2007
annual report

CEMEX is a growing global building materials company that provides high quality products and reliable service to customers and communities in more than 50 countries throughout the world. CEMEX has a rich history of improving the well-being of those it serves through its efforts to pursue innovative industry solutions and efficiency advancements and to promote a sustainable future.

2 financial highlights
4 letter to stockholders
8 teamwork and continuous improvement
10 flexibility, efficiency, and discipline
12 innovation and customer service
14 Rinker acquisition
16 selected consolidated financial information
18 management discussion and analysis
32 financial statements
90 board of directors
91 management team
92 terms we use
93 investor and media information

Just as the sun rises every day, we continually work to produce positive results through the ebb and flow of the market cycle.

We are motivated by our time-tested principles: our passion for change, our commitment to teamwork and knowledge-sharing, our unceasing customer innovation, and our relentless drive for efficiency and continuous improvement.

Through our shared efforts and beliefs, we look to create sustainable value and strengthen the CEMEX brand for all of today's stakeholders...and tomorrow's.

RELIABLE
performance

CONCRETE
results

FINANCIAL HIGHLIGHTS

In millions of US dollars[1], except per-ADR data

	2007	2006	%
Net sales	21,673	18,249	19
Operating income	2,971	2,946	1
EBITDA	4,586	4,138	11
Consolidated net income	2,467	2,488	(1)
Earnings per ADR[2]	3.22	3.31	(3)
Free cash flow after maintenance capital expenditures	2,578	2,689	(4)
Total assets	49,662	29,972	66
Net debt	18,904	5,811	225
Stockholders' equity, majority interest	14,942	12,859	16

[1] For your convenience, US dollar amounts are calculated by converting the constant Mexican peso amounts at the end of the year using the end-of-year Mexican peso/US dollar exchange rate for each year. The exchange rates used to convert results for 2006 and 2007 are 10.80 and 10.92 Mexican pesos per US dollar, respectively.

[2] Based on an average of 718.4 and 743.2 million American depositary receipts (ADRs) for 2006 and 2007, respectively.

2007 RELEVANT EVENTS

JUNE

Reinforcing their confidence in the company's performance, 97.8 percent of CEMEX stockholders elect to receive stock (CPOs or ADSs) under the company's stock dividend program.

JULY

CEMEX acquires Rinker Group Limited, creating one of the largest and most profitable building materials companies in the world. This acquisition reinforces its strategy of investing across the industry's value chain. Beyond the company's significantly enhanced positions in the aggregates, ready-mix concrete, and concrete products businesses, this transaction better positions CEMEX for more profitable, sustainable growth, to serve customers better, and to create more value for all of its stakeholders.

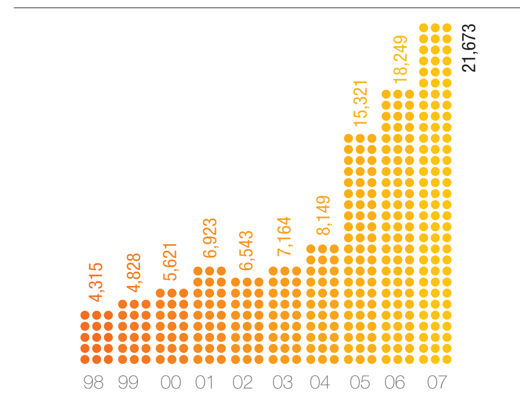
NOVEMBER

CEMEX completes the sale of a portion of its operations in Arizona and Florida, as required by the US Department of Justice in conjunction with the Rinker acquisition, to CRH plc, the Ireland-based international building materials group. CEMEX uses the proceeds from the sale of these assets to reduce debt.

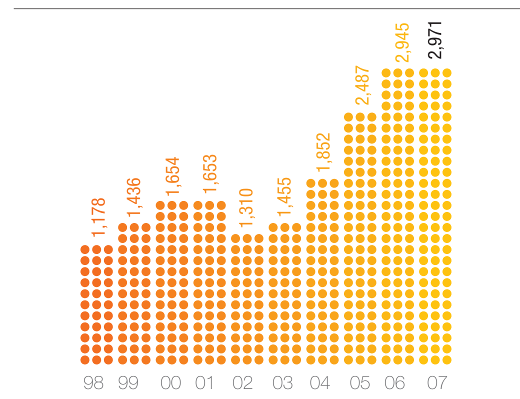
DECEMBER

In less than six months, CEMEX completes the core post-merger integration process of Rinker, identifying best practices and beginning to capitalize US$400 million in synergies. With each international acquisition, the company further refines the technological and managerial processes required to integrate acquisitions into its organization.

