

**Remarks by Lorenzo Zambrano
Chairman and CEO
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Good morning and welcome to CEMEX DAY.

It's good to see many new faces as well as some old ones. I also want to welcome all of you who are joining us around the world on the web.

Those of you who have been with us in the past know that we have two overarching reasons for hosting this event:

First, to share with you management's perspectives on where we are and where we are going. We want to expose you to our thinking about our portfolio of businesses around the world, as they exist today and as they might exist in the future.

Second, to give you the opportunity to discuss the details of our operations with me and the rest of CEMEX's executive team, both during formal presentations and over meals and during breaks. I can't guarantee that we will answer all your questions, but—within legal constraints—we will do our best.

We are going to cover many issues today, but all of them come back to a single theme. For years CEMEX has created shareholder value by growing—from a local Mexican cement company more than a century ago to a vertically-integrated global building materials company today. Growth is in our DNA; it's who we are.

Obviously, the profound crisis of the past years interrupted that performance. Thus, in the short run, nothing is more important than reducing our debt and strengthening our balance sheet. Let me say it as clearly as possible: we will continue to meet all our commitments to the financial community.

However, regaining our long-term track record of delivering profitable growth is also important. That will take time, and will require significant changes in how we do business—changes we have already begun to implement. Today we will talk about some of these changes as well as new initiatives we have launched. These range from investing in a cement plant in Peru with financial partners, to developing new specialty ready mix and cement products to meet our customers' evolving needs.

These and other innovations reflect the new CEMEX, which is leaner, more agile and more innovative. With the changes we have been making to how we are organized and how we do business, I think CEMEX is now positioned to take full advantage of the global recovery. As a result, I expect us to again produce the kinds of returns we have delivered to our shareholders for the last twenty years.

I can accept nothing less—and I doubt if you will either.

The recent recession had a profound impact on our company. From peak to trough, our cement volumes declined by 25%, our ready mix volumes by 35% and our aggregates volumes by 29%, all on a like-to-like basis.

The result was that our cash flow took a significant hit, since our rightsizing efforts could not keep up with the dramatic contractions in many of our markets. More importantly, our financial position deteriorated sharply, since we entered the downturn with a severely stretched balance sheet.

In order to overcome the crisis, we had to step back from business-as-usual, and define and execute an integrated strategy that addressed all aspects of the challenge, financial as well as operating.

First, we implemented a significant cost cutting program, closed or mothballed 15 million metric tons of cement capacity, reduced working capital, and cut back CAPEX. Last year alone, we reduced our cost structure by about 1 billion dollars. The immediate goal was to adjust the scale of our operations to the much-reduced size of demand, but also to make our operations leaner for the long run.

Cost cutting is always difficult, but particularly in a company like ours, which aims at retaining employees through the arc of their careers. However, we reduced total headcount, peak to trough, by 26% from all levels of the organization.

Second, we sold assets totaling 2.3 billion dollars, including our operations in Australia, and the Canary Islands, as well as a number of assets of our U.S. joint venture and some quarries in that country. Reducing our operating footprint was a difficult, but necessary, decision.

Third, we strengthened our balance sheet by refinancing \$15 billion in debt, raising new equity or equity-like capital of \$2.9 billion, and executing a series of other capital market operations. Since June 2009 we have reduced net debt, including perpetual securities, by 3.7 billion dollars and reached the first milestone under our financing agreement a year ahead of schedule. We have also succeeded in lengthening our maturity schedule and diversifying our funding sources, while maintaining a low average cost of debt.

In short, we are making good progress on the financial front, but we have a long way to go to recover our financial flexibility.

Our strategic response to the crisis aimed at making CEMEX not just more efficient, but more agile. It was designed to protect core capabilities and commitments—like our commitment to sustainable development. And it was structured so that we can resume growing once global demand fully recovers—by creating operating leverage in key markets like the United States, by maintaining our strong position in Mexico, and by assuring that we have the tools and resources to take advantage of growth markets as diverse as Colombia, Egypt and Poland.

Managing a company under stress, as we have done over the last two years, is quite different from managing a company that is rapidly expanding, as we had over the prior decade. It's a lot less fun, but even more challenging. It's also an opportunity to learn.

I'd like to share what I think are some of the key lessons I have learned from this crisis.

First, how a transaction is financed is almost as critical as what transaction is executed. Even though almost no one could have anticipated the ferocity of the recent financial crisis, we clearly had too much short-term debt immediately after we acquired Rinker.

Second, in a severe crisis it is critical to make decisions quickly, to be consistent with an organization's long-term values, and to maintain communication constantly. Employees will respond well even to cutbacks if they perceive the process is fast and fair and if there is a strong, value-driven corporate culture, which we have at CEMEX.

