peso terms, primarily as a result of (i) lower gains on the sale of fixed assets, which decreased by approximately Ps650 million during 2007 as compared to the previous year, (ii) the one-time benefit in 2006 from the reversal of the anti-dumping duties accrual following the agreement entered into between the Mexican and U.S. governments that lowered the antidumping duties on Mexican cement imports into the United States beginning April 2006, which represented a gain of Ps1,839 million and (iii) additional amortization expense from customer related intangibles during 2007 for approximately Ps156 million that arose from the acquisition of Rinker. See notes 11 and 21B to our consolidated financial statements included elsewhere in this annual report. As a percentage of net sales, other expense, net, increased from 0.3% in 2006 to 1.4% in 2007.

Commencing on January 1, 2007, current and deferred Employees' Statutory Profit Sharing ("ESPS") is included in this line item. Until December 31, 2006, ESPS was presented in a specific line item within the income taxes section of the income statement. For the years ended December 31, 2006 and 2007, our other expenses, net includes aggregate current and deferred ESPS expenses of approximately Ps180 million and Ps246 million, respectively. The increase in ESPS in 2007 compared to 2006, was mainly driven by higher taxable income for profit sharing purposes in Mexico and Venezuela.

Comprehensive Financing Result

For the periods presented, pursuant to Mexican FRS, the comprehensive financing result should measure the real cost (gain) of an entity's financing, net of the foreign currency fluctuations and the inflationary effects on monetary assets and liabilities. In periods of high inflation or currency depreciation, significant volatility may arise and is reflected under this caption. For presentation purposes, comprehensive financing result includes:

- financial or interest expense on borrowed funds;
- financial income on cash and temporary investments;
- appreciation or depreciation resulting from the valuation of financial instruments, including derivative instruments and marketable securities, as well as the realized gain or loss from the sale or liquidation of such instruments or securities;
- foreign exchange gains or losses associated with monetary assets and liabilities denominated in foreign currencies; and
- gains and losses resulting from having monetary liabilities or assets exposed to inflation (monetary position result).

	Year Ended December 31,	
	2006	2007
	(in millions of constant Pesos as of December 31, 2007)	
Comprehensive financing result:		
Financial expense	(5,785)	(8,809)
Financial income	536	862
Results from financial instruments	(161)	2,387
Foreign exchange result	238	(243)
Monetary position result	4,667	6,890
Net comprehensive financing result	(505)	1,087

Our net comprehensive financing result increased substantially, from a loss of Ps505 million in 2006 to an income of Ps1,087 million in 2007. The components of the change are shown above. Our financial expense was Ps8,809 million for 2007, an increase of approximately 52% from Ps5,785 million in 2006. The increase was primarily attributable to higher average levels of debt outstanding during 2007 compared to 2006 as a result of borrowings related to the Rinker acquisition. Our financial income increased approximately 61% from Ps536 million in 2006 to Ps862 million in 2007 as a result of higher levels of cash and investments in 2007 compared with 2006 in connection with the funding of the Rinker acquisition. Our results from financial instruments improved substantially from a loss of Ps161 million in 2006 to a gain of Ps2,387 million in 2007, primarily attributable to significant valuation changes in our derivative financial instruments portfolio during 2007 compared to 2006 (discussed below). Our foreign exchange result declined from a gain of Ps238 million in 2006 to a loss of Ps243 million in 2007, mainly due to the appreciation of the Euro and the Pound Sterling against the Dollar. Our monetary position result (generated by the recognition of inflation effects over monetary assets and liabilities) increased from Ps4,667 million during 2006 to Ps6,890 million during 2007, as a result of an increase in our monetary liabilities in 2007 compared to 2006, mainly due to the debt incurred to fund the Rinker acquisition.

Derivative Financial Instruments

For the years ended December 31, 2006 and 2007, our derivative financial instruments that had a potential impact on our comprehensive financing result consisted of foreign exchange derivative instruments (excluding our foreign exchange forward contracts designated as hedges of our net investment in foreign subsidiaries), interest rate swaps, cross-currency swaps (including our derivative instruments related to the issuance of perpetual debentures by consolidated entities as dicussed in note 12E to our financial statements included elsewhere in this annual report), and interest rate derivatives related to energy projects.

For the year ended December 31, 2007, we had a net gain of approximately Ps2,387 million in the item "Results from financial instruments" as compared to a net loss of Ps161 in 2006. The gain in 2007 is mainly attributable to a net valuation gain of approximately Ps2,621 million in connection to changes in the fair value of our cross-currency swaps related to our perpetual debentures, exchanging Dollars for Japanese Yen, and a valuation gain of approximately Ps186 million related to changes in the fair value of other financial instruments, mainly equity forward contracts and marketable securities. These net gains were partially offset by a net valuation of approximately Ps182 million corresponding to our debt related cross currency swaps and our foreign exchange options, and a valuation loss of approximately Ps238 million which was attributable to changes in the fair value of our interest rate derivatives. The decline in our debt related cross currency swaps is primarily attributable to the devaluation of the Dollar against the Euro. The estimated fair value gain of the cross currency swaps associated to our perpetual debentures is primarily attributable to the decrease in the ten-year Yen interest rate. The estimated fair value loss of the interest rate derivatives is primarily attributable to the decrease in the five-year interest rates in Euros and Dollars.

Income Taxes

Our effective tax rate decreased from 16.3% in 2006 to 15.1% in 2007. Our tax expense, which primarily consisted of income taxes, decreased 16% from Ps5,698 million in 2006 to Ps4,796 million in 2007. The decrease was attributable to lower taxable income in 2007 as compared to 2006, complemented by a decrease in our statutory income tax rate. Our average statutory income tax rate was approximately 29% in 2006 and approximately 28% in 2007.

Majority Interest Net Income

Majority interest net income represents the difference between our consolidated net income and minority interest net income, which is the portion of our consolidated net income attributable to those of our subsidiaries in which non-affiliated third parties hold interests. Changes in minority interest net income in any period reflect changes in the percentage of the stock of our subsidiaries held by non-affiliated third parties as of the end of each month during the relevant period and consolidated net income attributable to those subsidiaries.

For the reasons described above, our consolidated net income (before deducting the portion allocable to minority interest) for 2007 decreased approximately Ps2,202 million, or 8%, from Ps29,147 million in 2006 to Ps26,945 million in 2007 in constant Peso terms. The decrease in our consolidated net income was partially offset by the consolidation of Rinker's operations for six months during 2007 compared to 2006, which represented approximately 6% of our consolidated net income in 2007. Excluding the effect of the consolidation of Rinker's operations, our consolidated net income (before deducting the portion allocable to minority interest) decreased approximately 13% during the same period. As a percentage of net sales, consolidated net income decreased from 14% in 2006 to 11% in 2007.

The minority interest net income decreased approximately 35% from Ps1,292 million in 2006 to Ps837 million in 2007, in constant Peso terms, mainly as a result of a decrease in the total net income of the consolidated entities in which others have a minority interest. The percentage of our consolidated net income allocable to minority interests decreased from 4% in 2006 to 3% in 2007. Majority interest net income decreased by approximately 6% from Ps27,855 million in 2006 to Ps26,108 million in 2007, in constant Peso terms. As a percentage of net sales, majority interest net income decreased from 13% in 2006 to 11% in 2007.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Overview

Summarized in the table below are the percentage (%) increases (+) and decreases (-) for the year ended December 31, 2006 compared to the year ended December 31, 2005 in our sales volumes and average prices for each of our geographic segments.

Geographic Segment	Domestic Sales Volumes		Export Sales Volumes	Average Domestic Prices in Local Currency(1)	
	Cement	Ready-Mix Concrete	Cement	Cement	Ready-Mix Concrete
North America					
Mexico(2)	+8%	+21%	-10%	+1%	+1%
United States(3)	-1%	-15%	N/A	+14%	+16%
Europe					
Spain(4)	+10%	-7%	+25%	+8%	+5%
UK(5)	+13%	+16%	N/A	+8%	+3%
Rest of Europe(6)	+17%	+16%	N/A	+12%	+4%
South/Central America and the Caribbean(7)					
Venezuela	+30%	+22%	-47%	+1%	+10%
Colombia	+8%	+3%	N/A	+34%	+15%
Rest of South/Central America and the Caribbean(8)	+13%	+25%	+32%	-2%	+4%
Africa and the Middle East(9)					
Egypt	+3%	+11%	-34%	+15%	+14%
Rest of Africa and the Middle East(10)	N/A	+13%	N/A	N/A	+14%
Asia(11)					
Philippines	-2%	N/A	+51%	+14%	N/A
Rest of Asia(12)	+1%	+7%	N/A	+14%	+8%

N/A = Not Applicable

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(1) Represents the average change in domestic cement and ready-mix concrete prices in local currency terms. For purposes of a geographic segment consisting of a region, the average prices in local currency terms for each individual country within the region are first translated into Dollar terms (except for the Rest of Europe region, which are translated first into Euros) at the exchange rates in effect as of the end of the reporting period. Variations for a region represent the weighted average change of prices in Dollar terms (except for the Rest of Europe region, which represent the weighted average change of prices in Euros) based on total sales volumes in the region.

(2) In constant Mexican Pesos as of December 31, 2007.

(3) Our cement and ready-mix concrete sales volumes and average prices in the United States for the years ended December 31, 2005 and December 31, 2006 include the sales volumes and average prices of the cement and ready-mix concrete operations in the United States we acquired as a result of the RMC acquisition for the

ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006, respectively, except that the sales volumes and average prices relating to the assets we contributed on July 1, 2005, and the assets we sold on September 1, 2005, to Ready Mix USA, LLC, an entity in which Ready Mix USA owns a 50.01% interest and we own a 49.99% interest, are included only for the periods from March 1, 2005 through July 1, 2005 and from March 1, 2005 through September 1, 2005, respectively, and sales volumes and average prices related to RMC's operations in the Tucson, Arizona area, which were sold in August 2005, are included for the period from March 1, 2005 through August 29, 2005 only, and the sales volumes and average prices related to Charlevoix and Dixon cement plants, which were sold in March 2005, are included for the period from January 1, 2005 through March 31, 2005 only.

(4) Our ready-mix concrete sales volumes and average prices in Spain for the year ended December 31, 2005 include the sales volumes and average prices of the joint venture ready-mix concrete operations in Spain we acquired as a result of the RMC acquisition, which operations we divested on December 22, 2005 in connection with the termination of the joint venture with Lafarge Asland through which such operations were conducted, for the period from March 1, 2005 through December 22, 2005. Our consolidated financial statements for the year ended December 31, 2006 include the results of operations relating to the 29 ready-mix concrete plants and five aggregates quarries in Spain acquired in conjunction with the termination of our 50/50 joint ventures with Lafarge Asland.

(5) Our United Kingdom segment includes the operations in the United Kingdom we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006.

(6) Our Rest of Europe segment includes the operations in Germany, France, Republic of Ireland, Czech Republic, Austria, Poland, Croatia, Hungary and Latvia we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006, the operations in Denmark we acquired as a result of the RMC acquisition for the ten-month period ended

December 31, 2005 and for the period from January 1, 2006 to March 2, 2006, and the Italian operations we owned prior to the RMC acquisition.

(7) Our South America, Central America and the Caribbean segment includes our operations in Venezuela, Colombia and the operations listed in note 8 below; however, in above table, our operations in Venezuela and Colombia are presented separately from our other operations in the segment for purposes of comparison with our 2005 presentation of our operations in the region.

(8) Our Rest of South/Central America and the Caribbean segment includes our operations in Costa Rica, Panama, the Dominican Republic, Nicaragua, Puerto Rico and our trading activities in the Caribbean, as well as the operations in Jamaica and Argentina we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006.

(9) Our Africa and the Middle East segment includes our operations in Egypt and the operations listed in note 10 below; however, in the above table, our operations in Egypt are presented separately from our other operations in the segment for purposes of comparison with our 2005 presentation of our operations in the region.

(10) Our Rest of Africa and the Middle East segment includes the operations in the United Arab Emirates and Israel we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006.

(11) Our Asia segment during these years includes our operations in the Philippines and the operations listed in note 12 below; however, in the above table, our operations in the Philippines are presented separately from our other operations in the segment for purposes of comparison with our 2005 presentation of our operations in the region.

(12) Our Rest of Asia segment during these years includes our operations in Thailand, Bangladesh and other assets in the Asian region, as well as the operations in Malaysia we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006.

On a consolidated basis, our cement sales volumes increased approximately 6%, from 80.6 million tons in 2005 to 85.7 million tons in 2006, and our ready-mix concrete sales volumes increased approximately 6%, from 69.5 million cubic meters in 2005 to 73.6 million cubic meters in 2006. Our consolidated net sales increased approximately 11% from Ps192,392 million in 2005 to Ps213,767 million in 2006, and our operating income increased approximately 10% from Ps31,227 million in 2005 to Ps34,505 million in 2006 in constant Peso terms.

The following tables present selected condensed financial information of net sales and operating income for each of our geographic segments for the years ended December 31, 2005 and 2006. Variations in net sales determined on the basis of constant Mexican Pesos include the appreciation or depreciation which occurred during the period between the local currencies of the countries in the regions vis-à-vis the Mexican Peso, as well as the effects of inflation as applied to the Mexican Peso amounts using our weighted average inflation factor; therefore, such variations differ substantially from those based solely on the countries' local currencies:

	Net Sales			
	Variations in Local	Approximate Currency Fluctuations, Net of	Variations in Constant	For the Year Ended December 31,

Geographic Segment	Currency(1)	Inflation Effects	Mexican Pesos	2005	2006
				(In millions of constant Mexican Pesos as of December 31, 2007)	
Mexico	+16%	-9%	+7%	39,886	42,577
United States(2)	+3%	-8%	-5%	51,366	48,911
Europe					
Spain(3)	+11%	+4%	+15%	19,035	21,834
United Kingdom(4)	+16%	+8%	+24%	19,272	23,854
Rest of Europe(5)	+22%	+8%	+30%	34,267	44,691
South/Central America and the Caribbean					
Venezuela	+18%	+2%	+20%	5,201	6,217
Colombia	+41%	-7%	+34%	3,150	4,206
Rest of South / Central America and the Caribbean(6)	+16%	-10%	+6%	8,508	9,046
Africa and the Middle East					
Egypt	+15%	-7%	+8%	3,318	3,577
Rest of Africa and the Middle East(7)	+47%	-11%	+36%	3,525	4,794
Asia					
Philippines	+7%	+2%	+9%	2,411	2,620
Rest of Asia(8)	+14%	+27%	+41%	1,205	1,694
Others(9)	+30%	-8%	+22%	16,555	20,134
			+13%	207,699	234,155
Eliminations from consolidation				(15,307)	(20,388)
Consolidated net sales			+11%	192,392	213,767

Operating Income

Geographic Segment	Variations in Local Currency(1)	Approximate Currency Fluctuations, Net of Inflation Effects	Variations in Constant Mexican Pesos	For the Year Ended December 31, 2005	For the Year Ended December 31, 2006
				(In millions of constant Mexican Pesos as of December 31, 2007)	
North America					
Mexico	+14%	-10%	+4%	12,692	13,210
United States(2)	+24%	-5%	+19%	8,449	10,092
Europe					
Spain(3)	+18%	+7%	+25%	4,516	5,637
United Kingdom(4)	-112%	+35%	-77%	670	154
Rest of Europe(5)	+3%	+1%	+4%	2,136	2,220
South/Central America and the Caribbean(6)					
Venezuela	Flat	+6%	+6%	1,693	1,799
Colombia	+157%	+10%	+167%	427	1,138
Rest of South/Central America and the Caribbean(7)	+43%	+20%	+63%	810	1,322
Africa and Middle East(8)					
Egypt	+28%	-9%	+19%	1,235	1,475
Rest of Africa and the Middle East(9)	+17%	-15%	+2%	118	120
Asia(10)					
Philippines	+30%	+11%	+41%	516	726
Rest of Asia(11)	-181%	-14%	-195%	(21)	(62)
Others(12)	-76%	+11%	-65%	(2,014)	(3,326)
Consolidated operating income			+10%	31,227	34,505

N/A = Not Applicable

(1) For purposes of a geographic segment consisting of a region, the net sales and operating income data in local currency terms for each individual country within the region are first translated into Dollar terms (except for the Rest of Europe region, which are translated first into Euros) at the exchange rates in effect as of the end of the reporting period. Variations for a region represent the weighted average change in Dollar terms (except for the Rest of Europe region, which represent the weighted average change in Euros) based on net sales and operating income for the region.

(2) Our net sales and operating income in the United States for the years ended December 31, 2005 and December 31, 2006 include the results of the cement and ready-mix concrete operations in the United States we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006, respectively, except that the results of the assets we contributed on July 1, 2005, and the assets we sold on September 1, 2005, to Ready Mix USA, LLC, an entity in which Ready Mix USA owns a 50.01% interest and we own a 49.99% interest, are included only for the periods from March 1, 2005 through July 1, 2005 and from March 1, 2005 through September 1, 2005, respectively ,

and the net sales and operating income related to RMC's operations in the Tucson, Arizona area, which were sold in August 2005, are included in the results of operations relating to these assets for the period from March 1, 2005 through August 29, 2005 only, and the sales volumes and average prices related to Charlevoix and Dixon cement plants, which were sold in March 2005, are included for the period from January 1, 2005 through March 31, 2005 only.

(3) Our net sales and operating income in Spain for the year ended December 31, 2005 include the proportionally consolidated results of the joint venture ready-mix concrete operations in Spain we acquired as a result of the RMC acquisition, which operations we divested on December 22, 2005 in connection with the termination of the joint venture with Lafarge Asland through which such operations were conducted, for the period from March 1, 2005 through December 22, 2005. Our net sales and operating income in Spain for the year ended December 31, 2006 include the results of operations relating to the 29 ready-mix concrete plants and five aggregates quarries in Spain acquired in conjunction with the termination of our 50/50 joint ventures with Lafarge Asland.

(4) Our United Kingdom segment includes the operations in the United Kingdom we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006.

(5) Our Rest of Europe segment includes the operations in Germany, France, Republic of Ireland, Czech Republic, Austria, Poland, Croatia, Hungary and Latvia we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006, the operations in Denmark we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the period from January 1, 2006 to March 2, 2006, and the Italian operations we owned prior to the RMC acquisition.

(6) Our South America, Central America and the Caribbean segment includes our operations in Venezuela, Colombia and the operations listed in note 7 below; however, in the above table, our operations in Venezuela and Colombia are presented separately from our other operations in the segment for purposes of comparison with our 2005 presentation of our operations in the region.

(7) Our Rest of South/Central America and the Caribbean segment includes our operations in Costa Rica, Panama, the Dominican Republic, Nicaragua, Puerto Rico and our trading activities in the Caribbean, as well as the operations in Jamaica and Argentina we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006.

(8) Our Africa and the Middle East segment includes our operations in Egypt and the operations listed in note 9 below; however, in the above table, our operations in Egypt are presented separately from our other operations in the segment for purposes of comparison with our 2005 presentation of our operations in the region.

(9) Our Rest of Africa and the Middle East segment includes the operations in the United Arab Emirates and Israel we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006.

(10) Our Asia segment during these years includes our operations in the Philippines and the operations listed in note 11 below; however, in the above table, our operations in the Philippines are presented separately from our other operations in the segment for purposes of comparison with our 2005 presentation of our operations in the region.

(11) Our Rest of Asia segment during these years includes our operations in Thailand, Bangladesh and other assets in the Asian region, as well as the operations in Malaysia we acquired as a result of the RMC acquisition for the ten-month period ended December 31, 2005 and for the entire year ended December 31, 2006.

(12) Our Others segment includes our worldwide trade maritime operations, our information solutions company and other minor subsidiaries.

Net Sales

Our consolidated net sales increased approximately 11% from Ps192,392 million in 2005 to Ps213,767 million in 2006 in constant Peso terms. The increase in net sales was primarily attributable to the consolidation of RMC's operations for the full year in 2006 as compared to only ten months in 2005, as well as higher sales volumes and better pricing environments in most of our markets, which were partially offset by our divestitures discussed above. Approximately 55% of the net sales increase during 2006 compared to 2005 resulted from the consolidation of RMC's operations for an additional two months in 2006 compared to 2005.

Set forth below is a quantitative and qualitative analysis of the effects of the various factors affecting our net sales on a geographic segment basis.