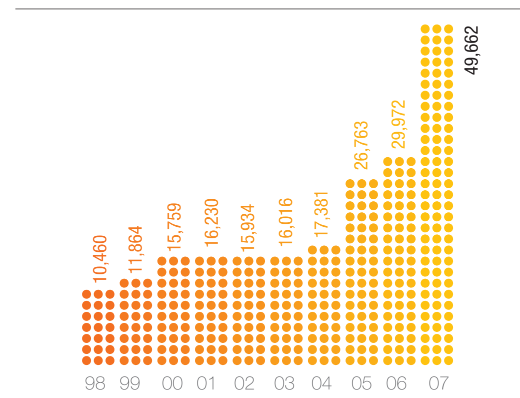
Consolidated net sales
millions of US dollars



Operating income
millions of US dollars



Total assets
millions of US dollars



CONSISTENT
strategic execution

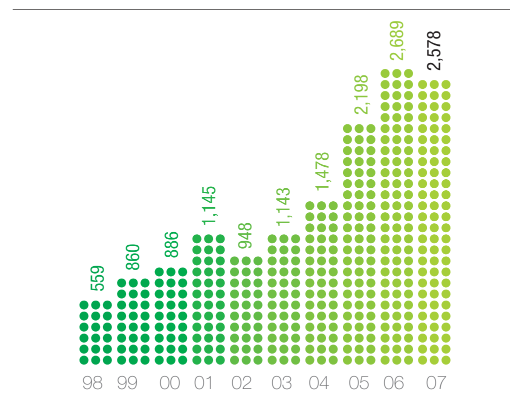
DISCIPLINED
profitable growth

DEAR FELLOW STOCKHOLDERS:

During 2007, CEMEX achieved two major milestones. First, we produced our strongest-ever financial results, generating record sales and EBITDA. Second, we completed the acquisition and core integration of Rinker, the largest-ever in our history. The acquisition was a continuation of our strategy to evolve from a cement company to an integrated building materials producer. It considerably strengthened our presence across our industry's value chain, brought an important infusion of management talent, and produced significant synergies. Most importantly, we acquired Rinker because we knew it would create considerable value for our stockholders.

For the year as a whole, EBITDA grew 11 percent to US$4.6 billion. Net sales increased 19 percent to US$21.7 billion. Free cash flow after maintenance-capital expenditures totaled US$2.6 billion. This performance demonstrated the strength and resiliency of our long-term strategy, based on our geographical diversification and our vertical integration across the value chain.

Those are good results in a year when the United States, our largest market, experienced its worst performance in half a century, and Spanish demand flattened after years of robust growth. But our diversification, globally favorable supply-demand dynamics, and higher volumes in Mexico, South America and



the Caribbean, Eastern Europe, and Australia helped offset the US slowdown.

The consolidation of Rinker significantly impacted our results, and we expect it will continue to create value in the future. During last year's post-merger integration process, we identified synergies of about US$400 million which we will capitalize from 2008 through 2009. In the United States, the acquisition allowed us to combine two highly complementary businesses, positioning us for future organic growth in the world's biggest construction market. In Australia, which is now one of our larger markets in EBITDA terms, the acquisition brought us important ready-mix concrete and aggregates businesses.

Lorenzo H. Zambrano, Chairman and CEO

Our ability to produce good results, despite cyclical market downturns, tells you a lot about our people, our principles, and our strategy.

The Rinker acquisition also advanced an important transformation of our business model. Over the past three years, with the integration of RMC and Rinker, we have significantly changed our global footprint, diversified geographically, and dramatically enhanced our vertical integration.

As the largest ready-mix concrete company in the world, we can seize the opportunity to get even closer to our customers. Our company is also a significant player in the aggregates business; the profitability characteristics of this business are similar to cement, and it benefits from positive supply-demand dynamics, especially in the United States and Europe.

All of this means that your company, CEMEX, is well positioned to ride out the inevitable economic cycles, while producing strong performance year after year. We have the people, the strategy, and the assets to sustain our long-term record of profitable growth.

Disciplined capital allocation is a critical element of our business model. We apply the same rigorous tests to every dollar of investment, from large acquisitions to small productivity improvements, across business lines and geographies. We work hard to retain a strong capital structure that gives us the financial flexibility to grow our business. After a major acquisition like RMC or Rinker, we devote a considerable portion of our free cash flow to rapidly reduce debt in order to regain our financial flexibility.