Third, bankers and lawyers naturally try to drive the implementation process, but it is critical to keep the focus of decision making inside the company. Our strategy is succeeding because it is our strategy.

Fourth, CEMEX is a public company, owned by thousands of shareholders. It is very important that they be treated fairly. I am proud that we did not massively dilute our shareholders, dispose of assets at fire sale prices or burden the company with excessively expensive venture capital to solve our short-term problems.

Finally, I realized during the crisis that we needed to be able to respond more quickly to rapidly changing circumstances. As a consequence, we made some important organizational adjustments. The result is a leaner, more efficient, and more agile company.

The overarching lesson, though, is that, global markets have become inherently more volatile. We are now living in a world where hundred year storms come with much greater frequency and greater violence. As a result, we need to be more cautious about the size of the risks we take. While the “new normal” is still being defined, I do not believe that the trend lines are simply going to bounce back to where they were when the crisis hit.

That does not mean we won't move, that we won't innovate or that we won't take risks. It simply means that we need to do so differently.

Evolution is not new to CEMEX. We successfully learned from each of the six major financial and economic crises that have affected our business since 1970.

In the 80's we decided to focus on our core businesses and to begin a process of geographic diversification.

In the 90's we recognized the need to develop scalable management platforms that clearly separated what was most efficiently managed locally from what was best handled globally. We also decided to diversify further, moving decisively toward greater investments in more mature markets.

After 2000, we decided to invest heavily in vertical integration, and we built important positions in ready mix and aggregates especially in mature markets. We also recognized that the permanent increase in hydrocarbon prices required greater effort to reduce volatility in our largest input cost.

With the RMC acquisition, we improved our ability to manage a much larger, diverse and more complex CEMEX. As you know, the acquisition also produced strong financial returns.

Despite the serial crises of the last 40 years, global cement demand has continued to rise steadily—by a compound annual rate of 3.7% from 1970 to 2000, and by 6.9% since 2000. That allowed us to turn each crisis into new opportunities for our stakeholders.

Today, every indicator we look at tells us that global cement demand is growing again, and that it will accelerate over the next years. That will provide a positive environment for us to execute the changes we need to make in how we create sustainable shareholder value.

I want to start with what won't change at CEMEX. Our core strategy is clear: we will continue investing across our industry's value chain—from aggregates to cement to ready-mix—in markets around the world that offer us sustainable opportunities to generate significant profitable growth.

This means we want to be diversified across markets with long-term growth potential, favorable industry characteristics, manageable risks, and attractive economics.

Those are the kinds of markets in which we are invested today, as well as the kinds of markets and opportunities where we want to make new investments.

For example, in the United States, we are concentrated in the states with the most favorable long-term demographics. Yes, they were at the epicenter of the housing bust. But, yes, they are also the states that sooner or later will again be hosting the largest infrastructure and housing investments for growing populations.

We also have significant positions in high-growth countries like Poland, Egypt, and the Philippines where cement demand is likely to grow in excess of 5% on average over the next five years.

And we have strong positions in countries like Mexico, Colombia and Panama that are expected to show steady, positive growth for years to come.

I recognize that today we are over-leveraged and our free cash—as well as much of our energy—must mainly be devoted to de-leveraging the company. Nonetheless, it is important to continue to take advantage of good strategic opportunities that we identify, either within our existing footprint or in attractive countries or regions where we don't yet have exposure.

In that spirit, as previously announced, we will invest 100 million dollars in the investment company Blue Rock Cement Holdings. Blue Rock, which will also include financial partners, will invest in cement, aggregates and ready mix assets in growing markets. CEMEX, which will be providing management expertise as well as taking a minority stake, will have a long-term call option to acquire Blue Rock's assets. However, we will have no obligation to do so.

As you probably know, Blue Rock's first investment will be in Peru, a country that offers good opportunities, particularly in cement, and that complements our existing business in South America. And, as you may have heard, other investment opportunities are actively under consideration.

This investment vehicle will allow us to take advantage of attractive growth opportunities now, which we otherwise might miss. It allows us to grow our portfolio in the long run, without increasing debt in the short run.

The point is that basic building blocks of our long-term strategy—diversifying by investing in high growth countries and operating across the value chain—remain in place.

But our overall strategy will change—or at least evolve—in at least five important ways. It is critically important that we become:

- More agile in our operations;
- More creative in our commercial offerings;
- More sustainable in how we use energy and other resources;
- More innovative in how we conduct our global business; and
- More efficient in allocating capital.

I want to speak briefly about each of these.

First, CEMEX needs to be a more agile organization.