Mexico

Our Mexican operations' domestic cement sales volumes increased approximately 8% in 2006 compared to 2005, and ready-mix concrete sales volumes increased approximately 21% during the same period. Our Mexican operations' net sales represented approximately 18% of our total net sales in 2006, in constant Peso terms, before eliminations resulting from consolidation. The main drivers of the increase in the domestic sales volumes during the year were government infrastructure spending, which was fueled in part by the oil revenue surplus, and residential construction, which was supported by increased credit availability from commercial banks and non-commercial sources such as Infonavit. The self-construction sector showed moderate growth during the year. Our Mexican operations' cement export volumes, which represented approximately 9% of our Mexican cement sales volumes in 2006, decreased approximately 10% in 2006 compared to 2005, primarily as a result of decreased cement demand in Central America. Of our Mexican operations' total cement export volumes during 2006, 89% was shipped to the United States, 9% to Central America and the Caribbean and 2% was shipped to South America. Our Mexican operations' average domestic sales price of cement increased approximately 1% in constant Peso terms in 2006 compared to 2005 (increased approximately 4% in nominal Peso terms), and the average sales price of ready-mix concrete increased approximately 1% in constant Peso terms (increased approximately 5% in nominal Peso terms) over the same period. For the year ended December 31, 2006, cement represented approximately 59%, ready-mix concrete approximately 25% and our other businesses approximately 16% of our Mexican operations' net sales before eliminations resulting from consolidation.

As a result of the increases in domestic cement and ready-mix concrete sales volumes and average sales prices, partially offset by the decrease in the cement export volumes, our Mexican net sales, in constant Peso terms, increased approximately 7% (increased approximately 16% in nominal Peso terms) in 2006 compared to 2005.

United States

Our U.S. operations' domestic cement sales volumes, which include cement purchased from our other operations, decreased approximately 1% in 2006 compared to 2005, and ready-mix concrete sales volumes decreased approximately 15% during the same period. The decreases in our U.S. operations' domestic cement and ready-mix concrete sales volumes resulted primarily from the weaker residential sector, resulting in weak demand during 2006 compared to the peak demand levels of 2005, and reflected as well our divestiture of two cement plants and several distribution terminals in the Great Lakes region and our other divestiture of a cement terminal adjacent to the Detroit river to the City of Detroit, both in 2005, as well as our assets contributions for the establishment of two jointly-owned limited liability companies in July 2005 and the sale of RMC's Tucson, Arizona operations, in the same year, as described above. Our United States operations' represented approximately 21% of our total net sales in 2006 in constant Peso terms, before eliminations resulting from consolidation. Our U.S. operations average sales price of domestic cement increased approximately 14% in Dollar terms in 2006 compared to 2005, and the average sales price of ready-mix concrete increased approximately 16% in Dollar terms over the same period. The increases in average prices were primarily due to limited supply of cement and ready-mix concrete. For the year ended December 31, 2006, cement represented approximately 40%, ready-mix concrete approximately 37% and our other businesses approximately 23% of our United States operations' net sales before eliminations resulting from consolidation.

As a result of the increases in the average sales prices of cement and ready-mix concrete, net sales from our United States operations, in Dollar terms, increased approximately 3% in 2006 compared to 2005. The increase in net sales in the United States during 2006 compared to 2005 resulted from the consolidation of RMC's operations for an additional two months in 2006 compared to 2005, partially offset by the decreases in sales volumes described above.

Spain

Our Spanish operations' domestic cement sales volumes increased approximately 10% in 2006 compared to 2005, while ready-mix concrete sales volumes decreased approximately 7% during the same period. The increases in domestic cement sales volumes resulted primarily from increases in the residential and infrastructure sectors, as well as strong public spending in anticipation of local elections in 2007. The decrease in ready-mix concrete sales volumes reflected the termination of our 50/50 joint ventures with Lafarge Asland, described above. Our Spanish operations' 2006 net sales represented approximately 9% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Spanish operations' cement export volumes, which represented approximately 1% of our Spanish cement sales volumes in 2006, increased approximately 25% in 2006 compared to 2005, primarily as a result of increased cement demand in Africa. Of our Spanish operations' total cement export volumes in 2006, 13% was shipped to Europe and the Middle East, 50% to Africa, and 37% to the United States. Our Spanish operations' average domestic sales price of cement increased approximately 8% in Euro terms in 2006 compared to 2005, and the average price of ready-mix concrete increased approximately 5% in Euro terms over the same period. The increases in average prices were primarily due to increased demand for cement and ready-mix concrete. For the year ended December 31, 2006, cement represented approximately 53%, ready-mix concrete approximately 23% and our other businesses approximately 24% of our Spanish operations' net sales before eliminations resulting from consolidation.

As a result of the increases in domestic cement sales volumes and the increases in the average domestic sales prices of cement and ready-mix concrete, our Spanish net sales, in Euro terms, increased approximately 11% in 2006 compared to 2005, despite the decline in ready-mix concrete sales volumes.

United Kingdom

Our United Kingdom operations consist of the United Kingdom operations we acquired from RMC, which are consolidated in our results of operations for ten months in 2005 and for the entire year in 2006. Domestic cement sales volumes in our United Kingdom operations increased approximately 13% in 2006 compared to 2005, and ready-mix concrete sales volumes increased approximately 16% during the same period. The increase in net sales was primarily attributable to the consolidation of RMC's operations for ten months in 2005 as compared to the full year in 2006, partially offset by a slowdown in infrastructure demand in the United Kingdom. Domestic cement demand during 2006 was primarily driven by infrastructure projects relating to industrial, commercial and residential construction. Our United Kingdom operations for the 2006 represented approximately 10% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our United Kingdom operations' average domestic sales price of cement increased approximately 8% in Pound terms in 2006 compared to 2005, and the average price of ready-mix concrete increased approximately 3% in Pound terms over the same period. For the year ended December 31, 2006, cement represented approximately 12%, ready-mix concrete approximately 31% and our other businesses approximately 57% of our United Kingdom operations' net sales before eliminations resulting from consolidation.

As a result of the increases in domestic cement sales volumes and ready-mix concrete, net sales from our United Kingdom operations, in Pound terms, increased approximately 16% in 2006 compared to 2005. The increase in net sales in the United Kingdom during 2006 compared to 2005 resulted from the consolidation of RMC's operations for an additional two months in 2006 compared to 2005, partially offset by the slowdown in infrastructure construction described above.

Rest of Europe

Our operations in our Rest of Europe segment in 2006 consisted of the operations we acquired from RMC in Germany, France, Croatia, Poland, Latvia, the Czech Republic, Ireland, Austria, Hungary, Portugal, Denmark, Finland, Norway and Sweden, are consolidated in our results of operations for ten months in 2005 and for the entire year in 2006, and the Italian operations we owned prior to the RMC acquisition. Our Rest of Europe operations' net sales for the year ended December 31, 2006 represented approximately 20% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Domestic cement sales volumes in the Rest of Europe region increased approximately 17% in 2006 compared to 2005, while ready-mix concrete sales volumes increased approximately 16% during the same period. The increase in volumes is primarily attributable to the consolidation of RMC's operations for the full year during 2006 compared to only ten months in 2005.

As a result of the increases in cement and ready-mix concrete sales volumes, net sales in the Rest of Europe, in Euro terms, increased approximately 22% in 2006 compared to 2005. Approximately 56% of the increase in net sales in the Rest of Europe during 2006 compared to 2005 resulted from the consolidation of RMC's operations for an additional two months in 2006 compared to 2005. Our Rest of Europe operations' average domestic sales price of cement increased approximately 12% in Euro terms in 2006 compared to 2005, and the average price of ready-mix concrete increased approximately 4% in Euro terms over the same period. For the year ended December 31, 2006, cement represented approximately 20%, ready-mix concrete approximately 46% and our other businesses approximately 34% of our Rest of Europe operations' net sales before eliminations resulting from consolidation. Set forth below is a discussion of sales volumes in Germany and France, the most significant countries in our Rest of Europe segment, based on net sales.

In Germany, cement sales volumes in the operations we acquired from RMC increased approximately 22% in 2006 compared to 2005, and ready-mix concrete sales volumes in those operations increased approximately 28% during the same period. These increases are primarily due to greater demand from the residential sector, supported by the number of housing permits granted at the beginning of 2006, as well as the nonresidential sector, which grew more than GDP as a result of an economic upswing and a favorable business climate. As a result of the increases in cement and ready-mix concrete sales volumes, net sales in Germany, in Euro terms, increased approximately 32% in 2006 compared to 2005. Approximately 30% of the increase in net sales in Germany during 2006 compared to 2005 resulted from the consolidation of RMC's operations for an additional two months in 2006 compared to 2005, while the rest of the increase in net sales in Germany was primarily due to the favorable economic environment.

In France, ready-mix concrete sales volumes in the operations we acquired from RMC increased approximately 20% in 2006 compared to 2005, primarily as a result of increased demand from the residential sector, including private and public housing, consumption during 2006, and the consolidation of RMC's operations for the full year during 2006 compared to only ten months in 2005. As a result of the increase in ready-mix concrete sales volumes, net sales in France, in Euro terms, increased approximately 26% in 2006 compared to 2005. Approximately 68% of the increase in net sales in France during 2006 compared to 2005 resulted from the consolidation of RMC's operations for an additional two months in 2006.

For the reasons mentioned above, net sales before eliminations resulting from consolidation in our Rest of Europe operations, in Euro terms, increased approximately 22% in 2006 compared to 2005.

South America, Central America and the Caribbean

Our operations in South America, Central America and the Caribbean in 2006 consisted of our operations in Venezuela, Colombia and the operations we acquired from RMC in Argentina, which are consolidated in our results of operations for ten months in 2005 and for the entire year in 2006, and our Central American and the Caribbean operations, which include our operations in Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico (including the 15 additional ready-mix concrete plants we acquired in Puerto Rico in July 2005 described above) and the operations we acquired from RMC in Jamaica, which are consolidated in our results of operations for ten months in 2005 and for the entire year in 2006, as well as several cement terminals and other assets in other Caribbean countries and our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement produced by our operations in Venezuela and Mexico.

Our South America, Central America and the Caribbean operations' domestic cement sales volumes increased approximately 15% in 2006 compared to 2005, and ready-mix concrete sales volumes increased approximately 17% over the same period. The increases in sales volumes are primarily attributable to the increased sales volumes in our Venezuelan and Colombian operations described below. Our South America, Central American and the Caribbean operations' average domestic sales price of cement increased approximately 5% in Dollar terms in 2006 compared to 2005 due to better market conditions, while the average sales price of ready-mix concrete increased approximately 10% in Dollar terms over the same period. For the year ended December 31, 2006, our South America, Central America and the Caribbean operations represented approximately 8% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. As a result of the increases in domestic cement and ready-mix concrete sales volumes and the average sales prices of domestic cement and ready-mix concrete, net sales in our South America, Central America and the Caribbean operations, in Dollar terms, increased approximately 21% in 2006 compared to 2005. For the year ended December 31, 2006, cement represented approximately 67%, ready-mix concrete approximately 24% and our other businesses approximately 9% of our South and Central America and the Caribbean operations' net sales before eliminations resulting from consolidation. Set forth below is a discussion of sales volumes in Venezuela and Colombia, the most significant countries in our South America, Central American and the Caribbean segment, based on net sales.

Our Venezuelan operations' domestic cement sales volumes increased approximately 30% in 2006 compared to 2005, and ready-mix concrete sales volumes increased approximately 22% during the same period. The increases in volumes resulted primarily from greater infrastructure spending, which continued to benefit from increased oil revenues, and a strong residential sector, including the formal and self-construction sectors. For the year ended December 31, 2006, Venezuela represented approximately 3% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Venezuelan operations' cement export volumes, which represented approximately 26% of our Venezuelan cement sales volumes in 2006, decreased approximately 47% in 2006 compared to 2005 primarily due to increases in domestic demand. Of our Venezuelan operations' total cement export volumes during 2006, 40% was shipped to North America and 60% to South America and the Caribbean. Our Venezuelan operations' average domestic sales price of cement increased approximately 1% in Bolivar terms in 2006 compared to 2005, and the average price of ready-mix concrete increased approximately 10% in Bolivar terms over the same period. As a result of the increases in domestic cement and ready-mix concrete sales volumes and the increase in the average domestic cement sales price and ready-mix concrete average price, despite the decrease in cement exports, net sales of our Venezuelan operations, in Bolivar terms, increased approximately 18% in 2006 compared to 2005. For the year ended December 31, 2006, cement represented approximately 70%, ready-mix concrete approximately 24% and our other businesses approximately 6% of our Venezuelan operations' net sales before eliminations resulting from consolidation.

Our Colombian operations' cement volumes increased approximately 8% in 2006 compared to 2005, and ready-mix concrete sales volumes increased approximately 3% during the same period. The increases in sales volumes resulted primarily from the increases in the public infrastructure, residential and industrial-and-commercial sectors, which grew in anticipation of a potential free-trade agreement with the United States. For the year ended December 31, 2006, Colombia represented approximately 2% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Colombian operations' average domestic sales price of cement increased approximately 34% in Colombian Peso terms in 2006 compared to 2005, and the average price of ready-mix concrete increased approximately 15% in Colombian Peso terms over the same period. As a result of the increase in the average domestic sales price of cement and ready-mix concrete and the increase in domestic cement and ready-mix concrete sales volumes, net sales of our Colombian operations, in Colombian Peso terms, increased approximately 41% in 2006 compared to 2005. For the year ended December 31, 2006, cement represented approximately 54%, ready-mix concrete approximately 28% and our other businesses approximately 18% of our Colombian operations' net sales before eliminations resulting from consolidation.

Our Rest of South and Central America and the Caribbean operations' cement volumes increased approximately 13% in 2006 compared to 2005, and ready-mix concrete sales volumes increased approximately 25% during the same period. For the year ended December 31, 2006, the Rest of South and Central America and the Caribbean represented approximately 3% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Rest of South and Central America and the Caribbean operations' average domestic sales price of cement decreased approximately 2% in Dollar terms in 2006 compared to 2005, and the average sales price of ready-mix concrete increased approximately 4% in Dollar terms over the same period. As a result of the increase in the average ready-mix concrete and the increase in domestic cement and ready-mix concrete sales volumes, net sales of our Rest of South and Central America and the Caribbean operations, in Dollar terms, increased approximately 16% in 2006 compared to 2005. For the year ended December 31, 2006, cement represented approximately 72%, ready-mix concrete approximately 23% and our other businesses approximately 5%, of our Rest of South and Central America and the Caribbean operations' net sales before eliminations resulting from consolidation.

For the reasons mentioned above, net sales before eliminations resulting from consolidation in our South and Central America and Caribbean operations, in Dollar terms, increased approximately 21% in 2006 compared to 2005.

Africa and the Middle East

Our operations in Africa and the Middle East consist of our operations in Egypt and the operations we acquired from RMC in the United Arab Emirates (UAE) and Israel, which are consolidated in our results of operations for ten months in 2005 and for the entire year in 2006. Our Africa and the Middle East operations' domestic cement sales volumes increased approximately 3% in 2006 compared to 2005, and ready-mix concrete sales volumes increased 13% during the same period, primarily as a result of increased demand in Egypt and the

UAE described below. For the year ended December 31, 2006, Africa and the Middle East represented approximately 4% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Africa and the Middle East operations' average domestic sales price of cement increased approximately 16% in Dollar terms in 2006, and the average price of ready-mix concrete increased approximately 14% in Dollar terms over the same period. For the year ended December 31, 2006, cement represented approximately 25%, ready-mix concrete approximately 32% and our other businesses approximately 43% of our African and the Middle East operations' net sales before eliminations resulting from consolidation.

Our Egyptian operations' domestic cement sales volumes increased approximately 3% in 2006 compared to 2005, and Egyptian ready-mix concrete sales volumes increased approximately 11% during the same period. The increases in volumes resulted primarily from the favorable economic environment in Egypt, mainly in the self-construction sector, supported by high remittances from overseas workers. For the year ended December 31, 2006, Egypt represented approximately 2% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. The average domestic sales price of cement increased approximately 15% in Egyptian pound terms in 2006 compared to 2005, and ready-mix concrete sales prices increased approximately 14% in Egyptian pound terms. Cement export volumes, which represented approximately 10% of our total Egyptian cement sales volumes in 2006, decreased approximately 34% in 2006 compared to 2005 primarily due to increased domestic demand in Egypt. All our Egyptian operations' total cement export volumes during 2006 were shipped to Europe. As a result of the increases in domestic cement sales volumes, net sales of our Egyptian operations, in Egyptian pound terms, increased approximately 15% in 2006 compared to 2005. For the year ended December 31, 2006, cement represented approximately 93%, ready-mix concrete approximately 6% and our other businesses approximately 1% of our Egyptian operations' net sales before eliminations resulting from consolidation.

Our operations in Rest of Africa and the Middle East consist of the ready-mix concrete operations we acquired from RMC in the UAE and Israel. Our Rest of Africa and the Middle East operations' ready-mix concrete sales volumes increased approximately 13% in 2006 compared to 2005 primarily as a result of the consolidation of RMC's UAE and Israeli operations for the full year in 2006 compared to only ten months in 2005 (representing approximately 92% of our ready-mix concrete sales volumes in the region), and the average ready-mix concrete sales price increased approximately 14%, in Dollar terms, in 2006 compared to 2005. For the year ended December 31, 2006, the UAE and Israel represented approximately 2% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. As a result of the consolidation for the entire year in 2006 compared to only ten months in 2005 of the UAE and Israeli operations, net sales of our Rest of Africa and the Middle East operations, in Dollar terms, increased approximately 47% in 2006 compared to 2005. Approximately 45% of the increase in net sales of Rest of Africa and Middle East during 2006 compared to 2005 resulted from the consolidation of RMC's operations for an additional two months in 2006 compared to 2005. The rest of the increase in net sales, in Dollar terms, in our Rest of Africa and the Middle East operations' was due to the increase in the average ready-mix concrete sales price and ready-mix concrete sales volume. For the year ended December 31, 2006, ready-mix concrete approximately 41% and our other businesses approximately 59% of our UAE and Israel operations' net sales before eliminations resulting from consolidation.

As a result of the consolidation of RMC's UAE and Israeli operations and the increases in domestic cement sales volumes and the average domestic sales prices of cement in our Egyptian operations, net sales before eliminations resulting from consolidation in our Africa and the Middle East operations, in Dollar terms, increased approximately 32% in 2006 compared to 2005, despite the decline in cement export volumes of our Egyptian operations.

Asia

Our operations in Asia in 2006 and 2005 consisted of our operations in the Philippines, Thailand, Bangladesh, Taiwan and the operations we acquired from RMC in Malaysia, which are consolidated in our results of operations for ten months in 2005 and for the entire year in 2006. Our Asian operations' domestic cement sales volumes decreased approximately 1% in 2006 compared to 2005 as a result of a decrease in demand in the

Philippines, while ready-mix concrete sales volumes increased 7% during the same period. The main drivers of demand continued to be the residential, commercial, and self-construction sectors. For the year ended December 31, 2006, Asia represented approximately 2% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. The average sales price of domestic cement in the region increased approximately 14% in Dollar terms, and the ready-mix concrete average sales price in Dollar terms, increased approximately 8% during 2006 compared to 2005. Our Asian operations' cement export volumes, which represented approximately 33% of our Asian operations' cement sales volumes in 2006, increased approximately 51% in 2006 compared to 2005 primarily due to increased cement demand in Southeast Asia. Of our Asian operations' total cement export volumes during 2006, 73% was shipped to Europe, 6% was shipped to Africa and 21% to the Southeast Asia region. For the year ended December 31, 2006, cement represented approximately 76%, ready-mix concrete approximately 16% and our other businesses approximately 8% of our Asian operations' net sales before eliminations resulting from consolidation.

Our Philippines operations' cement volumes decreased approximately 2% in 2006 compared to 2005. For the year ended December 31, 2006, the Philippines represented approximately 1% of our total net sales in constant Peso terms, before eliminations resulting from consolidation. Our Philippines operations' average domestic sales price of cement increased approximately 14% in Philippine Peso terms in 2006 compared to 2005. As a result of the increase in the average domestic sales price of cement despite the decrease in domestic cement sales volumes, net sales of our Philippines operations, in Philippine Peso terms, increased approximately 7% in 2006 compared to 2005. For the year ended December 31, 2006, cement represented 100% of our Philippine operations' net sales before eliminations resulting from consolidation.