To grow our business, we must also invest in our current markets. Last year, we continued

We maximize value through investments that leverage our network, our management and integration skills, and our best practices.

Our greater presence in the aggregates, ready-mix concrete, and concrete products business segments reinforces our vertical integration and enables us to serve our customers better.

to implement planned expansion capital expenditure projects throughout our global network, investing over US$1.4 billion, after our investment of US$750 million in 2006. These include about 13.5 million metric tons of cement capacity, and construction on these projects is underway in Mexico, the United States, Panama, Spain, and Latvia. In addition, we are increasing our cement grinding capacity by 3.2 million metric tons in Spain, the United Kingdom, and the United Arab Emirates, and making selected investments in other parts of our productive base.

Beyond a disciplined investment strategy, profitable growth requires constant efforts to contain costs. At the end of last year, we launched an important cost reduction program to ensure that we remain efficient and lean even as we extend our global network.

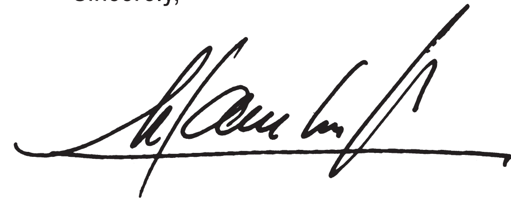
Good environmental stewardship and good business go hand-in-hand. In a year when energy prices soared, our average energy cost per ton of cement rose only 13.5 percent. This partly reflects our increased use of biomass and other alternative fuels in markets where it makes environmental and economic sense. Ultimately, our goal is sustainable growth and development for our company and our industry.

The close to 67,000 people of CEMEX is the foundation for our track record of profitable growth. As we extend our network, we integrate new talent across all levels of our organization. We invest in our employees' careers through continuing education initiatives and other training programs. Equally important, we are deeply committed to creating and maintaining safe workplaces. Our goal is to work in an accident-free environment; anything less ambitious is unfair to our employees, communities, and the rest of our stakeholders.

The ultimate test of our strategy is our performance when economic head winds increase. By that measure, 2007 proved that we are on the right track. We have the people, the strategy, and the opportunities to continue on our path of disciplined, profitable growth.

On behalf of the board of directors, management team, and members of CEMEX's extended family of employees, I thank you for your continued support.