One of the lessons of the recession is that we were at risk of losing our ability to move quickly and efficiently, which had been key to our track record of rapid and profitable growth. In response, we've made a number of important organizational changes. Perhaps most importantly, we have defined, tested, proved and are now implementing a shared services transaction model that is built around customer-focused, end-to-end processes.

The immediate cost savings are modest. For example, in the United States, we reduced headcount by 330 with annual savings of 16.5 million dollars.

But the real benefits are measured in terms of streamlined processes, the elimination of redundant levels of control, and faster response time. Even more importantly, we are measurably improving our ability to service customers, which is critical in increasingly competitive markets.

Second, we must develop more creative commercial offerings.

As CEMEX has entered into increasingly sophisticated markets since 2000, and as our existing markets have become more complex and competitive, we've put considerable energy into improving the quality of our customer offer. We have developed new products, changed our processes to make them customer-friendly and launched new web-based tools to help our customers manage and execute their projects.

But now we are facing new challenges. On the one hand, every new project in markets that are now recovering from sharp declines is a contest with too many overly eager competitors. On the other hand, because of the recession, the public sector has become the most important client in many markets, requiring the development of new skills and new solutions from those we had before the crisis.

We have responded to these challenges in different ways in different countries. For example, we have launched new value added products in cement as well as ready mix, developed innovative financing mechanisms to help local governments build roads and other infrastructure, and partnered with developers to produce low income housing.

I have asked my colleagues to discuss some of the specific initiatives in key markets later today.

Third, we need to make our operations more sustainable.

Sustainability is central to CEMEX's business strategy as well as to our day-to-day operations. We know that we live and operate in a world of increasingly scarce natural resources. In our carbon-constrained future, the cost of emitting CO₂ is likely to be much higher than it is today.

That has already required important changes in how we do business.

For example, between 1990 and 2009, we reduced CO₂ emissions per ton of cement by 21%. That is the largest percentage reduction among the global cement companies. But, by 2015, we are targeting a further 4% drop.

Progress has been the result of operating three strategic levers:

First, continuous improvement in energy efficiency.

Second, the increased use of alternative fuels in our kilns, which averaged more than 16% last year and 19% so far this year. Our goal is to reach 21% for the year as a whole.

Third, reduction of the clinker content in cement from 84% in 1990 to 75% today.

Since 2006, these and other projects have generated CO2 credits for 1.5 million metric tons on an annualized basis. That is the equivalent to the emissions of 290,000 cars in one year.

Of course, there are many other aspects to our sustainability commitment. None is more important than the health and safety of our employees, which is why we have the most aggressive target possible: zero accidents. And I am proud to say that we continue to make good progress.

For CEMEX sustainability is not just a slogan or a “nice to have” social commitment. In fact, it is a core element of how we conduct our business—while delivering positive economic benefits and producing competitive advantage.

Our fourth strategic imperative is to intensify innovation across our global network.

We have launched a number of key initiatives to intensify innovation in CEMEX. These include better aligning our value propositions to customer needs; Construction: 21st century to understand the impact of a low carbon economy on the construction sector; development of new ready mix products; improvement in clinker factor reduction, and further increases in alternative fuels.

Now the challenge—and the opportunity—is to promote innovation by fostering the active collaboration of all the talent available in the more than 50 countries that comprise CEMEX today.

This means a change in the way we work together. By making our interaction more dynamic, we want to connect all 47,000 employees through social networking. The idea is make it easier to open a dialogue, where everyone, can ask, learn, and share information with peers anywhere and anytime, regardless of business unit or geographical separation.

When innovation becomes an open process, everyone can participate. Even the smallest, most remote country can access the knowledge of the top company experts—wherever they are—solving local problems with global solutions.

Let me give you an example of how this is working today.

Recently, our Apo cement plant in the Philippines began using whole tires in the kiln. However, problems developed that the local technical manager couldn't solve. But he was able to locate a web-based Alternative Fuels Community of experts. He described his problem to engineers in the U.S., Mexico and the U.K., who had already solved similar problems. As a result of their advice, the Philippines team was able to significantly—and quickly—improve the operation of their plant.

Not very long ago, it might have taken a mid-level engineer in the Philippines weeks or even months to find peers in other time zones who could help him.

In effect, by encouraging and allowing our employees to share experiences and best practices through social media, we have accelerated the speed at which we can mobilize the whole company. For example, our long-standing goal to increase the use of alternative fuels was 23% that we had targeted for 2020. Now we think we might achieve that target as early as next year.

This is an example of the power of articulated intelligent networks.

Fifth, we must use our capital more efficiently.