Our Rest of Asia operations' ready-mix concrete sales volumes, which include our Malaysian operations acquired from RMC (representing nearly all of our ready-mix concrete sales volumes in the Asia region), increased approximately 7% in 2006 compared to 2005, in part due to the consolidation of RMC's Malaysian operations for the full year in 2006 compared to only ten months in 2005 and as a result of increased demand from the residential, commercial and self-construction sectors. Approximately 13% of the increase in net sales in our Rest of Asia operations during 2006 compared to 2005 resulted from the consolidation of RMC's Malaysian operations for an additional two months in 2006 compared to 2005. The average sales price of ready-mix concrete increased approximately 8%, in Dollar terms, during 2006. For the reasons mentioned above, net sales of our Rest of Asia operations, in Dollar terms, increased approximately 14% in 2006 compared to 2005. For the year ended December 31, 2006, cement represented approximately 42%, ready-mix concrete approximately 40% and our other businesses approximately 18% of our Rest of Asia operations' net sales before eliminations resulting from consolidation.

Primarily as a result of the increases in domestic cement and ready-mix concrete average sales prices, and the increase in the ready-mix concrete sales volume, but also as a result of the consolidation of RMC's Malaysian ready-mix concrete operations for two additional months in 2006, net sales of our Asia operations, in Dollar terms, increased approximately 17% in 2006 compared to 2005, despite the decrease in domestic cement sales volumes.

Others

Our Others segment includes our worldwide cement, clinker and slag trading operations, our information technology solutions company and other minor subsidiaries. Net sales of our Others segment increased approximately 30% before eliminations resulting from consolidation in 2006 compared to 2005 in Dollar terms, primarily as a result of a 32% increase in our trading operations' net sales in 2006 compared to 2005, reflecting an increase in our trading activity, mainly due to an increase of demand for cement in the United States. For the year ended December 31, 2006, our trading operations' net sales represented approximately 65% of our Others segment's net sales.

Cost of Sales

Our cost of sales, including depreciation, increased approximately 17% from Ps116,422 million in 2005 to Ps136,447 million in 2006 in constant Peso terms, primarily due to the consolidation of RMC's operations for the full year of 2006 and for only ten months during 2005. Approximately 45% of the increase in our cost of sales during 2006 compared to 2005 resulted from the consolidation of RMC's operations for an additional two months in 2006 compared to 2005. As a percentage of net sales, cost of sales increased from 61% in 2005 to 64% in 2006, primarily as a result of a change in our product mix through the RMC acquisition, as we had a higher percentage of sales of ready-mix concrete, aggregates and other products having a higher cost of sales as compared to cement.

Gross Profit

For the reasons mentioned above, our gross profit increased approximately 2% from Ps75,970 million in 2005 to Ps77,320 million in 2006 in constant Peso terms. Our gross margin decreased from 40% in 2005 to 36% in 2006. The increase in gross profit during 2006 compared to 2005 resulted from the consolidation of RMC's operations for an additional two months in 2006 compared to 2005, partially offset by the 17% increase in our cost of sales in 2006 compared to 2005.

Operating Expenses

Our operating expenses decreased approximately 4% from Ps44,743 million in 2005 to Ps42,815 million in 2006 in constant Peso terms. As a percentage of net sales, our operating expenses decreased from 23% in 2005 to 20% in 2006, reflecting our continuing cost-reduction efforts, including reductions in corporate overhead and travel expenses, which were partially offset by an increase in transportation costs due to higher worldwide energy costs. The effect of the consolidation of RMC's operations, for two additional months in 2006 compared to 2005, would have increased our operating expenses by approximately 6%, but this effect was completely offset by realization of synergies and our continuing cost-reduction efforts which resulted in the net decrease of Ps1,928 million in operating expenses in 2006 compared to 2005.

Operating Income

For the reasons mentioned above, our operating income increased approximately 10% from Ps31,227 million in 2005 to Ps34,505 million in 2006 in constant Peso terms. The consolidation of the results of RMC operations for an additional two months did not have a material impact on the increase in our operating income in 2006 compared to 2005. Additionally, set forth below is a quantitative and qualitative analysis of the effects of the various factors affecting our operating income on a geographic segment basis.

Mexico

Our Mexican operations' operating income increased approximately 4% (increased approximately 14% in nominal Peso terms) from Ps12,692 million in 2005 to Ps13,210 million in 2006 in constant Peso terms. The increase in operating income was primarily due to increases in the average prices of domestic cement and ready-mix concrete and higher sales volumes. The average sales price and sales volume increases were partially offset by increases in production costs.

United States

Our U.S. operations' operating income increased approximately 19% (increased approximately 24% in Dollar terms) from Ps8,449 million in 2005 to Ps10,092 million in 2006 in constant Peso terms. The increase in operating income resulted in part from the consolidation of RMC's U.S. operations for ten months in 2005 compared to the full year in 2006. Approximately 30% of the increase in our operating income in the U.S. during 2006 compared to 2005 resulted from the consolidation of RMC operations for an additional two months in 2006 compared to 2005. The increase in the operating income due to the consolidation of RMC's for an additional two months was partially offset by the decrease in domestic cement and ready-mix concrete sales volumes.

Spain

Our Spanish operations' operating income increased approximately 25% (increased approximately 18% in Euro terms) from Ps4,516 million in 2005 to Ps5,637 million in 2006 in constant Peso terms. The increase in operating income resulted primarily from increases in domestic cement and aggregates sales volumes and increases in average sales prices for domestic cement and ready-mix concrete. These increases were partially offset by a decline in ready-mix concrete sales volumes and by the termination in December 2005 of our 50/50 joint ventures with Lafarge Asland, described above.

United Kingdom

Our United Kingdom operations consist of the United Kingdom operations we acquired from RMC, which were consolidated in our results of operations for ten months in 2005 and for the entire year in 2006. Our United Kingdom operations' operating income decreased approximately 77% from Ps670 million in 2005 to Ps154 million in 2006 in constant Peso terms (decreased approximately 112% in Pound terms). The decrease in the operating income of our United Kingdom operations during 2006 compared to 2005 primarily resulted from the establishment of our European headquarters, which represented an increase in operating expenses of approximately U.S.$55 million (approximately Ps644 million) in 2006.

Rest of Europe

Our Rest of Europe operations' operating income increased approximately 4% (increased approximately 3% in Euro terms) from Ps2,136 million in 2005 to Ps2,220 million in 2006 in constant Peso terms. The increase in our Rest of Europe operations' operating income resulted from higher sales volumes and better pricing environments in most of our Rest of Europe markets during 2006.

South America, Central America and the Caribbean

Our South America, Central America and the Caribbean operations' operating income increased approximately 45% (increased approximately 36% in Dollar terms) from Ps2,930 million in 2005 to Ps4,259 million in 2006 in constant Peso terms. The increase in operating income was primarily attributable to the significant increase in domestic cement and ready-mix concrete sales volumes in Venezuela and the substantial increases in Colombian average domestic cement and ready-mix concrete sales prices and increased cement sales volumes due to a reactivation of the construction sector in Colombia.

Africa and the Middle East

Our Africa and the Middle East operations' operating income increased approximately 18% (increased approximately 21% in Dollar terms) from Ps1,353 million in 2005 to Ps1,595 million in 2006 in constant Peso terms. The increase in operating income resulted primarily from improvements in our Egyptian operations. Operating income from our Egyptian operations increased approximately 19% from Ps1,235 million in 2005 to Ps1,475 million in 2006 in constant Peso terms, primarily as a result of increases in cement and ready-mix concrete sales volumes and average domestic sales prices of cement and ready-mix concrete, offset in part by decreases in export volumes and higher production costs. The increase in operating income in 2006 in our Africa and the Middle East operations also benefited from the consolidation of RMC's UAE and Israel operations for the full year of 2006 compared to only ten months in 2005. Our Rest of Africa and the Middle East operations increased operating income approximately 2%, from Ps118 million in 2005 to Ps120 million in 2006 in constant Peso terms. The increase in operating income in the Rest of Africa and Middle East resulted from the consolidation of RMC's operations for an additional two months in 2006 compared to 2005, partially offset by the decline in export sales volumes.

Asia

Our Asian operations' operating income increased approximately 34% (increased approximately 48% in Dollar terms) from Ps495 million in 2005 to Ps664 million in 2006 in constant Peso terms. The increase in operating income resulted primarily from increases in the average sales price of domestic cement and ready-mix concrete in the region, as well as by the consolidation of RMC´s operations for the full year in the 2006 compared to only ten months in 2005.

Others

Operating loss in our Others segment increased approximately 65% (increased approximately 76% in Dollar terms) from a loss of Ps2,014 million in 2005 to a loss of Ps3,326 million in 2006 in constant Peso terms. The increase in the operating loss can be primarily explained by the increase during 2006 in the operating expenses of our trading operations, caused by the consolidation of RMC's trading operations for ten months in 2005 compared to the full year in 2006.

Other Expenses, Net

Our other expenses, net decreased approximately 85% from Ps3,976 million in 2005 to Ps580 million in 2006 in constant Peso terms, primarily as a result of the partial write-off of the anti-dumping duty provision following the 2006 agreement entered into between the Mexican and U.S. governments that lowered the antidumping duties on Mexican cement imports into the United States and the approximately Ps1,044 million (approximately U.S.$96 million) net gain on the 2006 sale of Gresik's shares. See note 9A to our consolidated financial statements.

In connection with our employees' statutory profit sharing ("ESPS"), changes in the deferred ESPS liability during 2005 and 2006, in addition to the current ESPS effect, led to an income of Ps11 million during 2005 and an expense of Ps180 million during 2006. The change in 2006 was mainly driven by higher taxable income for profit sharing purposes in Mexico and Venezuela.

Comprehensive Financing Result

Pursuant to Mexican FRS, the comprehensive financing result should measure the real cost (gain) of an entity's financing, net of the foreign currency fluctuations and the inflationary effects on monetary assets and liabilities. In periods of high inflation or currency depreciation, significant volatility may arise and is reflected under this caption. Comprehensive financing income (expense) includes:

- financial or interest expense on borrowed funds;
- financial income on cash and temporary investments;
- appreciation or depreciation resulting from the valuation of financial instruments, including derivative instruments and marketable securities, as well as the realized gain or loss from the sale or liquidation of such instruments or securities;
- foreign exchange gains or losses associated with monetary assets and liabilities denominated in foreign currencies; and
- gains and losses resulting from having monetary liabilities or assets exposed to inflation (monetary position result).

	Year Ended December 31,	
	2005	2006
	(in millions of constant Pesos as of December 31, 2007)	
Comprehensive financing result:		
Financial expense	(6,607)	(5,785)
Financial income	493	536
Results from financial instruments	4,849	(161)
Foreign exchange result	(989)	238
Monetary position result	5,330	4,667
Net comprehensive financing result	3,076	(505)

Our net comprehensive financing result decreased substantially, from an income of Ps3,076 million in 2005 to an expense of Ps505 million in 2006. The components of the change are shown above. Our financial expense decreased approximately 12%, from Ps6,607 million in 2005 to Ps5,785 million in 2006. The decrease was primarily attributable to lower average levels of debt outstanding during 2006 compared to 2005. Our results from financial instruments decreased significantly from a gain of Ps4,849 million in 2005 to a loss of Ps161 million in 2006, primarily attributable to significant valuation changes in our derivative financial instruments portfolio during 2005 compared to

2006 (discussed below). Our net foreign exchange result improved from a loss of Ps989 million in 2005 to a gain of Ps238 million in 2006, mainly due to lower debt denominated in foreign currencies. Our monetary position result (generated by the recognition of inflation effects over monetary assets and liabilities) decreased approximately 13% from a gain of Ps5,330 million during 2005 to a gain of Ps4,667 million during 2006, mainly as a result of the decrease in the weighted average inflation index used in the monetary position result, combined with the decrease in our monetary liabilities in 2006 compared to 2005.

Derivative Financial Instruments

For the years ended December 31, 2005 and 2006, our derivative financial instruments that have a potential impact on our comprehensive financing result consisted of equity forward contracts, foreign exchange derivative instruments (excluding our foreign exchange forward contracts designated as hedges of our net investment in foreign subsidiaries), interest rate swaps, cross currency swaps and interest rate derivatives related to energy projects.

For the year ended December 31, 2005, we recognized a gain of Ps4,849 million in the item "Results from financial instruments," of which a net valuation gain of approximately Ps569 million was attributable to changes in the fair value of our equity forward contracts that hedge our stock option programs, net of the costs generated by such programs, a valuation gain of approximately Ps3,347 million was attributable to changes in the fair value of our foreign currency derivatives, a valuation gain of approximately Ps39 million was attributable to changes in the fair value of our marketable securities and a valuation gain of approximately Ps893 million was attributable to changes in the fair value of our interest rate derivatives. The estimated fair value gain of our foreign currency derivatives was primarily attributable to changes in the estimated fair value of the contracts we entered into in September 2004 that were designated as accounting hedges of the foreign exchange risk associated with our commitment to purchase the remaining outstanding shares of RMC following the necessary corporate and regulatory approvals at a fixed price in Pounds (representing a gain of approximately Ps1,667 million).

For the year ended December 31, 2006, we recognized a loss of Ps161 million in the item "Results from financial instruments," of which a net valuation gain of approximately Ps18 million was attributable to changes in the fair value of our equity forward contracts, a valuation loss of approximately Ps219 million was attributable to changes in the fair value of our foreign currency derivatives, a valuation loss of approximately Ps65 million was attributable to changes in the fair value of our interest rate derivatives and a valuation gain of approximately Ps105 million was attributable to changes in the fair value of our other derivative financial instruments, mainly marketable securities. The estimated fair value gain of our equity forward contracts was attributable to the increase, during 2006, in the market price of our listed securities (ADSs and CPOs) as compared to 2005. The estimated fair value loss of our foreign currency derivatives is primarily attributable to the depreciation of the Peso against the Dollar during 2006. The estimated fair value loss of our interest rate derivatives is primarily attributable to an increase in five-year interest rates.

Income Taxes

Our effective tax rate was 13.4% in 2005 compared to 16.3% in 2006. The increase in the effective tax rate can be primarily explained as a result of higher tax rates in the jurisdictions of operations we acquired from RMC and higher taxable income in the United States and South American operations we owned prior to the RMC acquisition. This resulted in a higher current tax, increasing from Ps2,885 million (9.2%) in 2005 to Ps4,440 million (12.7%) in 2006. Our total tax expense, which primarily consists of income taxes plus deferred taxes, increased from Ps4,214 million in 2005 to Ps5,698 million in 2006. Our deferred taxes decreased slightly from Ps1,329 million (4.2%) in 2005 to Ps1,258 million (3.6%) in 2006. Our average statutory income tax rate was 30% in 2005 and 29% in 2006.

Majority Interest Net Income

Majority interest net income represents the difference between our consolidated net income and minority interest net income, which is the portion of our consolidated net income attributable to those of our subsidiaries in which non-affiliated third parties hold interests. Changes in minority interest net income in any period reflect changes in the percentage of the stock of our subsidiaries held by non-affiliated third parties as of the end of each month during the relevant period and consolidated net income attributable to those subsidiaries.

For the reasons mentioned above, our consolidated net income (before deducting the portion allocable to minority interest) for 2006 increased approximately 7% from Ps27,211 million in 2005 to Ps29,147 million in 2006 in constant Peso terms. The consolidation of RMC's operations for an additional two months in 2006 compared to 2005 did not affect the increase in our consolidated net income during 2006 compared to 2005. As a percentage of net sales, consolidated net income remained flat at 14% in 2005 and 2006. The minority interest net income increased 87%, from Ps692 million in 2005 to Ps1,292 million in 2006, mainly as a result of a significant increase in the net income of the consolidated entities in which others have a minority interest. Majority interest net income increased by approximately 5% from Ps26,519 million in 2005 to Ps27,855 million in 2006 in constant Peso terms.

Liquidity and Capital Resources

Operating Activities

We have satisfied our operating liquidity needs primarily through operations of our subsidiaries and expect to continue to do so for both the short-term and long-term. Although cash flow from our operations has historically overall met our liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions, our subsidiaries are exposed to risks from changes in foreign currency exchange rates, price and currency controls, interest rates, inflation, governmental spending, social instability and other political, economic or social developments in the countries in which they operate, any one of which may materially reduce our net income and cash from operations. Consequently, we also rely on cost-cutting and continual operating improvements to optimize capacity utilization and maximize profitability as well as to offset the risks associated with having worldwide operations. Our consolidated net resources provided by operating activities were approximately Ps43.0 billion in 2005, approximately Ps47.9 billion in 2006 and approximately Ps45.6 billion in 2007. See our Statement of Changes in the Financial Position included elsewhere in this annual report.

Our Indebtedness

As of December 31, 2007, we had approximately U.S.$19.9 billion (Ps216.9 billion) of total debt, of which approximately 17% was short-term and 83% was long-term (including current maturities of long-term debt). As of December 31, 2007, before giving effect to our cross currency swap arrangements discussed elsewhere in this annual report, approximately 66% of our consolidated debt was Dollar-denominated, approximately 15% was Peso-denominated, approximately 18% was Euro-denominated, approximately 1% was Japanese Yen-denominated, and immaterial amounts were denominated in other currencies. The weighted average interest rates paid by us in 2007 in our main currencies were 5.4% on our Dollar-denominated debt, 5.1% on our Peso-denominated debt, 5.0% on our Euro-denominated debt, 1.6% on our Yen-denominated debt. The foregoing debt information does not include the perpetual instruments issued by C5 Capital (SPV) Limited, C8 Capital (SPV) Limited, C10 Capital (SPV) Limited and C10-EUR Capital (SPV) Limited in December 2006 and February and May 2007 described below. See "—Our Minority Interest Arrangements."

From time to time, as part of our financing activities, we and our subsidiaries have entered into various financing agreements, including bank loans, credit facilities, sale-leaseback transactions, forward contracts, forward lending facilities and equity swap transactions. Additionally, we and our subsidiaries have issued notes, commercial paper, bonds, preferred equity and putable capital securities.

Most of our outstanding indebtedness has been incurred to finance our acquisitions and to finance our capital expenditure programs. CEMEX México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V., two of our principal Mexican subsidiaries, have provided guarantees of our indebtedness in the amount of approximately U.S.$3,725 million (Ps43,633 million), as of December 31, 2006 and U.S.$6,584 million (Ps71,897 million), as of December 31, 2007. See Item 3 — "Key Information — Risk Factors — Our ability to pay dividends and repay debt depends on our subsidiaries' ability to transfer income and dividends to us," and Item 3 — "Key Information — Risk Factors — We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs and ADSs, result in us incurring increased interest costs and limit our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities."

Some of the debt instruments in respect of our and our subsidiaries' indebtedness contain various covenants, which, among other things, require us and them to maintain specific financial ratios, restrict asset sales and dictate the use of proceeds from the sale of assets. These restrictions may adversely affect our ability to finance our future operations or capital needs or to engage in other business activities, such as acquisitions, which may be in our interest. From time to time, we have sought and obtained waivers and amendments to some of our and our subsidiaries' debt agreements, principally in connection with acquisitions. In connection with the Rinker acquisition we have requested and received waivers and/or obtained amendments delaying the application of our leverage financial ratio covenants contained in our bank financing agreements through September 29, 2008. Our failure to obtain any required waivers may result in the acceleration of the affected indebtedness and could trigger our obligations to make payments of principal, interest and other amounts under our other indebtedness, which could have a material adverse effect on our financial condition. We believe that we have good relations with our lenders and the lenders to our subsidiaries, and nothing has come to our attention that would lead us to believe that any future waivers, if required, would not be forthcoming. However, we cannot assure you that future waivers would be forthcoming, if requested. As of December 31, 2007, we were in compliance with all the financial covenants in our own and our subsidiaries' debt instruments.

Under Rule 5-04(c) of Regulation S-X under the Exchange Act, companies with restricted net assets exceeding 25% of their consolidated net assets are required to include Schedule 1 (parent company-only financial statements). Under Rule 4-08(e)(3) of Regulation S-X, loan provisions prohibiting dividend payments, loans or advances to the parent by a subsidiary, are considered restrictions for purposes of computing restricted net assets.

As of December 31, 2007, the financing agreements entered by us and our subsidiaries do not include covenants or agreements that by their specific terms restrict the transfer of funds from our subsidiaries to us in the form of dividends, loans or advances. However, the financing agreements include some restrictive covenants that would be considered transfer restrictions under Rule 4-08(e)(3) of Regulation S-X. These restrictive covenants are as follows:

- A restriction on asset dispositions that limits the use of proceeds of funds obtained from assets sales. The restriction requires us to reinvest such proceeds in cement-related assets or repay senior debt. As of December 31, 2007, we had senior debt in subsidiaries of approximately U.S.$13,113 million (equivalent to approximately 26% of our consolidated net assets); and

- A financial covenant limiting the amount of total debt maintained in New Sunward Holding B.V. (a Dutch holding company subsidiary) relative to the stockholder's equity of CEMEX España (our operating company in Spain and the direct parent of New Sunward Holding B.V.) to be not higher than 0.35 times. As of December 31, 2007, New Sunward Holding B.V. had outstanding debt of approximately €338 million (U.S.$493 million).

In light of these restrictions, as of December 31, 2007, we had more than 25% of our consolidated net assets subject to restrictions under Rule 4-08(e)(3) of Regulation S-X, and as a result we have included the required Schedule 1 (parent company-only financial statements) elsewhere in this annual report.

As of December 31, 2007, after the completion of our acquisition of Rinker, we had approximately U.S.$19.9 billion of total outstanding debt, including debt assumed from Rinker. Our financing activities through December 31, 2006 are described in our previous annual reports on Form 20-F. The following is a description of our financings in 2007.

- On February 2, 2007, we issued notes under our Medium-Term Promissory Notes Program in a principal amount of Ps3 billion (approximately U.S.$275 million) with a maturity of approximately five years at an interest rate equal to the 28-day TIIE plus 10 basis points.

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On February 28, 2007, CEMEX España, through an SPV, issued €900 million in fixed rate notes. The notes are subject to redemption in 2014 and will pay fixed coupons of 4.75 per cent. The funds from the transaction were used to pay down debt.

- On May 9, 2007, we amended our U.S.$700 million revolving credit facility dated June 27, 2005 and our U.S. $1,200 million revolving credit facility dated May 31, 2005. The amended facilities were extended one year each, both guaranteed by CEMEX México and Empresas Tolteca de México, maturing in 2010 and 2011, respectively.

- On June 21, 2007, CEMEX España, as borrower under the syndicated loan originally dated as of September 24, 2004, extended one year, to 2012 , the maturity of U.S.$512.5 million of the U.S.$525 million of the bullet tranche otherwise maturing in 2011of such syndicated loan.

- On July 11, 2007, CEMEX España entered into a U.S.$1,500 million aquisition facility agreement with Royal Bank of Scotland, maturing 364 days after the issue date with an extension option.

- On September 28, 2007, CEMEX issued notes for Ps3.0 billion with a maturity of approximately five years at an interest rate equal to the 28-day Mexican inter-bank rate (TIIE) plus 10 basis points.

- On November 30, 2007, CEMEX issued two tranches of notes under its Medium-Term Promissory Notes Program ("Certificados Bursátiles"). The first tranche of notes consists of Ps2.0 billion in UDIs (Unidades de Inversión) with a maturity of three years at a fixed real interest rate equal to 3.9%. The second tranche of notes consists of Ps458 million in UDIs with a maturity of 10 years at a fixed real interest rate of 4.4%. All these peso denominated issuances have been swapped to U.S. Dollar obligations.

For a description of the perpetual debentures issued by C5 Capital (SPV) Limited, C8 Capital (SPV) Limited, C10 Capital (SPV) Limited and C10-EUR Capital (SPV) Limited, see "— Our Minority Interest Arrangements."

Funding for the Rinker acquisition was sourced from a combination of up to U.S.$1.7 billion in cash and cash equivalents, as well as drawdowns under the following unsecured loan facilities:

(a) a U.S.$6 billion acquisition facility, dated as of December 6, 2006, , arranged by CEMEX España, as borrower, comprising:

(i) a U.S.$3 billion 36-month term loan facility; and

(ii) a U.S.$3 billion 60-month term loan facility;

A U.S.$3 billion 364-day revolving credit facility, with two term-out options of 180 days each, was canceled on June 19, 2007, effective as of June 22, 2007;

(b) a U.S.$1.2 billion committed acquisition facility, dated as of October 24, 2006, arranged by CEMEX, S.A.B. de C.V., as borrower, guaranteed by CEMEX México and Empresas Tolteca de México, with a 12 months maturity from the date of the initial drawing (unless extended);

(c) a U.S.$1.5 billion acquisition committed facility, dated as of July 11, 2007, arranged by CEMEX Espãna, S.A., as borrower. This committed facility is a 364-day term loan facility with an option for the borrower to extend for 180 days;

(d) an existing U.S.$1.2 billion committed revolving credit facility, dated as of May 31, 2005, and amended on June 19, 2006, November 11, 2006 and May 9, 2007, arranged by CEMEX, S.A.B. de C.V., as borrower, guaranteed by CEMEX México and Empresas Tolteca de México. The maturity of the revolving credit facility was extended to July 2011;

(e) an existing committed revolving loan facility, dated as of September 24, 2004 (as amended and restated), arranged by CEMEX España, as borrower; as of December 31, 2007, the amended facility was made up of two tranches, a U.S.$1.05 billion amortizing loan maturing in September 2009 and a U.S.$ 512.5 million term loan maturing in July 2012;

(f) an existing revolving credit facility, originally dated as of June 23, 2004, arranged by CEMEX, S.A.B. de C.V., as borrower, and guaranteed by CEMEX México and Empresas Tolteca de México. This revolving credit facility was amended and restated on June 6, 2005, the total facility was reduced to U.S.$700 million and extended for a new four-year period. On June 21, 2006 and December 1, 2006, the revolving credit facility was further amended. On May 9, 2007, the maturity of the revolving credit facility was extended to June 2010.

The following is a description of Rinker's principal debt instruments outstanding as of December 31, 2007:

- a U.S. commercial paper program, with Rinker Materials as borrower. The program had no maturity and allowed for a maximum of U.S.$1 billion of notes to be issued and outstanding at any one time. The notes have maturities of up to 365 days (366 days in a leap year) from the date of issuance. As of December 31, 2007 we had U.S.$205 million notes outstanding under this program. As of March 31, 2008, this U.S. commercial paper program was canceled;

- revolving cash advance credit facilities with several financial institutions with U.S.$527 million being outstanding as of December 31, 2007;

- U.S.$149.9 million in bonds, paying annual interest of 7.70% and due on July 21, 2025;

- U.S.$200 million of privately placed senior notes, in two series of U.S.$100 million each, maturing on August 8, 2010 and December 1, 2010; these notes were fully prepaid during the fourth quarter of 2007.

Our Equity Forward Arrangements

As of December 31, 2004, we had forward contracts covering a total of approximately 31 million ADSs with different maturities until October 2006 and an aggregate notional amount of U.S.$1,112 million. These forward contracts were entered into to hedge the future exercise of the options granted under our executive stock option programs. As of December 31, 2004, the estimated fair value of these contracts was a gain of approximately U.S.$45 million (Ps568 million). In October 2005, in connection with a non-dilutive equity offering of all the shares underlying those forward contracts, we agreed with the forward banks to settle those forward contracts for cash. This transaction did not increase the number of shares outstanding. From the offering proceeds of approximately U.S.$1.5 billion, after expenses, approximately U.S.$1.3 billion was used to settle our obligations under those forward contracts.

For the year ended December 31, 2005, considering the results of the secondary offering, as well as those of the forward contracts initiated and settled during the year to hedge the exercises of options under the stock option programs, we recognized in the income statement a gain of approximately U.S.$422 million (Ps5,299 million), which offset the expenses generated by the stock option programs. See note 12D to our consolidated financial statements included elsewhere in this annual report.

On December 20, 2006, we sold in the Mexican market 50 million CPOs that we held in treasury for approximately Ps1,932 million to a financial institution. On the same date, CEMEX negotiated a forward contract for the same number of CPOs with maturity in December 2009. The notional amount of the contract was approximately U.S.$171 million (Ps2,003 million). This equity forward contract was liquidated in 2007, generating a gain of approximately U.S.$13 million (Ps142 million) recognized in the income statement. See note 12D to our consolidated financial statements included elsewhere in this annual report.

Our Minority Interest Arrangements

As of December 31, 2007 and 2006, minority interest stockholders' equity includes approximately U.S.$3,065 million (Ps33,470 million) and U.S.$1,250 million (Ps14,642 million), respectively, representing the principal amount of perpetual debentures. These debentures have no fixed maturity date and do not represent a contractual payment obligation for us. Based on their characteristics, these debentures, issued through special purpose vehicles, or SPVs, qualify as equity instruments under Mexican FRS and are classified within minority interest as they were issued by consolidated entities, considering that there is no contractual obligation to deliver cash or any other financial asset, the debentures do not have any maturity date, meaning that they were issued to perpetuity, and we have the unilateral right to defer indefinitely the payment of interest due on the debentures. The classification of the debentures as equity instruments for accounting purposes under Mexican FRS was made under applicable International Financial Reporting Standards, or IFRS, which were applied to these transactions in compliance with the supplementary application of IFRS in Mexico. Issuance costs, as well as the interest expense, which is accrued based on the principal amount of the perpetual debentures, are included within "Other equity reserves" and represented expenses of approximately Ps1,847 million in 2007 and Ps152 million in 2006. The different SPVs were established solely for purposes of issuing the perpetual debentures and are included in our consolidated financial statements. As of December 31, 2007, our perpetual debentures are as follows:

Issuer	Issuance Date	Nominal Amount (in millions)	Repurchase Option	Interest Rate
C10-EUR Capital (SPV) Ltd.	May 2007	€ 730	Tenth anniversary	6.3%
C8 Capital (SPV) Ltd.	February 2007	U.S.$750	Eigth anniversary	6.6%
C5 Capital (SPV) Ltd.	December 2006	U.S.$350	Fifth anniversary	6.2%
C10 Capital (SPV) Ltd.	December 2006	U.S.$900	Tenth anniversary	6.7%

Under U.S. GAAP, these perpetual debentures are recognized as debt and interest payments are included as financing expense as part of the comprehensive financial result in the income statement.

As described below and in note 12E to our financial statements included elsewhere in this annual report, there are derivative instruments associated with the debentures issued by C5 Capital (SPV) Limited, C8 Capital (SPV) Limited, C10 Capital (SPV) Limited and C10-EUR Capital (SPV) Limited through which we have changed the risk profile associated with interest rates and foreign exchange rates in respect of these debentures.

Our Receivables Financing Arrangements

We have established sales of trade accounts receivable programs with financial institutions, referred to as securitization programs. These programs were originally negotiated by our subsidiaries in Mexico during 2002, our subsidiary in the United States during 2001, our subsidiary in Spain during 2000 and our subsidiary in France during 2006. Through the securitization programs, our subsidiaries effectively surrender control, risks and the benefits associated with the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the balance sheet at the moment of sale, except for the amounts that the counterparties have not paid, which are reclassified to other accounts receivable. See notes 5 and 6 to our consolidated financial statements included elsewhere in this annual report. The balances of receivables sold pursuant to these securitization programs as of December 31, 2005, 2006 and 2007 were Ps8,672 million (U.S.$794 million), Ps12,731 million (U.S.$1,166 million) and Ps12,325 million (U.S.$1,129 million), respectively. The accounts receivable qualifying for sale do not include amounts over specified days past due or concentrations over specified limits to any one customer, according to the terms of the programs. Expenses incurred under these programs, originated by the discount granted to the acquirers of the accounts receivable, are recognized in the income statements as financial expense and were approximately Ps248 million (U.S.$23 million) in 2005, Ps475 million (U.S.$44 million) in 2006 and Ps673 million (U.S.$62 million) in 2007. The proceeds obtained through these programs have been used primarily to reduce net debt.

Stock Repurchase Program

Under Mexican law, our shareholders may authorize a stock repurchase program at our annual shareholders' meeting. Unless otherwise instructed by our shareholders, we are not required to purchase any minimum number of shares pursuant to such program.

In connection with our 2005 and 2006 annual shareholders' meetings held on April 27, 2006, and April 26, 2007, respectively, our shareholders approved stock repurchase programs in an amount of up to Ps6,000 million (nominal amount) implemented between April 2006 and April 2008. No shares were purchased under these programs.

In connection with our 2007 annual shareholders' meeting held on April 24, 2008, our shareholders approved a stock repurchase program in an amount of up to Ps6,000 million (nominal amount) to be implemented between April 2007 and April 2008.

Recent Developments

On March 31, 2008, CEMEX announced the sale, through one of our subsidiaries, of 119 million CPOs of AXTEL S.A.B. de C.V. ("AXTEL"), which represented 9.5% of the equity capital of AXTEL, for approximately U.S.$257 million. The sale represented approximately 90% of our position in AXTEL, which has been part of CEMEX's long-term investments. CEMEX used the proceeds from the sale of its equity interest in AXTEL to repay debt. The sale generated a gain of approximately U.S.$180 million.

In furtherance of the announced policy to nationalize certain sectors of the economy, on June 18, 2008, the Nationalization Decree was promulgated, mandating that the cement production industry in Venezuela be reserved to the State and ordering the conversion of foreign-owned cement companies, including CEMEX Venezuela, into state-controlled companies with Venezuela holding an equity interest of at least 60%. The Nationalization Decree provides for the formation of a transition committee to be integrated with the board of directors of the relevant cement company to guaranty the transfer of control over all activities of the relevant cement company to Venezuela by December 31, 2008. The Nationalization Decree further establishes a deadline of August 17, 2008 for the shareholders of foreign-owned cement companies, including CEMEX Venezuela, to reach an agreement with the Government of Venezuela on the compensation for the nationalization of their assets. The Nationalization Decree also provides that this deadline may be extended by mutual agreement of the Government of Venezuela and the relevant shareholder. Pursuant to the Nationalization Decree, if an agreement is not reached, Venezuela shall assume exclusive operational control of the relevant cement company and the Venezuelan National Executive shall decree the expropriation of the relevant shares according to the Venezuelan expropriation law. No assurance can be given that an agreement with the Government of Venezuela will be reached. The Government of Venezuela has been advised by our subsidiaries in Spain and The Netherlands that are investors in CEMEX Venezuela that these subsidiaries reserve their rights to bring expropriation claims in arbitration under the Bilateral Investment Treaties Venezuela signed with those countries.

As of December 31, 2007, CEMEX Venezuela, S.A.C.A. was the holding entity of several of CEMEX's investments in the region, including CEMEX's operations in the Dominican Republic and Panama, as well as CEMEX's minority investment in Trinidad. In the wake of statements by the Government of Venezuela about the nationalization of assets in Venezuela, in April 2008, CEMEX concluded the transfer of all material non-Venezuelan investments to CEMEX España for approximately U.S.$355 million plus U.S.$112 million of net debt, having distributed all accrued profits from the non-Venezuelan investments to the stockholders of CEMEX Venezuela amounting to U.S.$132 million. At this time, the net impact or the outcome of the nationalization on CEMEX's consolidated financial results cannot be reasonably estimated. The approximate net assets of CEMEX's Venezuelan operations under Mexican FRS at December 31, 2007 were approximately Ps8,973 million.

On June 13, 2008, the Venezuelan securities authority initiated an administrative proceeding against CEMEX Venezuela, claiming that the company did not sufficiently inform its shareholders and the securities authority in connection with the transfer of the non-Venezuelan assets described above. We are currently reviewing the factual and legal considerations relative to this proceeding and will respond within the applicable legal time period.

On April 11, 2008, in connection with the tax assessments in Mexico (see note 21A to our consolidated financial statements included elsewhere in this annual report), we were notified of a favorable definitive resolution on our appeals, which reduced the amount of tax assessments in Mexico to approximately Ps36 million (U.S.$3 million).

On April 24, 2008, the annual ordinary stockholders' meeting approved: (i) a reserve for share repurchases of up to Ps6,000 million (nominal amount); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to Ps7,500 million (nominal amount), issuing shares as a stock dividend for up to 1,500 million shares, equivalent to 500 million CPOs, based on a price of approximately Ps23.93 (nominal amount) per CPO; or instead, shareholders could have chosen to receive a cash dividend of U.S.$0.0835 in cash for each CPO, or approximately Ps0.8678 (nominal amount) for each CPO, considering the exchange rate of Banco de Mexico on May 29, 2008 of Ps10.3925 pesos per 1 dollar; and (iii) the cancellation of the corresponding shares held in our treasury. As a result, shares equivalent to approximately 284 million CPOs were issued, while an approximate cash dividend payment was made for approximately Ps214 million (nominal amount).

In April 2008, Citibank entered into put option transactions on our CPOs with a Mexican trust that we established on behalf of our Mexican pension fund and certain of our directors and current and former employees (the "participating individuals"). The transaction was structured with two main components. Under the first component of the transaction, the trust sold, for the benefit of our Mexican pension fund, put options to Citibank. The put option gave Citibank the right to require the trust to purchase, in April 2013, approximately 56 million CPOs at a price of U.S.$3.2086 each (120% of initial CPO price in dollars). In exchange for this right, Citibank paid a premium of approximately U.S.$38.2 million. The premium was deposited into the trust for the benefit of our Mexican pension fund and was used to purchase, on a prepaid forward basis, certain securities that track the performance of the Mexican Stock Exchange. Under the second component of the transaction, the trust sold, on behalf of the participating individuals, additional put options to Citibank. These put options gave Citibank the right to require the trust to purchase, in April 2013, approximately 56 million CPOs at a price of U.S.$3.2086 each (120% of initial CPO price in dollars), in exchange for total premium payments of approximately U.S.$38.2 million, which were used to purchase prepaid forward CPOs. These prepaid forward CPOs, together with an additional equal amount in dollars or CPOs, were deposited into the trust by the participating individuals as security for the obligations of the trust under both components of the transaction, and represent the maximum exposure of the participating individuals under this transaction. If the value of these assets, represented by 28.6 million CPOs, were to become insufficient to cover the obligations of the trust under the second component of the transaction, our Mexican pension fund would be required to purchase in April 2013 the 56 million CPOs corresponding to the second component of the transaction at a price per CPO equal to the difference between U.S$3.2086 and 51% of the then-current CPO market price. Gains and/or losses under this transaction will be recognized as part of our Mexican pension fund's net return on pension assets. The purchase dollar price of CPOs and the corresponding number of CPOs under the transaction are subject to dividend adjustments.

On May 5, 2008, in connection with the anti-dumping order in Taiwan (note 21B to our consolidated financial statements included elsewhere in this annual report), we received a letter from the Ministry of Finance of Taiwan, stating that the anti-dumping duty imposed on gray portland cement and clinker imports from the Philippines and South Korea was terminated starting May 5, 2008.

On May 6, 2008, CEMEX announced that it is exploring the sale of certain selected assets, including operations in Austria, Hungary and select building products in the U.K. The Austrian assets consist of 26 aggregate plants and 39 ready-mix plants, and generated revenues of approximately U.S.$274 million in 2007. The Hungarian assets consist of five aggregate plants, 31 ready-mix plants and five paving stone plants, and generated revenues of approximately U.S.$84 million in 2007. The UK assets consist of the floors, roof tiles and the rail products businesses, which generated combined sales of approximately U.S.$98 million in 2007. The proceeds from the potential assets sales are expected to be used to repay debt.

On June 2, 2008, CEMEX, through one of its subsidiaries, closed two identical U.S.$525 million facilities with a group of relationship banks. Each facility allows the principal amount to be automatically extended for consecutive six months periods indefinitely after a period of three years by CEMEX and includes an option of CEMEX to defer interest at any time (except in limited situations), subject to the absence of an event of default under the facility. The amounts outstanding under the facilities, because of the interest deferral provision and the option of CEMEX to extend the maturity of the principal amounts indefinitely, will be treated as equity for accounting purposes in accordance with Mexican FRS and as debt under U.S. GAAP, in the same manner as CEMEX's outstanding perpetual debentures. Obligations of CEMEX under each facility rank pari-passu with CEMEX's obligations under the perpetual debentures and its senior unsecured indebtedness. Within the first three years that each facility is in place, CEMEX, subject to the satisfaction of specified conditions, has options to convert all (and not part) of the respective amounts outstanding under the respective facility into maturity loans, each with a fixed maturity date of June 30, 2011.