Today CEMEX is significantly over-leveraged: our ratio of total debt to EBITDA – in accordance with our covenants – was 7.35 times at the end of the first quarter, well above our steady state target of 3.5 times.

As I have already said, I am committed not only to meeting our obligations under our bank financing agreement, but also to reducing our leverage as rapidly as possible. That is critical to our competitive position, and clearly in the interest of all our stakeholders.

To accomplish that, we are constantly looking for ways to increase cash flow, as well as to use our capital more efficiently. Of course, that puts higher demands on our capital allocation process.

At CEMEX all cap ex is run through a single, centralized process that deeply involves our top management. We have only one pool of investment dollars, and we only fund projects with the highest expected returns, well above our cost of capital. Later today we will share with you the details of some current projects to give you the flavor of how our process actually works.

These five initiatives—increased agility, improved commercial offering, enhanced sustainability, renewed push for innovation, and improved capital efficiency—are key building blocks of how CEMEX will return to a path of sustained, substantial value creation.

In the short run, however, the single most important factor that will define the pace at which we recover our earnings will be the pace of the U.S. recovery. The collapse in volumes between 2006 and 2009 accounted for more than the 2.2 billion dollars of EBITDA decline from our U.S. operations, on a pro forma basis. Frankly, during the next couple of years there is no practical way for us to recover that lost EBITDA except by recovering those lost volumes.

The good news is that I believe we can do exactly that, for five reasons.

First, as I already said, CEMEX is positioned in the states that have the best demographics and long term growth potential in the country.

Second, in the short run, those states will receive the largest part of the fiscal stimulus, most of which has yet to be spent.

Third, because of how we have right sized our business, we have substantial operating leverage, which will drive more of what we sell to the bottom line.

Fourth, we have the best technology in the market and we are developing innovative commercial initiatives to make us as competitive as possible.

Fifth, and perhaps most importantly, I believe we have the best management team in the U.S. market. They were good when the market was easy—and they got better when it collapsed. .

As you know, the U.S. data are starting to reflect an economy on the mend. The recent growth in employment, the sharp rise in manufacturing orders, and recent housing statistics tell a consistent story that the recovery is gaining momentum. While that recovery has not yet shown up in our reported numbers, we have started to see it in second quarter sales and in our order book.

That said, beyond our guidance for this year which I will discuss in a moment, I will let you put your own numbers on how fast the U.S. will recover, and how much CEMEX will benefit.

But, let me give you one reference point: the Portland Cement Association is now forecasting that total U.S. cement volumes will grow an average of 11.5% per year between 2009 and 2014. That would essentially bring the market back to the 2007 levels.

Personally, I think that is a reasonable forecast—and I assure you that I will be delighted if we, too, are back to our 2007 numbers in four years!

Finally, I want to discuss our 2010 guidance.

For the year, we continue to expect consolidated volumes for cement and aggregates to increase by 3 percent and 1 percent, respectively, while ready mix volumes are likely to be slightly lower than last year. And we continue to expect prices to remain broadly stable in inflation adjusted terms.

However, the decline of the euro and the peso, if sustained, would affect our reported performance. Thus, because of recent exchange rate changes, I expect our consolidated EBITDA to be about 2.75 billion dollars, compared to 2.65 billion dollars last year.

I want to point out that the dollar's appreciation has an offsetting and larger impact on our debt position. Because of the currency composition of our debt, at today's exchange rates, our total indebtedness is reduced by about 550 million dollars, compared to the end of the first quarter. In addition, as a consequence of our recent perpetuals exchange, total debt – including perpetual securities – has been further reduced by 437 million dollars.

We now expect cash flow after maintenance capital expenditures to reach close to 800 million dollars. This reflects the reduction in EBITDA and the reclassification of dividends to interest expense as a consequence of our perpetuals exchange.

We will keep capital expenditures and other investments at a minimum and anticipate using about 450 million dollars from our free cash flow towards debt reduction.

Of course, we will comply with all our covenants under our financing agreement with the banks. That means, at year's end we expect our leverage ratio to be below 6.75 times.

Needless to say, that is too high. Let me repeat: nothing is more important to me than deleveraging as fast as possible.

I want to conclude my remarks with two thoughts.

First, I want to thank our bankers, bond holders, analysts, and—above all—our shareholders for your continuing interest in CEMEX. We have passed through a difficult time, and I—along with the entire CEMEX community—appreciate your support. I promise we will justify your trust in us.

Second, on a personal note, I want to tell you how deeply committed I am to returning the company to its long run path of industry-leading value creation and global leadership. There is no doubt in my mind that we will succeed.

Now, I want to thank you for your attention—and I will be happy to take whatever questions you have.