In June 2008, we entered into a structured transaction, relating to (i) a U.S.$500 million credit agreement, dated as of June 25, 2008, with CEMEX, as borrower, and CEMEX México, as guarantor, and a bullet maturity on April 29, 2011; and (ii) a series of derivative transactions on our ADSs with a notional amount equal to the amount of the credit agreement. Pursuant to the derivative transactions, in June 2008, one of our subsidiaries sold cash-settled, European style, put spread options to a financial institution with an approximate maturity of three years. The put spread options give the financial institution the right to require our subsidiary to purchase approximately 17.5 million ADSs at an average price of U.S.$32.92 each (115% of the initial ADS price), while our subsidiary has the right to require the financial institution to purchase the same amount of ADSs at an average price of U.S.$22.18 each (77.5% of the initial ADS price). The net premium will be received by our subsidiary over time and will be used to pay the interest under the credit agreement. If our ADS price at maturity of the put spread option transactions is equal or above the average price of U.S$32.92, we would not be required to make any payment under the derivative transactions, resulting in our not having made any direct interest payments under the credit agreement (as they would be funded by the net put premium). However, if the ADS price at maturity of the put spread option transaction is below the average price of U.S$32.92 we would be required to make payments under the derivative transactions, which would be equivalent to the credit agreement having had an annual interest rate ranging from 0.1% to a maximum of 11.2%, depending on the ADS price at maturity. The ADS price and number of ADSs subject to the put spread option transaction are subject to dividend adjustments. Proceeds of the credit agreement were used to refinance existing short term indebtedness we incurred in connection with the Rinker acquisition

Research and Development, Patents and Licenses, etc.

Our research and development, or R&D, efforts help us in achieving our goal of increasing market share in the markets in which we operate. The department of the Vice President of Technology is responsible for developing new products for our cement and ready-mix concrete businesses that respond to our clients' needs. The department of the Vice President of Energy has the responsibility for developing new processes, equipment and methods to optimize operational efficiencies and reduce our costs. For example, we have developed processes and products that allow us to reduce heat consumption in our kilns, which in turn reduces energy costs. Other products have also been developed to provide our customers a better and broader offering of products in a sustainable manner. We believe this has helped us to keep or increase our market share in many of the markets in which we operate.

We have ten laboratories dedicated to our R&D efforts. Nine of these laboratories are strategically located in close proximity to our plants to assist our operating subsidiaries with troubleshooting, optimization techniques and quality assurance methods. One of our laboratories is located in Switzerland, where we are continually improving and consolidating our research and development efforts in the areas of cement, concrete, aggregates, admixtures, mortar and asphalt technology, as well as in information technology and energy management. We have several patent registrations and pending applications in many of the countries in which we operate. These patent registrations and applications relate primarily to different materials used in the construction industry and the production processes related to them, as well as processes to improve our use of alternative fuels and raw materials.

Our Information Technology divisions have developed information management systems and software relating to cement and ready-mix concrete operational practices, automation and maintenance. These systems have helped us to better serve our clients with respect to purchasing, delivery and payment.

R&D activities comprise part of the daily routine of the departments and divisions mentioned above; therefore, the costs associated with such activities are expensed as incurred. However, the costs incurred in the development of software for internal use are capitalized and amortized in operating results over the estimated useful life of the software, which is approximately four years.

In 2005, 2006 and 2007, the combined total expense of the departments of the Vice President of Energy and the Vice President of Technology, which includes R&D activities, amounted to approximately U.S.$44 million, U.S.$46 million and U.S.$40 million, respectively. In addition, in 2005, 2006 and 2007, we capitalized approximately U.S.$19 million, U.S.$218 million and U.S.$278 million, respectively, related to internal use software development. See notes 3J and 11 to our consolidated financial statements included elsewhere in this annual report. The items capitalized refer to direct costs incurred in the development phase of the software and relate mainly to professional fees, direct labor and related travel expenses.

Trend Information

The following discussion contains forward-looking statements that reflect our current expectations and projections about future events based on our knowledge of present facts and circumstances and assumptions about future events. In this annual report, the words "expects," "believes," "anticipates," "estimates," "intends," "plans," "probable" and variations of such words and similar expressions are intended to identify forward-looking statements. Such statements necessarily involve risks and uncertainties that could cause actual results to differ materially from those anticipated. The information set forth below is subject to change without notice, and we are not obligated to publicly update or revise forward-looking statements.

Overview

During 2007, we achieved two important milestones. First, we posted our strongest financial results ever. This achievement comes primarily from the consolidation of Rinker's operations and the related synergies, as well as from higher domestic sales volumes and favorable supply-demand dynamics in most of the markets in which we operate. For 2008, despite the current adverse economic conditions in the important markets of United States and Spain, we expect to achieve higher sales revenues and greater EBITDA than we achieved in 2007, reflecting the inclusion of a full year of operating results of Rinker as well as productivity improvement initiatives and positive supply-demand dynamics in most of our other markets.

Our second major milestone of the year was the full integration of Rinker and the implementation of the necessary platforms to realize the resulting synergies. As of December 31, 2007, we believe we have achieved approximately U.S.$360 million and U.S.$79 million of annual savings from the RMC acquisition and the Rinker acquisition, respectively, through cost-saving synergies. In the case of the Rinker acquisition, we expect to achieve significant cost savings in the acquired operations by optimizing the production and distribution of ready-mix concrete and aggregates, reducing costs in the cement manufacturing facilities, partly by implementing CEMEX operating standards at such facilities, reducing raw materials and energy costs by centralizing procurement processes and reducing other operational costs by centralizing technological and managerial processes. We expect to realize annual savings from the Rinker acquisition of approximately U.S.$400 million through cost-saving synergies between the date of this annual report and 2010.

Outlook for Our Major Markets

The following is a discussion of our outlook for our four major markets, the United States, Mexico, Spain and the United Kingdom, which together generated approximately 56% of our net sales before eliminations resulting from consolidation in 2007.

United States

In the United States, we experienced a decline in sales volume for all our products during 2007. This decline is explained by the downturn in the residential sector, which accelerated throughout the year and resulted in very weak demand in 2007 compared to the demand levels of the prior year. For 2008, we expect continued weakness in the residential sector and a moderate decline in the industrial and commercial sector while the public sector is expected to remain stable.

Non-residential construction spending, which increased by 16% in 2007, is expected to decrease by 1% to 2% during 2008. The U.S.$287 billion, six-year surface-transportation program known as SAFETEA-LU, is a major program providing stability to the non-residential sector along with ongoing spending on schools and health care facilities.

In the residential sector, construction spending was down 18% during 2007. For 2008, there is continued uncertainty about the depth and duration of the ongoing correction. As such, we are particularly sensitive to changes in the outlook for construction spending. We expect cement sales volumes in the residential sector to decline by about 20% to 25% during 2008 depending on builders' aggressiveness in selling excess inventories and other factors that drive new home sales, such as affordability, job creation, and demographic trends.

Overall, we see our cement sales volumes in the United States declining by about 12% for 2008. We expect our ready-mix concrete sales volumes to decline by about 21% because of our higher exposure to the residential market and our aggregates volumes to decrease by around 20% for the full year 2008.

As a result of our acquisition of Rinker, the size of our U.S. operations and our exposure to the United States have recently increased significantly.

Mexico

In Mexico, we expect GDP growth of about 2.4%, driven by increased government spending as a result of improved government finances and also by solid growth in private consumption. For 2008, foreign direct investment and remittances from workers abroad are expected to remain at about the same levels as in 2007.

We see two main factors driving cement sales volumes during 2008. The first is government spending on streets and highways and other infrastructure projects. We expect that extraordinary oil revenues plus the 2008 federal budget spending on public works reach approximately U.S$7.5 billion during 2008. Expenditure in this sector is supported by strong government finances and continued fiscal discipline. The private sector is also expected to increase its contribution to the financing of public infrastructure projects.

The second factor is growth in the home-building sector due to an accelerated increase in mortgages and housing subsidies, which are expected to reach 1.1 million in 2008, an increase of 12% relative to 2007. Out of these 1.1 million mortgages and housing subsidies, 1 million are expected to come from public housing institutions such as INFONAVIT, FOVISSSTE and CONAVI, among others, representing a growth of 21% relative to 2007.

Mortgages sponsored by commercial banks and SOFOLES (specialized non-bank financial institutions) are expected to decrease by 37,000 mortgages, however, the total invested amount from these entities is expected to reach U.S.$12.2 billion, a 10% increase relative to the previous year. Commercial banks and SOFOLES together fund approximately 48% of the total value of all mortgages in Mexico. In addition, the houses constructed as a result of these mortgages are larger on average and require more cement than INFONAVIT-sponsored units.

Overall, we expect that cement consumption and other ready-mix concrete-intensive projects related to housing and infrastructure programs result in an increase in our ready-mix concrete sales volumes of about 8% and we expect cement sales volumes to rise 3% in 2008.

Spain

In 2007, total cement and ready-mix volumes for the year ended below our expectations due mainly to weaker-than-expected demand from the housing and infrastructure sectors during the fourth quarter. For 2008, we expect GDP to moderate its growth to a rate of near 2.0% versus 3.8% during 2007.

After the strongest year ever in 2006 in the residential sector with record housing permits, there was a decline in housing permits of 25% in 2007, and a further decline of about 30% is expected for 2008. The housing sector in Spain is suffering a stronger adjustment than expected. This is mainly due to the sharp impact of the international credit crisis, which has generated a notable lack of confidence, that combined with the housing sector deceleration since the second half of 2007, will evolve into a relevant slowdown of the housing sector during 2008 There is a risk, however, that Spain could experience a deeper correction in the residential sector during 2008.

In 2007, infrastructure spending was negatively affected by the completion of major projects early in the year in anticipation of local and regional elections held in May 2007. For 2008, civil works is expected to show performance similar to that of 2007. We expect an improvement in local and regional activity as the effect of the last elections start losing momentum. The Central government is requesting bids for civil works projects in order to compensate, at least in part, the residential construction slowdown, but there is uncertainty as to whether the timing of such bids will have a relevant impact during 2008. The infrastructure plan is expected to run through 2020 and has an estimated total budget of U.S.$300 billion. The industrial and commercial sectors should grow at a moderate rate during 2008.

The industrial and commercial sectors should grow at a moderate rate during 2008. Overall, we estimate national level demand of both cement and ready-mix concrete to decline in a range between 6% to 10%, with a sharper fall in most of the regions where we operate, in a range between 8% to 12%. Therefore, we estimate that during 2008 our cement and ready-mix sales volumes will decrease by about 8% to 10% and 10% to 12%, respectively. There is a risk, however, that Spain could experience a deeper correction in the residential sector during 2008. Therefore, we estimate that during 2008 our cement and ready-mix sales volumes will decrease by about 17% and 15%, respectively.

United Kingdom

In the United Kingdom, cement sales volumes increased 12% during 2007. During the year we increased the sale of slag cement to our ready-mix concrete operations. Sales volumes of cementitious materials, including cement and slag cement, increased by 13% during 2007. Ready-mix concrete sales volumes decreased by 2% and aggregates sales volumes increased by 2% during 2007.

During 2007, cement demand was driven mainly by a good performance of the industrial, commercial, and public-housing sectors. During 2008, demand across all sectors is being adversely influenced mainly by a slow down in construction, particularly in the private housing sector, as the general credit environment has tightened.

For 2008, we expect our cement sales to decrease around 9%, in comparison to 2007. Ready-mix and aggregates volumes are expected to decrease by 12% and 2% respectively, during 2008.

Summary of Material Contractual Obligations and Commercial Commitments

As of December 31, 2007, our subsidiaries had future commitments for the purchase of raw materials for an approximate amount of U.S.$264 million.

In March 1998, we entered into a 20-year contract with PEMEX providing that PEMEX's refinery in Cadereyta would supply us with 0.9 million tons of petcoke per year, commencing in 2003. In July 1999, we entered into a second 20-year contract with PEMEX providing that PEMEX's refinery in Madero would supply us with 0.85 million tons of petcoke per year, commencing in 2002. We expect the PEMEX petcoke contracts to reduce the volatility of our fuel costs and provide us with a consistent source of petcoke throughout their 20-year terms (which expire in July 2023 for Cadereyta's refinery contract and October 2022 for the Madero's refinery contract).

In 1999, we reached an agreement with ABB Alstom Power and Sithe Energies, Inc. (currently Excelon Generation Company LLC) requiring Alstom and Sithe to finance, build and operate "Termoeléctrica del Golfo," a 230 megawatt energy plant in Tamuin, San Luis Potosi, Mexico and to supply electricity to us for a period of 20 years. Pursuant to the agreement, we are obligated to purchase the full electric capacity generated by the power plant during the 20-year period. We are also obligated to supply Alstom and Sithe with 1.2 million tons of petcoke per year for the 20-year period for the consumption of this power plant and another power plant built and operated by Alstom and Sithe for Peñoles, a Mexican mining company. We expect to meet our petcoke delivery requirements through several petcoke supply agreements, including our petcoke supply contract with PEMEX. Pursuant to the agreement, we may be obligated to purchase the Termoeléctrica del Golfo plant upon the occurrence of specified material defaults or events, such as failure to pay when due, bankruptcy or insolvency, and revocation of permits necessary to operate the facility, and upon termination of the 20-year period, we will have the right to purchase the assets of the power plant. We expect this arrangement to reduce the volatility of our energy costs. The power plant commenced commercial operations on April 29, 2004. In February 2007, ABB Alstom Power and Excelon Generation Company LLC sold their participations in the project to a subsidiary of The AES Corporation. For the years ended December 31, 2007, 2006 and 2005, Termoeléctrica del Golfo delivered energy to our Mexico's 15 cement plants, supplying approximately between 60% and 57% , of such years' energy needs.

For purposes of presenting the approximate cash flows that will be required to meet our other material contractual obligations, the following table presents a summary of those obligations, as of December 31, 2007:

	Payments per period (U.S. dollars million)				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	18,100	1,578	8,037	6,430	2,055

Long-term debt					
Capital lease obligations	51	30	19	2	–
Total debt(1)	18,151	1,608	8,056	6,432	2,055
Operating leases(2)	841	194	294	185	168
Interest payments on debt (3)	2,624	843	1,044	480	257
Estimated cash flows under interest rate derivatives(4)	407	97	170	91	49
Planned funding of pension plans and other post-retirement benefits(5)	1,925	187	367	372	999
Total contractual obligations	23,948	2,929	9,931	7,560	3,528

(1) Total long-term debt including current maturities is presented in note 12 to our consolidated financial statements included elsewhere in this annual report. In addition, as of December 31, 2007, we had lines of credit totaling approximately Ps157 billion, of which the available portion amounted to approximately Ps20 billion. The scheduling of debt payments does not consider the effect of any refinancing our debt during the following years. However, we have been successful in the past in replacing our long-term obligations with others of similar nature, and we intend to do so in the future. Total long-term debt does not include the perpetual debentures for an aggregate amount of U.S.$3,065 million (approximately Ps33,470 million), issued by consolidated entities. See note 16D to the consolidated financial statements included elsewhere in this annual report.

(2) Operating leases have not been calculated on the basis of net present value; instead they are presented in the basis of nominal future cash flows. See note 20D to our consolidated financial statements included elsewhere in this annual report.

(3) In the determination of our future estimated interest payments on our floating rate denominated debt, we used the interest rates in effect as of December 31, 2007.

(4) Our estimated cash flows under interest rate derivatives, which include the interest rate cash flows under our interest rate swaps and our cross currency swap contracts, represent the net amount between the rate we pay and the rate we receive under such contracts. In the determination of our future estimated cash flows, we used the interest rates applicable under such contracts as of December 31, 2007.

(5) Amounts relating to our planned funding to pensions and other postretirement benefits presented in the table above represent our estimated annual payments under these benefits for the next 10 years, determined in local currency and translated into Dollars at the exchange rates as of December 31, 2007, and includes our estimate of the number of new retirees during such future years. See note 14 to our consolidated financial statements included elsewhere in this annual report.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a material effect on our financial condition, operating results, liquidity or capital resources.

Qualitative and Quantitative Market Disclosure

Our Derivative Financial Instruments

In compliance with the guidelines established by our risk management committee, we use derivative financial instruments in order to change the risk profile associated with changes in interest rates and foreign exchange rates of debt agreements, as a vehicle to reduce financing costs, as an alternative source of financing, and as hedges of: (i) highly probable forecasted transactions, (ii) our net assets in foreign subsidiaries and (iii) future exercises of options under our executive stock option programs. We actively evaluate the creditworthiness of the financial institutions and corporations that are counterparties to our derivative financial instruments, and we believe that they have the financial capacity to meet their obligations in relation to these instruments. We consider the risk of non-compliance with the obligations agreed to by such counterparties to be minimal.

The fair value of derivative financial instruments is based on estimated settlement costs or quoted market prices and supported by confirmations of these values received from the counterparties to these financial instruments. The notional amounts of derivative financial instrument agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss.

	(U.S.$ millions)				
	At December 31, 2006		At December 31, 2007		
Derivative Instruments	Notional amount	Estimated fair value	Notional amount	Estimated fair value	Maturity Date
Equity forward contracts	171	—	121	2	Dec '08
Foreign exchange forward contracts	5,908	127	7,216	(51)	Jan '08 -April '11
Derivatives related to perpetual equity instruments	1,250	46	3,065	202	Dec '11 -Jun '17
Interest rate swaps	3,184	39	4,473	68	Jan '08 – Mar '14
Cross currency swaps	2,144	154	2,532	126	Jan '08 - Sept '12
Derivatives related to energy	159	(4)	219	14	Sept '22

Our Equity Derivative Forward Contracts

In December 2007, CEMEX negotiated an equity forward contract covering approximately 47 million of CPOs with maturity in March 2008. The notional amount of the contract is approximately U.S.$121 million (Ps1,321 million). This contract was negotiated to hedge future exercises of options under the executives' stock option programs. See note 17 to our consolidated financial statements included elsewhere in this annual report. Changes in the estimated fair value of these contracts are recognized in the income statement, in addition to the costs originated by such programs. Likewise, in December 2006, CEMEX sold in the market 50 million CPOs that it held in CEMEX's treasury for approximately Ps1,932 million. On the same date, CEMEX negotiated a forward contract for the same number of CPOs with maturity in December 2009. The notional amount of the contract was approximately U.S.$171 million (Ps2,003 million). This derivative was liquidated in 2007, generating a gain of approximately U.S.$13 million (Ps142 million) recognized in the income statement.

See "Item 4—Recent Developments" for a description of an equity derivative forward contract entered into in April 2008.

Our Foreign Exchange Forward Contracts

A portion of our foreign exchange forward contracts held as of December 31, 2006 and 2007, with notional amounts of U.S.$ 5,034 million and U.S.$4,845 million, respectively, are accounted for at their estimated market value as hedge instruments for our net investments in foreign subsidiaries. Gains or losses on these forward contracts are recognized as an adjustment to stockholders' equity within the related foreign currency translation adjustment.

In 2004, CEMEX negotiated derivative instruments related to the acquisition of RMC, in order to hedge the variability in cash flows associated with exchange fluctuations between the U.S. dollar, the currency in which CEMEX obtained the proceeds, and Pounds Sterling. CEMEX negotiated foreign exchange forwards, collars and options, for a combined notional amount of U.S.$3,453 million. These contracts were designated as hedges of the foreign exchange risk associated with the firm commitment to purchase the RMC shares. Changes in the fair value of these contracts from the designation date, which represented a gain of approximately U.S.$132 million (Ps1,667 million), were recognized in stockholders' equity in 2004. This gain was reclassified to earnings in 2005 on the date RMC was purchased.

Between April and August 2007, in connection with the acquisition of Rinker, CEMEX negotiated foreign exchange forward contracts in order to hedge the variability in a portion of the cash flows associated with exchange fluctuations between the Australian dollar and the U.S. Dollar, the currency in which CEMEX obtained the proceeds. The notional amount of these contracts reached approximately U.S.$5,663 million in June 2007. Resulting from changes in the fair value of these contracts, upon settlement CEMEX realized a gain of approximately U.S.$137 million (Ps1,496 million), which was recognized in the 2007 results.

Our Interest Rate Swaps

As of December 31, 2006 and 2007, we held interest rate swaps for notional amounts of approximately U.S.$3,184 million and U.S.$4,473 million, respectively, entered into in order to hedge contractual cash flows (interest payments) of underlying debt negotiated at floating rates. Although these interest rate swap contracts, are part of, and complement, our financial strategy, they generally do not meet the accounting hedge criteria. Consequently, changes in the estimated fair value of these instruments were recognized in earnings. However, as of December 31, 2006, several of our interest rate swap contracts, with an aggregate notional amount of approximately U.S.$1.4 billion, met the accounting hedge criteria and were designated as accounting hedges of contractual cash flows (interest payments) of a portion of our floating rate debt. As of December 31, 2007, there were no interest rate swaps which met the accounting hedge criteria. Accordingly, changes in the estimated fair value of these instruments that meet the accounting hedge criteria are recognized as stockholders' equity, and will be reclassified to earnings as the financial expense of the related debt is accrued. In addition, periodic payments under these instruments that meet the accounting hedge criteria are recognized in earnings as an adjustment of the effective interest rate of the related debt. See note 12A to our consolidated financial statements included elsewhere in this annual report.

Our Cross Currency Swaps

As of December 31, 2006 and 2007, we held cross currency swap contracts related to our short-term and long-term financial debt portfolio. Through these contracts, we carried out the exchange of the originally contracted currencies and interest rates, over a determined amount of underlying debt. During the life of these contracts, the cash flows originated by the exchange of interest rates under the cross currency swap contracts match the interest payment dates and conditions of the underlying debt. Likewise, at maturity of the contracts and the underlying debt, we will exchange with the counterparty notional amounts provided by the contracts so that we will receive an amount of cash flow equal to cover our primary obligation under the underlying debt. In exchange, we will pay the notional amount in the exchanged currency. As a result, we have effectively exchanged the risks related to interest rates and foreign exchange variations of the underlying debt to the rates and currencies negotiated in the cross currency swap contracts. See note 12C to our consolidated financial statements included elsewhere in this annual report.

The periodic cash flows on the cross currency swap instruments arising from the exchange of interest rates are recorded in the comprehensive financing result as part of the effective interest rate of the related debt. We recognize the estimated fair value of the cross currency swap contracts as assets or liabilities in the balance sheet, with changes in the estimated fair value being recognized through the income statement. All financial assets and liabilities with the same maturity, for which our intention is to simultaneously realize or settle, have been offset for presentation purposes, in order to reflect the cash flows that we expect to receive or pay upon settlement of the financial instruments.

In respect of the estimated fair value recognition of the cross currency swap contracts, as of December 31, 2006 and 2007, we recognized net assets of U.S.$154 million (Ps1,804 million) and U.S.$126 million (Ps1,376 million), respectively, related to the estimated fair value of the short-term and long-term cross currency swap contracts, of which,

- A gain of approximately U.S.$154 million (Ps1,804 million) and U.S.$126 million (Ps1,376 million) as of December 31, 2006 and 2007, respectively, represented the contracts' estimated fair value, before prepayment effects, and includes:

- Gains of approximately U.S.$60 million (Ps703 million) and U.S.$41 million (Ps448 million) as of December 31, 2006 and 2007, respectively, which are directly related to variations in exchange rates between the inception of the contracts and the balance sheet date,

  - Gains of approximately U.S.$16 million (Ps188 million) and U.S.$11 million (Ps120 million) as of December 31, 2006 and 2007, respectively, identified with the periodic cash flows for the interest rate swaps, and which were recognized as an adjustment of the related financing interest payable, and

- Remaining net assets of approximately U.S.$78 million (Ps913 million) and approximately U.S.$74 million (Ps808 million) as of December 31, 2006, and 2007, which were recognized within other short-term and long-term assets and liabilities, as applicable. See note 12C to our consolidated financial statements included elsewhere in this annual report.

As of December 31, 2007, as a result of new accounting pronouncements under Mexican FRS, which became effective as of January 1, 2005, the book value of the financial liabilities directly related to the cross currency swap contracts are presented in the originally contracted currency. For the years ended December 31, 2005, 2006 and 2007, changes in the estimated fair value of the cross-currency swaps, before prepayments, resulted in a gain of U.S.$3 million (Ps38 million), a loss of U.S.$58 million (Ps679 million), and a loss of U.S.$28 million (Ps306 million), respectively. The periodic interest rate cash flows under the cross-currency swaps were recognized within financial expense as part of the effective interest rate of the related debt. See note 12C to our consolidated financial statements included elsewhere in this annual report.

Our Derivatives Related to Energy Projects

As of December 31, 2006 and 2007, we had an interest rate swap maturing in September 2022, for notional amounts of U.S.$141 million and U.S.$214 million, respectively, negotiated to exchange floating for fixed interest rates, in connection with agreements we entered into for the acquisition of electric energy for a 20-year period commencing in 2003. During the life of the derivative contract and over its notional amount, we will pay LIBO rates and receive a 5.4% fixed rate until maturity in September 2022. In addition, during 2001, CEMEX sold a floor option, which had a notional amount of U.S.$149 million in 2006, and that was settled in 2007, generating a loss of U.S.$16 million (Ps175 million) in 2007. As of December 31, 2007, after giving effect to the settlement of the floor option, the fair value of the swap represented a gain of U.S.$14 million (Ps153 million). As of December 31, 2006, the combined fair value of the interest rate swap and the floor option represented losses of approximately U.S.$3 million (Ps35 million). Changes in fair value of these contracts were recognized in earnings during the respective period. The notional amount of these contracts was not aggregated in 2006 considering that there was only one notional amount with exposure to changes in interest rates and the effects of both contracts offset each other. See note 12D to our consolidated financial statements included elsewhere in this annual report.

In addition, during 2006, CEMEX negotiated a derivative instrument on gas prices with maturity in January 2008. As of December 31, 2006 and 2007, this instrument had notional amounts of U.S.$9 million (Ps105 million) and U.S.$5 million (Ps55 million), respectively.

Our Derivative Instruments Related to Perpetual Equity Instruments

In connection with the issuance of the debentures by C5 Capital (SPV) Limited and C10 Capital (SPV) Limited in December 2006 described above, pursuant to which we pay a fixed Dollar rate of 6.196% on a notional amount of U.S.$350 million and a fixed Dollar rate of 6.722% on a notional amount of U.S.$900 million, we decided to change the foreign exchange exposure on the coupon payments from Dollars to Yen. In order to do so, we contemporaneously entered into two cross-currency swaps: a U.S.$350 million notional amount cross-currency swap, pursuant to which, for a five-year period, we receive a fixed rate in Dollars of 6.196% of the notional amount and pay six-month Yen LIBOR multiplied by a factor of 4.3531, and a U.S.$900 million notional amount cross-currency swap, pursuant to which, for a ten-year period, we receive a fixed rate in Dollars of 6.722% of the notional amount and pay six-month Yen LIBOR multiplied by a factor of 3.3878. Each cross-currency swap includes an extinguishable swap, which provides that if the relevant debentures are extinguished for certain stated conditions but before the maturity of the cross-currency swap, such cross-currency swap would be automatically extinguished, with no amounts payable by the swap counterparties. In addition, in order to eliminate variability during the first two years in the Yen-denominated payments due under the cross-currency swaps, we entered into foreign exchange forwards for a notional amount of U.S.$89 million, under which we pay Dollars and receive payments in Yen. Changes in fair value of all the derivative instruments associated with the perpetual debentures are recognized in the income statement as part of the comprehensive financing result.

In connection with the issuance of the debentures by C8 Capital (SPV) Limited and C10-EUR Capital (SPV) Limited in February and May 2007 described above, pursuant to which we pay a fixed Dollar rate of 6.640% on a notional amount of U.S.$750 million and a fixed Euro rate of 6.277% on a notional amount of €730 million, we decided to change the foreign exchange exposure on the coupon payments from Dollars and Euros to Yen. In order to do so, we contemporaneously entered into two cross-currency swaps: a U.S.$750 million notional amount cross-currency swap, pursuant to which, for an eight-year period, we receive a fixed rate in Dollars of 6.640% of the notional amount and pay six-month Yen LIBOR multiplied by a factor of 3.55248, and a €730 million notional amount cross-currency swap, pursuant to which, for a ten-year period, we receive a fixed rate in Euros of 6.277% of the notional amount and pay twelve-month Yen LIBOR multiplied by a factor of 3.1037. Each cross-currency swap includes an extinguishable swap, which provides that if the relevant debentures are extinguished for certain stated conditions but before the maturity of the cross-currency swap, such cross-currency swap would be automatically extinguished, with no amounts payable by the swap counterparties. In addition, in order to eliminate variability during the first two years in the Yen-denominated payments due under the cross-currency swaps, we entered into foreign exchange forwards for notional amounts of U.S.$273 million, under which CEMEX pays Dollars and receives payments in Yen. Changes in fair value of all the derivative instruments associated with the perpetual debentures are recognized in the income statement as part of the comprehensive financing result.

Interest Rate Risk, Foreign Currency Risk and Equity Risk

Interest Rate Risk

The table below presents tabular information of our fixed and floating rate long-term foreign currency-denominated debt as of December 31, 2007. It includes the effects generated by the interest rate swaps and the cross currency swap contracts that we have entered into, covering a portion of our financial debt originally negotiated in Pesos and Dollars. See note 12C to our consolidated financial statements included elsewhere in this annual report. Average floating interest rates are calculated based on forward rates in the yield curve as of December 31, 2007. Future cash flows represent contractual principal payments. The fair value of our floating rate long-term debt is determined by discounting future cash flows using borrowing rates available to us as of December 31, 2007 and is summarized as follows:

	Expected maturity dates as of December 31, 2007							
Long- term Debt(1)	2008	2009	2010	2011	2012	After 2013	Total	Fair Value
	(Millions of Dollars equivalents of debt denominated in foreign currencies)							
Variable rate	1,437	5,027	1,912	3,653	833	39	12,901	12,846
Average interest rate	4.6%	3.6%	4.4%	4.8%	4.8%	5.3%		
Fixed rate	171	640	478	1,296	651	2,015	5,251	5,425
Average interest rate	3.7%	4.8%	4.7%	4.7%	4.7%	5.2%		

(1) The information above includes the current maturities of the long-term debt. Total debt does not include the perpetual debentures for an aggregate amount of U.S.$3,065 million (approximately Ps33,470 million), issued by consolidated entities. See note 16D to the consolidated financial statements included elsewhere in this annual report.

As of December 31, 2007, we were subject to the volatility of the floating interest rates, which, if such rates were to increase, may adversely affect our financing cost and our net income. As of December 31, 2007, 73% of our foreign currency-denominated long-term debt bears floating rates at a weighted average interest rate of LIBOR plus 36 basis points, after giving effect to our interest rate swaps and cross currency swaps. As of December 31, 2007, we also held interest rate swaps for a notional amount of U.S.$4,473 million and with a fair value gain of approximately U.S.$68 million during 2007. Pursuant to these interest rate swaps, we receive variable rates and deliver fixed rates over the notional amount. These derivatives, even when they do not meet the criteria to be considered hedging items for accounting purposes, complement our financial strategy and mitigate our overall exposure to floating rates. See "— Our Derivative Financial Instruments — Our Interest Rate Swaps."

The potential change in the fair value as of December 31, 2007 of these contracts that would result from a hypothetical, instantaneous decrease of 50 basis points in the interest rates would be a gain of approximately U.S.$1 million (Ps11 million).

Foreign Currency Risk

Due to our geographic diversification, our revenues are generated in various countries and settled in different currencies. However, some of our production costs, including fuel and energy, and some of our cement prices, are periodically adjusted to take into account fluctuations in the Dollar/Peso exchange rate. For the year ended December 31, 2007, approximately 16% of our net sales, before eliminations resulting from consolidation, were generated in Mexico, 22% in the United States, 9% in Spain, 9% in the United Kingdom, 19% in our Rest of Europe segment, 9% in South America, Central America and the Caribbean, 3% in Africa and the Middle East, 5% in Australia and Asia and 8% from other regions and our cement and clinker trading activities. As of December 31, 2007, our debt amounted to Ps216.9 billion (approximately U.S.$19.9 billion), of which approximately 66% was Dollar-denominated, 15% was Peso-denominated, 18% was Euro-denominated, 1% was Yen-denominated and immaterial amounts were denominated in other currencies; therefore, we had a foreign currency exposure arising from the Dollar-denominated debt, the Euro-denominated debt and the Yen-denominated debt, versus the currencies in which our revenues are settled in most countries in which we operate. See "— Liquidity and Capital Resources — Our Indebtedness," Item 10 — "Additional Information — Material Contracts" and Item 3 - "Risk Factors — We have to service our Dollar and Japanese Yen 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 or in Japanese Yen to service all our Japanese Yen 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 or the Japanese Yen." Although we also have a small portion of our debt in other currencies, we have generated enough cash flow in those currencies to service that debt. Therefore, we believe there is no material foreign currency risk exposure with respect to that debt. As previously mentioned, we have entered into cross currency swap contracts, designed to change the original profile of interest rates and currencies over a portion of our financial debt. See "— Our Derivative Financial Instruments." As of December 31, 2007, the estimated fair value of these instruments was a gain of approximately U.S.$126 million (Ps1,376 million). The potential change in the fair value of these contracts as of December 31, 2007 that would result from a hypothetical, instantaneous depreciation of 10% in the exchange rate of the Peso against the Dollar, would be a loss of approximately U.S.$250 million (Ps2,730 million).

Additionally, as previously mentioned, we have entered into foreign exchange forward contracts designed to hedge our net investment in foreign subsidiaries, our firm commitments, as well as other currency derivative instruments. See "— Our Derivative Financial Instruments." The combined estimated fair value of our foreign exchange forwards that hedge our net investment in foreign subsidiaries and our other currency derivatives as of December 31, 2007 was a loss of approximately U.S.$51 million (Ps557 million). The potential change in the fair value of these derivatives as of December 31, 2007 that would result from a hypothetical, instantaneous depreciation of 10% in the exchange rate of the Peso combined with an appreciation of 10% of the Euro against the Dollar would be a loss of approximately U.S.$977 million (Ps10,669 million), which would be partially offset by a corresponding foreign translation gain as a result of our net investment in foreign subsidiaries.

Equity Risk

As described above, we have entered into equity forward contracts on our own stock. Upon liquidation and at our option, the equity forward contracts provide for physical settlement or net cash settlement of the estimated fair value and the effects are recognized in the income statement. At maturity, if these forward contracts are not settled or replaced, or if we default on these agreements, our counterparties may sell the shares underlying the contracts. Such sales may have an adverse effect on our stock market price.

Investments, Acquisitions and Divestitures

The transactions described below represent our principal investments, acquisitions and divestitures completed during 2005, 2006 and 2007. For a description of our acquisition of Rinker, see Item 4 — "Information on the Company — Recent Developments — Rinker Acquisition."

Investments and Acquisitions

On August 28, 2007, we completed the acquisition of 100% of the Rinker shares for a total consideration of approximately U.S.$14.2 billion (approximately Ps155.6 billion) (excluding the assumption of approximately U.S.$1.3 billion (approximately Ps13.9 billion) of Rinker's debt). For its fiscal year ended March 31, 2007, Rinker reported consolidated revenues of approximately U.S.$5.3 billion. Approximately U.S.$4.1 billion of these revenues were generated in the United States, and approximately U.S.$1.2 billion were generated in Australia and China. As of that date, Rinker had more than 13,000 employees. During such fiscal period, Rinker produced approximately 2 million tons of cement, 93 million tons of aggregates and sold close to 13 million cubic meters of ready-mix concrete. In Australia, Rinker's main activities are oriented to the production and sale of ready-mix concrete and other construction materials. See note 2 to our consolidated financial statements included elsewhere in this annual report.

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 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.

In July 2005, we acquired 15 ready-mix concrete plants through the purchase of Concretera Mayaguezana, a ready-mix concrete producer located in Puerto Rico, for approximately Ps326 million (U.S.$30 million).

On January 1, 2006, CEMEX acquired a 51% equity interest in a cement-grinding mill facility with capacity of 400,000 tons per year in Guatemala for approximately U.S.$17 million (approximately Ps204 million).

On March 2, 2006, we acquired two companies engaged in the ready-mix concrete and aggregates business in Poland from Unicon A/S, a subsidiary of Cementir Group, an Italian cement producer, for approximately €12 million.

On March 20, 2006, we agreed to terminate our lease on the Balcones cement plant located in New Braunfels, Texas prior to expiration, and purchased the Balcones cement plant for approximately U.S.$61 million.

In addition to the above-mentioned acquisitions, our net investment in property, machinery and equipment, as reflected in our consolidated statements of changes in financial position included elsewhere in this annual report, excluding acquisitions of equity interests in subsidiaries and associates, was approximately Ps9,862 million (U.S.$903 million) in 2005, Ps16,067 million (U.S.$1,471 million) in 2006 and Ps21,779 million (U.S.$1,994 million) in 2007. This net investment in property, machinery and equipment has been applied to the construction and upgrade of plants and equipment, to the maintenance of plants and equipment, including environmental controls and technology updates.

In 2008, we have allocated over U.S.$1,500 million to continue with this effort. We expect these expansion projects to provide, on average, returns well in excess of our stated criteria for acquisitions, which include a minimum return on capital employed of at least ten percent.

131

Divestitures

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 (approximately Ps4,053 million) including dividends declared of approximately U.S.$7 million (approximately Ps82 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. 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. We received net cash proceeds of approximately €6 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 and related assets. On August 29, 2005, we sold RMC's operations in the Tucson, Arizona area to California Portland Cement Company for a purchase price of approximately U.S.$16 million.

On July 1, 2005, we and Ready Mix USA established two jointly-owned limited liability companies, CEMEX Southeast, LLC, a cement company, and Ready Mix USA, LLC, a ready-mix concrete company, to serve the construction materials market in the southeast region of the United States. Under the terms of the limited liability company agreements and related asset contribution agreements, we contributed two cement plants (Demopolis, Alabama and Clinchfield, Georgia) and 11 cement terminals to CEMEX Southeast, LLC, representing approximately 98% of its contributed capital, while Ready Mix USA contributed cash to CEMEX Southeast, LLC representing approximately 2% of its contributed capital. In addition, we contributed our ready-mix concrete, aggregates and concrete block assets in the Florida panhandle and southern Georgia to Ready Mix USA, LLC, representing approximately 9% of its contributed capital, while Ready Mix USA contributed all its ready-mix concrete and aggregate operations in Alabama, Georgia, the Florida panhandle and Tennessee, as well as its concrete block operations in Arkansas, Tennessee, Mississippi, Florida and Alabama to Ready 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. In January 2008, we and Ready Mix USA agreed to expand the scope of the Ready-Mix USA, LLC joint venture. As part of the transaction, which closed on January 11, 2008, we contributed assets valued at approximately $260 million to the joint venture and sold additional assets to the joint venture for approximately $120 million in cash. As part of the transaction, Ready Mix USA made a $125 million cash contribution to the joint venture and the joint venture made a $135 million special distribution to us. Ready Mix USA will manage all the newly acquired assets. Following the transaction, the joint venture continues to be owned 50.01% by Ready Mix USA and 49.99% by us. 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.

In July 2005, we sold a cement terminal to the City of Detroit for approximately U.S.$24 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 (Ps817 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.$389 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.

See note 11A to our consolidated financial statements included elsewhere in this annual report.

U.S. GAAP Reconciliation

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Mexican FRS, which differ in some significant respects from U.S. GAAP. As previously indicated, until December 31, 2007, the Mexican FRS consolidated financial statements for the periods presented included the effects of inflation as provided for under Bulletin B-10 and Bulletin B-15 and were presented in constant Pesos representing the same purchasing power for each period presented, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The reconciliation to U.S. GAAP included as note 25 to our consolidated financial statements presented elsewhere in this annual report includes (i) a reconciling item for the reversal of the effect of applying the CEMEX weighted average inflation factor instead of the Mexican inflation-only factor for the restatement to constant pesos for the year ended December 31, 2003, and (ii) a reconciling item to reflect the difference in the carrying value of machinery and equipment of foreign origin and related depreciation, between (a) the methodology set forth by Mexican FRS in which fixed assets are restated using the inflation index of the assets' origin country and the variation in the foreign exchange rate between the country of origin currency and the functional currency, and (b) the amounts that would be determined by using the historical cost/constant currency method in which fixed assets are restated using the inflation index of the country that holds the asset. As described below, these provisions of inflation accounting under Mexican FRS do not meet the requirements of Rule 3-20 of Regulation S-X of the Securities and Exchange Commission. Our reconciliation does not include the reversal of other Mexican FRS inflation accounting adjustments as these adjustments represent a comprehensive measure of the effects of price level changes in the Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

Majority net income under U.S. GAAP for the years ended December 31, 2007, 2006, and 2005 amounted to Ps21,367 million, Ps26,384 million and Ps23,933 million, respectively, compared to majority net income under Mexican FRS for the years ended December 31, 2007, 2006, and 2005 of approximately Ps26,108 million, Ps27,855 million and Ps26,519 million, respectively. See note 25 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican FRS and U.S. GAAP as they relate to us and the effects that newly issued accounting pronouncements have had in our financial position.

Newly Issued Accounting Pronouncements Under U.S. GAAP

In September 2006, the FASB issued SFAS 157, Fair Value Measurement ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. SFAS 157 does not require any new fair value measures. SFAS 157 is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. We are required to adopt SFAS 157 beginning on January 1, 2008. SFAS 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. We are evaluating the impact of adopting SFAS 157 on our results of operations and financial position under U.S. GAAP.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 gives entities the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. SFAS No. 159 is effective for us beginning January 1, 2008, although early adoption was permitted. We are currently assessing the potential impact that adoption of SFAS 159 will have on its financial statements.

In December 2007, the FASB issued SFAS 141R, Business Combinations ("SFAS 141R") and SFAS 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51 ("SFAS 160"). SFAS 141R and SFAS 160 require most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at "full fair value" and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. Both Statements are effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. SFAS 141R will be applied to business combinations occurring after the effective date. SFAS 160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. CEMEX is currently evaluating the impact of adopting SFAS 141R and SFAS 160; however, CEMEX does not expect any significant effect on its results of operations and financial position.

Item 6 - Directors, Senior Management and Employees

Senior Management and Directors

Senior Management

Set forth below is the name and position of each of our executive officers as of December 31, 2007. The terms of office of the executive officers are indefinite.

Lorenzo H. Zambrano, Chief Executive Officer	Joined CEMEX in 1968. During his career with CEMEX, Mr. Zambrano has been involved in all operational aspects of our business. He held several positions in CEMEX prior to his appointment as director of operations in 1981. In 1985, Mr. Zambrano was appointed chief executive officer, and in 1995 he was elected chairman of the board of directors. Mr. Zambrano is a graduate of Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C., or ITESM, with a degree in mechanical engineering and administration and holds an M.B.A. from Stanford University.

Mr. Zambrano has been a member of our board of directors since 1979 and chairman of our board of directors since 1995. He is a member of the board of directors of IBM and the International Advisory Board of Citigroup. He is also a member of the board of directors of Fomento Económico Mexicano, S.A.B. de C.V., Grupo Financiero Banamex, S.A. de C.V., Vitro, S.A.B. and Grupo Televisa, S.A.B. Mr. Zambrano is chairman of the board of directors of Consejo de Enseñanza e Investigación Superior, A.C., which manages ITESM, and a member of the board of directors of Museo de Arte Contemporáneo de Monterrey A.C. (MARCO). Mr. Zambrano participated in the Chairman's Council of Daimler Chrysler AG until

	2005, was a member of the Stanford University's Graduate School of Business Advisory Council until 2006, of the board of directors of Vitro, S.A.B. until 2007, and of the board of directors of Alfa, S.A.B. de C.V. until 2008. In recognition of his business and philanthropic record, Mr. Zambrano has received several awards and recognitions, including the Woodrow Wilson Center's Woodrow Wilson Award for Corporate Citizenship, the America's Society Gold Medal Distinguished Service Award, and Stanford University's Graduate School of Business Alumni Association's Ernest C. Arbuckle Award. Lorenzo H. Zambrano is a first cousin of Lorenzo Milmo Zambrano and Rogelio Zambrano Lozano, both members of our board of directors, as well as of Rodrigo Treviño, our chief financial officer.
Héctor Medina, Executive Vice President of Planning and Finance	Joined CEMEX in 1988. He has held several positions in CEMEX, including director of strategic planning from 1991 to 1994, president of CEMEX México from 1994 to 1996, and has served as executive vice president of planning and finance since 1996. He is a graduate of ITESM with a degree in chemical engineering and administration. He also received a Masters of Science degree in Management Studies from the Management Center of the University of Bradford in England, and a Masters of Science diploma in Operations Research from the Escuela de Organización Industrial in Spain. Among the positions he previously held are those of Project Director at Grupo Protexa, S.A. de C.V., Administrative Director at Grupo Xesa, S.A. de C.V., Commercial Director at Direcplan, S.A., and Industrial Relations Sub-Director at Hylsa, S.A. de C.V. Mr. Medina is a member of the board of directors of Cementos Chihuahua, Compañía Minera Autlán, Mexifrutas, S.A. de C.V. and Banco de Ahorro FAMSA. Mr. Medina is also chairman of the board of directors of Universidad Regiomontana, member of the oversight board of Enseñanza e Investigación Superior A.C. and ITESM, and of the advisory board of Nacional Monte de Piedad.
Armando J. García Segovia, Executive Vice President of Development	Initially joined CEMEX in 1975 and rejoined CEMEX in 1985. He has served as director of operational and strategic planning from 1985 to 1988, director of operations from 1988 to 1991, director of corporate services and affiliate companies from 1991 to 1994,

director of development from 1994 to 1996, general director of development from 1996 to 2000, and executive vice president of development since 2000. He is a graduate of ITESM with a degree in mechanical engineering and administration and holds an M.B.A. from the University of Texas. He was employed at Cydsa, S.A. from 1979 to 1981 and at Conek, S.A. de C.V. from 1981 to 1985.

Mr. García has been a member of our board of directors since 1983. He also serves as a member of the board of directors of Grupo Cementos de Chihuahua, S.A.B. de C.V., GCC Cemento, S.A. de C.V., and COPARMEX N.L. He is a member of the board and former chairman of the Private Sector Center for Sustainable Development Studies (Centro de Estudios del Sector Privado para el Desarrollo Sostenible), and member of the board of the World Environmental Center. He is also founder and chairman of the board of Comenzar de Nuevo, A.C.

	He is a brother of Jorge García Segovia, an alternate member of our board of directors, and a first cousin of Rodolfo García Muriel, a member of our board of directors.
Victor Romo, Executive Vice President of Administration	Joined CEMEX in 1985 and has served as director of administration of CEMEX España from 1992 to 1994, general director of administration and finance of CEMEX España from 1994 to 1996, president of CEMEX Venezuela from 1996 to 1998, president of the South American and Caribbean region from 1998 to May 2003, and executive vice president of administration since May 2003. He is a certified public accountant and holds a master's degree in administration and finance from ITESM. Previously, he worked for Grupo Industrial Alfa, S.A. de C.V. from 1979 to 1985.
Francisco Garza, President of CEMEX North America Region and Trading	Joined CEMEX in 1988 and has served as director of trading from 1988 to 1992, president of CEMEX USA from 1992 to 1994, president of CEMEX Venezuela from 1994 to 1996 and Cemento Bayano from 1995 to 1996, and president of CEMEX México and CEMEX USA from 1996 to 1998. In 1998, he was appointed president of the North American region and trading. He is a graduate in business administration from ITESM and holds an M.B.A. from the Johnson School of Management at Cornell University.
Fernando Gonzalez, President of the Europe, Middle East, Africa and Asia Region	Joined CEMEX in 1989, and has served as corporate vice-president of strategic planning from 1994 to 1998, president of CEMEX Venezuela from 1998 to 2000, president of CEMEX Asia from 2000 to May 2003, and president of the South American and Caribbean region from May 2003 to February 2005. In March 2005, he was appointed president of the expanded European Region, and in February 2007 was appointed president of the Europe, Middle East, Africa, Asia and Australia Region. Mr. Gonzalez earned his B.A. and M.B.A. degrees from ITESM.
Juan Romero, President of CEMEX South America and the Caribbean	Joined CEMEX in 1989 and has occupied several senior management positions, including president of CEMEX Colombia and president of CEMEX Mexico. In March 2005, Mr. Romero became president of the South America and Caribbean region. Mr. Romero graduated from Universidad de Comillas in Spain, where he studied Law and Economic and Enterprise Sciences.
Rodrigo Treviño, Chief Financial Officer	Joined CEMEX in 1997 and has served as chief financial officer since then. He holds both bachelor and master of

	science degrees in industrial engineering from Stanford University. Prior to joining CEMEX, he served as the country corporate officer for Citicorp/Citibank Chile from 1995 to 1996, and worked at Citibank, N.A. from 1979 to 1994. Rodrigo Treviño is a first cousin of Lorenzo H. Zambrano, our chief executive officer and chairman of our board of directors.
Ramiro G. Villarreal, General Counsel	Joined CEMEX in 1987 and has served as general counsel since then, and also has served as secretary of our board of directors since 1995. He is a graduate of the Universidad Autónoma de Nuevo León with a degree in law. He also received a masters of science degree in finance from the University of Wisconsin. Prior to joining CEMEX, he served as assistant general director of Grupo Financiero Banpais from

1985 to 1987.

Board of Directors

Set forth below are the names of the members of our board of directors. The members of our board of directors serve for one-year terms. At our 2007 annual shareholders' meeting held on April 24, 2008, our shareholders re-elected all the members of our board of directors to serve until the next annual shareholders' meeting.

Lorenzo H. Zambrano, Chairman	See "— Senior Management."
Lorenzo Milmo Zambrano	Has been a member of our board of directors since 1977. He is also chief executive officer of Inmobiliaria Ermiza, S.A. de C.V. He is a first cousin of Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer, a first cousin of Rogelio Zambrano Lozano, a member of our board of directors, and an uncle of Tomas Milmo Santos, an alternate member of our board of directors.
Armando J. García Segovia	See "— Senior Management."
Rodolfo García Muriel	Has been a member of our board of directors since 1985. He is the chief executive officer of Compañía Industrial de Parras, S.A. de C.V. and Parras Cone de México, S.A. de C.V. He is a member of the board of directors of Parras Williamson, S.A. de C.V., Telas de Parras, S.A. de C.V., Synkro, S.A. de C.V., IUSA-GE, S. de R.L., Industrias Unidas, S.A., Apolo Operadora de Sociedades de Inversión, S.A. de C.V., and Cambridge Lee Industries, Inc. Mr. García Muriel is also vice president of the Textile Industry National Chamber (Cámara Nacional de la Industria Textil). He is a first cousin of Armando J. García Segovia, executive vice president of development of CEMEX and a member of our board of directors, and Jorge García Segovia, an alternate member of our board of directors.
Rogelio Zambrano Lozano	Has been a member of our board of directors since 1987. He is also a member of the advisory board of Grupo Financiero Banamex Accival, S.A. de C.V. Zona Norte, and member of the boards of directors of Carza, S.A. de C.V., Plaza Sesamo, S.A. de C.V., Hospital San José, and ITESM. He is a first cousin of Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer, a first cousin of Lorenzo Milmo Zambrano, a member of our board of directors, and an uncle of Tomás Milmo Santos, an alternate member of our board of directors.

Roberto Zambrano Villarreal	Has been a member of our board of directors since 1987. He was president of our audit committee from 2002 to 2006, and has been president of our corporate practices and audit committee since 2006. He is also a member of the board of directors of CEMEX México, S.A. de C.V. He is chairman of the board of directors of Desarrollo Integrado, S.A. de C.V., Administración Ficap, S.A. de C.V., Aero Zano, S.A. de C.V., Ciudad Villamonte, S.A. de C.V., Focos, S.A. de C.V., C & I Capital, S.A. de C.V., Industrias Diza, S.A. de C.V., Inmobiliaria Sanni, S.A. de C.V., Inmuebles Trevisa, S.A. de C.V., Servicios Técnicos Hidráulicos, S.A. de C.V., Mantenimiento Integrado, S.A. de C.V., Pilatus PC-12 Center de México, S.A. de

	C.V., and Pronatura A.C. He is a member of the board of directors of S.L.I. de México, S.A. de C.V., and Compañía de Vidrio Industrial, S.A. de C.V. He is a brother of Mauricio Zambrano Villarreal, a member of our board of directors and of our corporate practices and audit committee.
Bernardo Quintana Isaac	Has been a member of our board of directors since 1990. He is chairman of the board of directors of Empresas ICA, S.A.B de C.V., where he was also chief executive officer until December, 2006. Mr. Quintana Isaac is president of Grupo Aeroportuario del Centro Norte, S.A. de C.V., and member of the board of directors of Grupo Financiero Banamex, S.A. de C.V., Banco Nacional de México, S.A., and Grupo Maseca, S.A.B. de C.V. He is also a member of the Mexican Council of Businessmen (Consejo Mexicano de Hombres de Negocios), president of the Foundation for Mexican Letters (Fundación para las Letras Mexicanas), Fundación UNAM, Fundación ICA, and Patronato UNAM.
Dionisio Garza Medina	Has been a member of our board of directors since 1995. He is chairman of the board and chief executive officer of Alfa, S.A.B. de C.V. He is also chairman of the executive board of the Universidad de Monterrey and a member of the Mexican Council of Businessmen (Consejo Mexicano de Hombres de Negocios), the advisory committee of the David Rockefeller Center for Latin American Studies of Harvard University, the board of dean advisors of Harvard Business School, the Advisory Council of Stanford's Engineering School, and the advisory committee of the New York Stock Exchange.
Alfonso Romo Garza	Has been a member of our board of directors since 1995, member of our Audit Committee from 2002 to 2006, and member of our Corporate Practices and Audit Committee since 2006. He is chairman of the board and chief executive officer of Savia, S.A.B. de C.V. and member of the boards of Grupo Maseca, S.A.B. de C.V., The Donald Danforth Plant Science Center, and Synthetic Genomics, among others.
Mauricio Zambrano Villarreal	Has been a member of our board of directors since 2001, and member of our corporate practices and audit committee since 2006. Mr. Zambrano Villarreal served as an alternate member of our board of directors from 1995 to 2001. He is also general vice-president of Desarrollo Integrado, S.A. de C.V., chairman of the board

	of directors of Empresas Falcón, S.A. de C.V., Alimentos Selectos Falcón, S.A. de C.V., and Trek Associates, Inc., secretary of the board of directors of Administración Ficap, S.A. de C.V., Aero Zano, S.A. de C.V., Ciudad Villamonte, S.A. de C.V., Focos, S.A. de C.V., Compañía de Vidrio Industrial, S.A. de C.V., C & I Capital, S.A. de C.V., Industrias Diza, S.A. de C.V., Inmuebles Trevisa, S.A. de C.V., and Servicios Técnicos Hidráulicos, S.A. de C.V., and member of the board of directors of Invercap Holdings, S.A. de C.V. He is a brother of Roberto Zambrano Villarreal, a member of our board of directors and president of our corporate practices and audit committee.
Tomás Brittingham Longoria	Has been a member of our board of directors since 2002. Previously served as an alternate member of our board of directors from 1987 until 2002. He was a member of our Audit Committee from 2002 to

	2006, and has been a member of our Corporate Practices and Audit Committee since 2006. He is chief executive officer of Laredo Autos, S.A. de C.V. He is a son of Eduardo Brittingham Sumner, an alternate member of our board of directors.
José Manuel Rincón Gallardo	Has been a member of our board of directors since 2003. He is also the board's "financial expert" and a member of our Corporate Practices and Audit Committee. He is president of the board of directors of Sonoco de México, S.A. de C.V., member of the board of directors and audit committee of Grupo Financiero Banamex, S.A. de C.V., Grupo Herdez, S.A. de C.V., General de Seguros, S.A.B., Kansas City Southern, and Grupo Aeroportuario del Pacífico, S.A. de C.V., and member of the board of directors of Laboratorio Sanfer-Hormona. Mr. Rincón Gallardo is a member of the Mexican Institute of Public Accountants (Instituto Mexicano de Contadores Públicos, A.C.), and the Mexican Instituto of Finance Executives (Instituto Mexicano de Ejecutivos de Finanzas, A.C.). Mr. Rincón Gallardo was managing partner of KPMG Mexico, and was a member of the board of directors of KPMG United States and KPMG International.
Tomás Milmo Santos	Has been a member of our board of directors since 2006. Mr. Milmo Santos served as an alternate member of our board of directors from 2001 to 2006. He is chief executive officer and president of the board of directors of Axtel, S.A.B. de C.V., a telecommunications company that operates in the local, long distance and data transfer market. He is also a member of the board of directors of Cemex México, HSBC Mexico, and ITESM. Mr. Milmo Santos is a nephew of Lorenzo H. Zambrano, our chief executive officer and chairman of our board of directors, and a nephew of Lorenzo Milmo Zambrano and Rogelio Zambrano Lozano, both members of our board of directors.

Alternate Directors

Set forth below are the names of the alternate members of our board of directors. The alternate members of our board serve for one-year terms.

Eduardo Brittingham Sumner	Has been an alternate member of our board of directors since 2002. Previously served as a regular member of our board of directors from 1967 until 2002. He is also general director of Laredo Autos, S.A. de C.V., Auto

	Express Rápido Nuevo Laredo, S.A. de C.V., Consorcio Industrial de Exportación, S.A. de C.V., and an alternate member of the board of directors of Vitro, S.A.B. He is the father of Tomás Brittingham Longoria, a member of our board of directors.
Jorge García Segovia	Has been an alternate member of our board of directors since 1985. He is also a member of the board of directors of Compañía Industrial de Parras, S.A.B. de C.V., Compañía Minera Autlán, S.A.B. de C.V., and Hoteles City Express, S.A. de C.V. He is a brother of Armando J. García Segovia, our executive vice president of development and a member of our board of directors, and first cousin of Rodolfo García Muriel, a member of our board of directors.
Luis Santos de la Garza	Has been an alternate member of our board of directors since 2006. Previously, he served as statutory examiner (comisario) from 1989 to 2006. Mr. Santos de la Garza was federal senator for the State of

	Nuevo León, from 1997 to 2000, and was an advisor to the Legal Counsel of the Mexican President from 2001 to 2002. He is a founding partner of the law firm Santos-Elizondo-Cantú-Rivera-González-De la Garza-Mendoza, S.C.
Fernando Ruiz Arredondo	Has been an alternate member of our board of directors since 2006. Previously, he served as alternate statutory examiner (comisario suplente) from 1981 to 2006. Mr. Ruiz Arredondo is also a member of the board of directors of Value Grupo Financiero, S.A. de C.V.

Board Practices

In compliance with the new Mexican securities markets law (Ley del Mercado de Valores), which was enacted on December 28, 2005 and became effective on June 28, 2006, our shareholders approved, at a general extraordinary meeting of shareholders held on April 27, 2006, a proposal to amend various articles of our by-laws, or estatutos sociales, in order to improve our standards of corporate governance and transparency, among other matters. The amendments include outlining the fiduciary duties of the members of our board of directors, who are now required:

- to perform their duties in a value-creating manner for the benefit of CEMEX without favoring a specific shareholder or group of shareholders;
- to act diligently and in good faith by adopting informed decisions; and
- to comply with their duty of care and loyalty, abstaining from engaging in illicit acts or activities.

The new law also eliminated the position of statutory examiner, whose duties of surveillance are now the responsibility of the board of directors, fulfilled through the new corporate practices and audit committee, as well as through the external auditor who audits the entity's financial statements, each within its professional role. With its new surveillance duties, our board of directors is no longer in charge of managing CEMEX; instead, this is the responsibility of our chief executive officer.

Pursuant to the new law and our by-laws, at least 25% of our directors must qualify as independent directors.

We have not entered into any service contracts with our directors that provide for benefits upon termination of employment.

The Corporate Practices and Audit Committee

The new Mexican securities market law required us to create, in addition to our then existing audit committee, a corporate practices committee comprised entirely of independent directors. In compliance with this new requirement, we increased the responsibilities of our audit committee and changed its name to "corporate practices and audit committee." Effective as of July 3, 2006, our corporate practices and audit committee is responsible for:

- evaluating our internal controls and procedures, and identifying material deficiencies;

- following up with corrective and preventive measures in response to any non-compliance with our operation and accounting guidelines and policies;
- evaluating the performance of our external auditors;
- describing and valuing non-audit services performed by our external auditor;
- reviewing our financial statements;
- assessing the effects of any modifications to the accounting policies approved during any fiscal year;
- overseeing measures adopted as a result of any observations made by our shareholders, directors, executive officers, employees or any third parties with respect to accounting, internal controls and internal and external audit, as well as any complaints regarding management irregularities, including anonymous and confidential methods for addressing concerns raised by employees;
- ensuring that resolutions adopted at our shareholders' or board of directors' meetings are executed;
- evaluating the performance of our executive officers;
- reviewing related party transactions;
- reviewing the compensation paid to our executive officers; and
- evaluating waivers granted to our directors or executive officers regarding seizure of corporate opportunities.

Under our bylaws and Mexican securities laws, all members of the corporate practices and audit committee, including its president, are required to be independent directors.

Set forth below are the names of the members of our current corporate practices and audit committee. The terms of the members of our corporate practices and audit committee are indefinite, and members may only be removed by a resolution of the board of directors. José Manuel Rincón Gallardo qualifies as an "audit committee financial expert." See "Item 16A—Audit Committee Financial Expert."

Roberto Zambrano Villarreal President	See "—Board of Directors."
José Manuel Rincón Gallardo	See "—Board of Directors."
Tomás Brittingham Longoria	See "—Board of Directors."

Alfonso Romo Garza	See "—Board of Directors."
Mauricio Zambrano Villarreal	See "—Board of Directors."

Compensation of Our Directors and Members of Our Senior Management

For the year ended December 31, 2007, the aggregate amount of compensation we paid, or our subsidiaries paid, to all members of our board of directors, alternate members of our board of directors and senior managers, as a group, was approximately U.S.$31 million. Approximately U.S.$11 million of this amount was paid as base compensation, U.S.$17 million was paid to purchase 3,145,615 CPOs pursuant to the Restricted Stock Incentive Plan, or RSIP, described below under "— Restricted Stock Incentive Plan (RSIP)," and approximately U.S.$3 million as executive performance bonuses.

Several key executives also participate in a bonus plan that distributes a bonus pool based on our operating performance. This bonus is calculated and paid annually, a portion in cash and another portion in restricted CPOs under a RSIP, according to responsibility level.

Employee Stock Option Plan (ESOP)

In 1995, we adopted an employee stock option plan, or ESOP, under which we were authorized to grant members of our board of directors, members of our senior management and other eligible employees options to acquire our CPOs. Our obligations under the plan are covered by shares held in a trust created for such purpose (initially 216,300,000 shares). As of December 31, 2007, after giving effect to the exchange programs of November 2001 and February 2004 described below, and the exercise of options that has occurred through that date, options to acquire 4,904,103 CPOs remained outstanding, with a weighted average exercise price of approximately Ps7.02 per CPO, and a weighted average remaining tenure of approximately 1.5 years.

In November 2001, starting with the 2001 voluntary exchange program described below, we incorporated new features to our ESOP, including an escalating strike price in dollars, increasing at an annual rate of 7%, adjusted downward by dividends paid. Options under this amended ESOP were hedged by non-dilutive equity forward contracts.

In February and December 2004, in the context of the voluntary exchange program and the voluntary early exercise program described below, we further amended our ESOP. The amendments provided, among other things, that the options would be automatically exercised at predetermined prices per CPO; if, at any time during the life of the options, the CPO closing market price reached or exceeded those predetermined prices. As of December 31, 2007, all predetermined prices had been reached and, therefore, all options under the amended ESOP with predetermined exercise prices had been automatically exercised. Under the terms of the amended ESOP, all gains realized through exercise of the options were invested in restricted CPOs. The restricted CPOs received upon exercise of the options are held in a trust on behalf of each employee. The restrictions gradually lapse, at which time the CPOs become freely transferable and the employee may withdraw them from the trust.

CEMEX, Inc. ESOP

As a result of the acquisition of CEMEX, Inc. (formerly Southdown, Inc.) in November 2000, we established a stock option program for CEMEX, Inc.'s executives for the purchase of our ADSs. The options granted under the program have a fixed exercise price in Dollars equivalent to the average market price of one ADS during a six month period before the grant date and have a 10-year term. Twenty-five percent of the options vested annually during the first four years after their grant date. The options are covered using shares currently owned by our subsidiaries, thus potentially increasing stockholders' equity and the number of shares outstanding. As of December 31, 2007, considering the options granted since 2001, and the exercise of options that has occurred through that date, options to acquire 1,690,848 ADSs remained outstanding under this program. These options have a weighted average exercise price of approximately U.S.$1.34 per CPO, or U.S.$13.40 per ADS as each ADS currently represents 10 CPOs.

Stock options activity during 2006 and 2007, the balance of options outstanding as of December 31, 2006 and 2007 and other general information regarding our stock option programs, is presented in note 17 to our consolidated financial statements included elsewhere in this annual report.

As of December 31, 2007, the following ESOP options to purchase our securities were outstanding:

Title of security underlying options	Number of CPOs or CPO equivalents underlying options	Expiration Date	Range of exercise prices per CPO or CPO equivalent
CPOs (Pesos)	4,904,103	2008-2011	Ps5.1 – 8.7
CPOs (Dollars) (may be instantly cash-settled)	6,718,048	2011-2013	U.S.$1.2 – .$1.7
CPOs (Dollars) (receive restricted CPOs)	65,474,573	2012	U.S.$2
CEMEX, Inc. ESOP	16,908,480	2011-2015	U.S.$1.0 – U.S.$1.9

As of December 31, 2007, our senior management and directors held the following ESOP options to acquire our securities:

Title of security underlying options	Number of CPOs or CPO equivalents underlying options	Expiration Date	Range of exercise prices per CPO or CPO equivalent
CPOs (Dollars) (receive restricted CPOs)	10,110,620	2012	U.S.$2

As of December 31, 2007, our employees and former employees, other than senior management and directors, held the following ESOP options to acquire our securities:

Title of security underlying options	Number of CPOs or CPO equivalents underlying options	Expiration Date	Range of exercise prices per CPO or CPO equivalent
CPOs (Pesos)	4,904,103	2008-2011	Ps5.1-8.7
CPOs (Dollars) (may be instantly cash-settled)	6,718,048	2011-2013	U.S.$1.2-1.7
CPOs (Dollars) (receive restricted CPOs)	55,363,953	2012	U.S.$ 2
CEMEX, Inc. ESOP	16,908,480	2011-2015	U.S.$ 1.0- U.S.$ 1.9

The November 2001 Voluntary Exchange Program

In November 2001, we implemented a voluntary exchange program to offer participants in our ESOP new options in exchange for their existing options. The new options had an escalating strike price in Dollars and were hedged by our equity forward contracts, while the old options had a fixed strike price in Pesos. The executives who participated in this program exchanged their options to purchase CPOs at a weighted average strike price of Ps34.11 per CPO, for cash equivalent to the intrinsic value on the exchange date and new options to purchase CPOs with an escalating dollar strike price set at U.S.$4.93 per CPO as of December 31, 2001, growing by 7% per annum less dividends paid on the CPOs. Of the old options, 57,448,219 (approximately 90.1%) were exchanged for new options in the voluntary exchange program and 8,695,396 were not exchanged. In the context of the program, 81,630,766 new options were issued, in addition to 7,307,039 of the new options that were purchased by participants under a voluntary purchase option that was also part of the exchange. As of December 31, 2007, considering the options granted under the program, the exercise of options through that date, the result of the February 2004 exchange program described below and the 2004 voluntary early exercise program, 1,376,347 options to acquire 6,718,048 CPOs remained outstanding under this program, with a weighted average exercise price of approximately U.S.$1.43 per CPO. As of December 31, 2007, the outstanding options under this program had a remaining tenure of approximately 4.3 years.

The February 2004 Voluntary Exchange Program

In February 2004, we implemented a voluntary exchange program to offer ESOP participants, as well as holders of options granted under our existing voluntary employee stock option plan, or VESOP, new options in exchange for their existing options. Under the terms of the exchange offer, participating employees surrendered their options in exchange for new options with an initial strike price of U.S.$5.05 per CPO and a life of 8.4 years, representing respectively the weighted average strike price and maturity of existing options. The strike price of the new options increased annually at a 7% rate, less dividends paid on the CPOs. Holders of these options were entitled to receive an annual payment of U.S.$0.10 net of taxes per option outstanding as of the payment date until exercise or maturity of the options, which was scheduled to grow annually at a 10% rate.

The new options were exercisable at any time at the discretion of their holders, and would be automatically exercised if, at any time during the life of the options, the closing CPO market price reached U.S.$7.50. Any gain realized through the exercise of these options was required to be invested in restricted CPOs at a 20% discount to market. The restrictions would be removed gradually within a period of between two and four years, depending on the exercise date.

As a result of the voluntary exchange offer, 122,708,146 new options were issued in exchange for 114,121,358 existing options, which were subsequently cancelled. All options not exchanged in the offer maintained their existing terms and conditions.

On January 17, 2005, the closing CPO market price reached U.S.$7.50 and, as a result, all existing options under this program were automatically exercised. Holders of these options received the corresponding gain in restricted CPOs, as described above.

The 2004 Voluntary Early Exercise Program

In December 2004, we offered ESOP and VESOP participants new options, conditioned on the participants exercising and receiving the intrinsic value of their existing options. As a result of this program, 120,827,370 options from the February 2004 voluntary exchange program, 16,580,004 options from other ESOPs, and 399,848 options from VESOP programs were exercised, and we granted a total of 139,151,236 new options. The new options had an initial strike price of US$7.4661 per CPO, which was US$0.50 above the closing CPO market price on the date on which the old options were exercised, and which increased at a rate of 5.5% per annum. All gains from the exercise of these new options would be paid in restricted CPOs. The restrictions would be removed gradually within a period of between two and four years, depending on the exercise date.

The new options could be exercised at any time at the discretion of their holders. Of the 139,151,236 new options, 120,827,370 would be automatically exercised if the closing CPO market price reached U.S.$8.50, while the remaining 18,323,866 options did not have an automatic exercise threshold. Holders of these options were entitled to receive an annual payment of US$0.10 net of taxes per option outstanding as of the payment date until exercise or maturity of the options or until the closing CPO market price reached U.S.$8.50, which payment was scheduled to grow annually at a 10% rate.

On June 17, 2005, the closing CPO market price reached U.S.$8.50, and, as a result, all outstanding options subject to automatic exercise were automatically exercised and the annual payment to which holders of the remaining options were entitled was terminated.

For accounting purposes under Mexican FRS and U.S. GAAP, as of December 31, 2007, we accounted for the options granted under the February 2004 voluntary exchange program by means of the fair value method through earnings. See notes 3T and 17 to our consolidated financial statements included elsewhere in this annual report.

Voluntary Employee Stock Option Plan (VESOP)

During 1998, 1999, 2002 and 2003, we established voluntary employee stock option plans, or VESOPs, pursuant to which managers and senior executives elected to purchase options to CPOs. As of December 31, 2007, there were 5,000 options to acquire 50,605 CPOs, with an exercise price of U.S.$ 1.7039 per CPO and a remaining life of approximately three years, outstanding from options sold to executives under a VESOP in April 2002.

As of December 31, 2007, no member of our senior management or board of directors held any VESOP options to acquire our securities.

Restricted Stock Incentive Plan (RSIP)

Since January 2005, we have been changing our long-term variable compensation programs from stock option grants to restricted stock awards under a Restricted Stock Incentive Plan, or RSIP. Under the terms of the RSIP, eligible employees are allocated a specific number of restricted CPOs as variable compensation to be vested over a four-year period. Before 2006, we distributed annually to a trust an amount in cash sufficient to purchase in the market, on behalf of each eligible employee, 25% of such employee's allocated number of CPOs. During 2006, in order to reduce the volatility of our RSIP, we began to distribute annually an amount in cash sufficient to purchase 100% of the allocated CPOs for each eligible employee. Although the vesting period of the restricted CPOs and other features of the RSIP did not change as a result of this new policy, the nominal amount of annual compensation received by eligible employees increased in proportion to the additional number of CPOs received as a result of the new policy. The CPOs purchased by the trust will be held in a restricted account by the trust on behalf of each employee for one year. At the end of the one-year period the restrictions will lapse, at which time the CPOs will become freely transferable and the employee may withdraw them from the trust.

During 2007, approximately 13,628,916 CEMEX CPOs were purchased by the trust on behalf of eligible employees pursuant to the Restricted Stock Incentive Plan, of which approximately 3,147,615 million were purchased for members of our senior management and board of directors.

Employees

As of December 31, 2007, we had approximately 66,612 employees worldwide, which represented an increase of 21% from year-end 2006. This increase in employees was mainly attributable to the Rinker acquisition completed in 2007.

The following table sets forth the number of our full-time employees and a breakdown of their geographic location at the end of each of the last three fiscal years:

	2005	2006	2007

North America			
Mexico	13,044	15,130	16,571
United States	9,657	9,109	16,389
Europe			
Spain	2,838	3,102	3,151
United Kingdom	6,237	6,376	5,549
Rest of Europe	10,714	11,034	11,226

	2005	2006	2007
South America, Central America and the Caribbean	6,309	6,290	7,158
Africa and the Middle East	2,364	2,416	2,523
Asia	1,511	1,448	1,324
Australia			2,721

Employees in Mexico have collective bargaining agreements on a plant-by-plant basis, which are renewable on an annual basis with respect to salaries and on a biannual basis with respect to benefits. During 2007, more than 330 contracts with different labor unions were renewed.

Approximately 31% of our employees in the United States are represented by unions, with the largest number being members of the International Brotherhood of Teamsters, the Laborers' Union of North America, the International Brotherhood of Boilermakers, and the International Union of Operating Engineers. Collective bargaining agreements are in effect at all our U.S. plants and have various expiration dates from 2008 through 2013.

Our Spanish union employees have contracts that are renewable every two to three years on a company-by-company basis. Employees in the ready-mix concrete, mortar, aggregates and transport sectors have collective bargaining agreements by sector. Executive compensation in Spain is subject to our institutional policies and influenced by the local labor market.

In the United Kingdom, our cement, roof tiles and logistics operations have collective bargaining agreements with the Unite union (following the merger of the Transport & General Workers union and Amicus union). The rest of our operations in the United Kingdom are not part of collective bargaining agreements; however, there are local agreements for consultation and employee representation with Unite union, and the GMB union (Britain's general labor union).

In Germany, most of our operations have collective bargaining agreements with the Industriegewerkschaft - BAUEN AGRAR UMWELT - IG B.A.U. union. In addition to the collective bargaining agreements, there are internal company agreements, negotiated between the workers council and the company itself.

In France, less than 20% of our employees are members of one of the five main unions. Each union is represented in the company mainly in Paris and in Southern France. All agreements are negotiated with unions and non-union representatives elected in the local workers council (Comité d'Entreprise).

In Venezuela, each of our subsidiary companies operating our cement plants has its own union, and each company has separately negotiated three-year labor contracts with the union employees of the relevant plants.

In Colombia, a single union represents the union employees of the Bucaramanga and Cucuta cement plants. There are also collective agreements with non-union workers at the Caracolito/Ibagué cement plant, Santa Rosa cement plant and all ready-mix concrete plants in Colombia.

In Australia, 2,300 of our 2,667 employees are covered by 54 industrial agreements. 1,542 employees are covered by agreements with the CSR and Rinker (which name is expected to be changed to CEMEX soon) Salaried Staff Association, 758 employees are covered by other unions (Australian Workers Union and Transport Workers Union), and a small number have non-union agreements. Twelve agreements will be renewed in 2008. Confidentiality of union membership under Australian law prevents estimates of the number of employees who are members of a union (either with external unions or with the Staff Association).

Overall, we consider our relationships with labor unions representing our employees to be satisfactory.

Share Ownership

As of April 15, 2008, our senior management and directors and their immediate families owned, collectively, approximately 4.52% of our outstanding shares, including shares underlying stock options and restricted CPOs under our ESOPs. This percentage does not include shares held by the extended families of members of our senior management and directors, since to the best of our knowledge, no voting arrangements or other agreements exist with respect to those shares. No individual director or member of our senior management beneficially owned one percent or more of any class of our outstanding capital stock.

Item 7 - Major Shareholders and Related Party Transactions

Major Shareholders

Based upon information contained in a statement on Schedule 13G filed with the Securities and Exchange Commission on February 13, 2008, as of December 31, 2007, Southeastern Asset Management, Inc., an investment adviser registered under the U.S. Investment Advisers Act of 1940, as amended, beneficially owned 62,020,789 ADSs and 15,489,485 CPOs, representing a total 635,697,375 CPOs or approximately 7.9% of our then outstanding capital stock. Southeastern Asset Management, Inc. does not have voting rights different from our other non-Mexican holders of CPOs.

Based upon information contained in a statement on Schedule 13G filed with the Securities and Exchange Commission on February 13, 2008, as of December 31, 2007, Dodge & Cox, an investment adviser registered under the U.S. Investment Advisers Act of 1940, as amended, beneficially owned 48,954,037 ADSs and 0 CPOs, representing a total 489,540,370 CPOs or approximately 6.2% of our then outstanding capital stock. Dodge & Cox does not have voting rights different from our other non-Mexican holders of CPOs.

Other than Southeastern Asset Management, Inc. and Dodge & Cox, the CPO trust and the shares and CPOs owned by our subsidiaries, we are not aware of any person that is the beneficial owner of five percent or more of any class of our voting securities.

As of March 31, 2008, our outstanding capital stock consisted of 16,157,434,672 Series A shares and 8,078,717,336 Series B shares, in each case including shares held by our subsidiaries.

As of March 31, 2008, a total of 15,680,661,392 Series A shares and 7,840,330,696 Series B shares were held by the CPO trust. Each CPO represents two Series A shares and one Series B share. A portion of the CPOs is represented by ADSs. Under the terms of the CPO trust agreement, non-Mexican holders of CPOs and ADSs have no voting rights with respect to the A shares underlying those CPOs and ADSs. All ADSs are deemed to be held by non-Mexican nationals. At every shareholders' meeting, the A shares held in the CPO trust are voted in accordance with the vote cast by holders of the majority of A shares held by Mexican nationals and B shares voted at that meeting of shareholders.

As of March 31, 2008, through our subsidiaries, we owned approximately 569.4 million CPOs, representing approximately 7.3% of our outstanding CPOs and 7.0% of our outstanding voting stock. These CPOs are voted at the direction of our management. From time to time, our subsidiaries are active participants in the trading market for our capital stock; as a result, the levels of our CPO and share ownership by those subsidiaries are likely to fluctuate. Our voting rights over those CPOs are the same as those of any other CPO holder. As of the same date, an additional 47 million CPOs, representing approximately 0.6% of our outstanding CPOs and 0.6% of our outstanding voting stock, were held in a derivative instrument hedging expected cash flows of stock options exercises in the short and medium term.

Our by-laws, or estatutos sociales, provide that our board of directors must authorize in advance any transfer of voting shares of our capital stock that would result in any person, or group acting in concert, becoming a holder of 2% or more of our voting shares.

Mexican securities regulations provide that our majority-owned subsidiaries may neither directly or indirectly invest in our CPOs nor other securities representing our capital stock. The Mexican securities authority could require any disposition of the CPOs or of other securities representing our capital stock so owned and/or impose fines on us if it were to determine that the ownership of our CPOs or of other securities representing our capital stock by our subsidiaries, in most cases, negatively affects the interests of our shareholders. Notwithstanding the foregoing, the exercise of all rights pertaining to our CPOs or to other securities representing our capital stock in accordance with the instructions of our subsidiaries does not violate any provisions of our bylaws or the bylaws of our subsidiaries. The holders of these CPOs or of other securities representing our capital stock are entitled to exercise the same rights relating to their CPOs or their other securities representing our capital stock, including all voting rights, as any other holder of the same series.

As of March 24, 2008, we had 175,268 ADS holders of record in the United States, holding approximately 61.9% of our outstanding CPOs.

On April 27, 2006, our shareholders approved a stock split, which occurred on July 17, 2006. In connection with the stock split, each of our existing series A shares was surrendered in exchange for two new series A shares, and each of our existing series B shares was surrendered in exchange for two new series B shares. Concurrent with this stock split, we authorized the amendment of the CPO trust agreement pursuant to which our CPOs are issued to provide for the substitution of two new CPOs for each of our existing CPOs, with each new CPO representing two new series A shares and one new series B share. In connection with the stock split and at our request, Citibank, N.A., as depositary for the ADSs, distributed one additional ADS for each ADS outstanding as of the record date for the stock split. The ratio of CPOs to ADSs did not change as a result of the stock split; each ADS represents ten new CPOs following the stock split and the CPO trust amendment. The proportional equity interest participation of existing shareholders did not change as a result of the stock split. The financial data set forth in this annual report have been adjusted to give effect to the stock split.

Related Party Transactions

Mr. Bernardo Quintana Isaac, a member of our board of directors, is chief executive officer and chairman of the board of directors of Grupo ICA, S.A. de C.V., or Grupo ICA, a large Mexican construction company. In the ordinary course of business, we extend financing to Grupo ICA for varying amounts at market rates, as we do for our other customers.

In the past, we have extended loans of varying amounts and interest rates to our directors and executives. During 2007 and as of May 31, 2008, we did not have any outstanding loans to any of our directors or members of senior management.

ItemFinancial Information
8 -

Consolidated Financial Statements and Other Financial Information