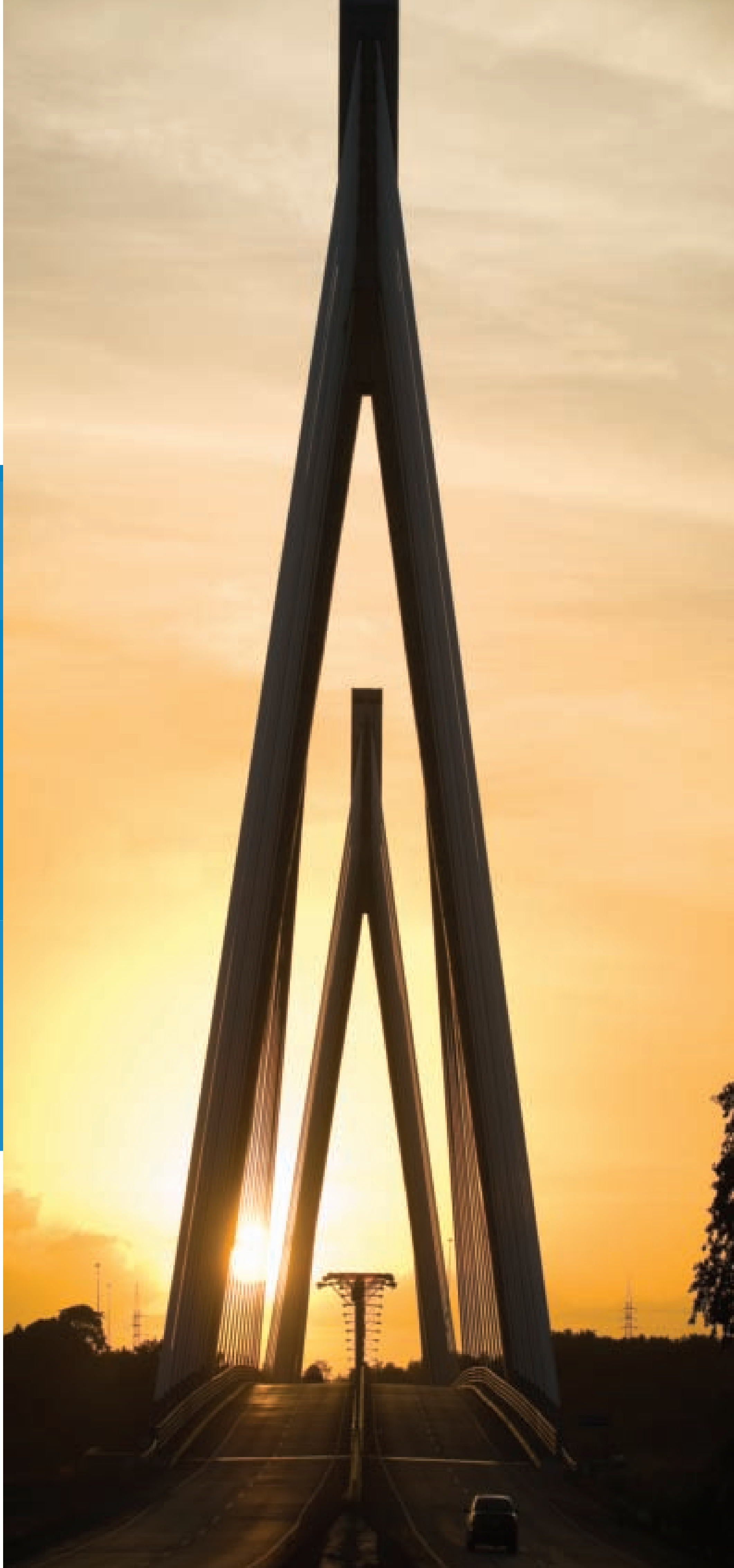
Sincerely,



Lorenzo H. Zambrano
Chairman of the Board and
Chief Executive Officer

CONCRETE is such an effective adhesive that it's virtually impossible to break its bond.

CEMEX is similarly collaborative; its teams work closely together, developing ties that are difficult to sever.



ONGOING
teamwork

CONTINUAL
knowledge-sharing

CONTINUOUS
improvement

Our post-merger integration (PMI) of Rinker exemplifies our teamwork and knowledge-sharing. The success of the process depends on the combined effort of everyone in both organizations; not only the joint PMI teams – 390 people, working full time and part time, from both companies and 20 different nationalities – but also those who continue to work full-time to run the business and maintain our high level of performance. Through our teams' and our companies' collaboration and shared learning, we identify and capitalize on best practices and synergies, retain talented people, ensure business continuity, and ultimately build one CEMEX.

Likewise, in Europe, our regional coordination teams facilitate communication, knowledge-sharing, and new initiatives among our operations. For example, our special projects team shares expertise about new specialty products such as self-compacting concrete. This product is easier to work with than other types of concrete because it requires no labor to compress the concrete, increases efficiency, and cuts the cost of construction. Until we introduced self-compacting concrete in the UK, there was almost no market for that product; it now accounts for approximately 1.2 percent of our ready-mix concrete volumes in the UK.

As a team, we also continuously seek to improve our operations for the benefit of our customers and our company. In the US, the use of Ready Slump® technology ensures that our concrete has the right amount of water in the mix when it arrives at our customer's job site. With this technology installed in our fleet of ready mix trucks, we are able to continuously measure the slump of a load of concrete and automatically adjust the water content based on the customer's specification and slump target. As a result, our ready-mix concrete arrives at the customer's job site with a much higher degree of accuracy, neither too firm nor too fluid, but just right for our customers' needs.

The information repository of our online CEMEX learning system fosters knowledge-sharing across geographic boundaries and international borders.

390

Our joint Rinker PMI teams were comprised of 390 people from both companies and 20 different nationalities.

STEADFAST
flexibility

RELENTLESS
drive for efficiency

PERSISTENT
discipline

Thanks to our long-term energy management strategy, while the price of oil skyrocketed this year, our average energy cost per metric ton increased only 13.5 percent. Our strategy takes advantage of the flexibility of the cement kilns to burn multiple types of fuels – including petcoke, alternative fuels, fuel oil, coal, and natural gas. We secure a diverse, cost-effective, and steady supply of fuels and electricity. For example, in Spain, our flexibility allowed us to avoid a price increase in petcoke by rapidly switching to a lower-cost fuel.

As part of a strategic shift toward alternative and renewable sources of energy, we partnered with Acciona to develop the "Eurus" wind farm in Oaxaca, Mexico. This 250 Megawatt wind farm will generate more than 900 Gigawatt-hours each year, approximately 25 percent of CEMEX Mexico's annual electricity needs. This is the second largest wind power project registered as a CDM (Clean Development Mechanism) under the Kyoto Protocol.

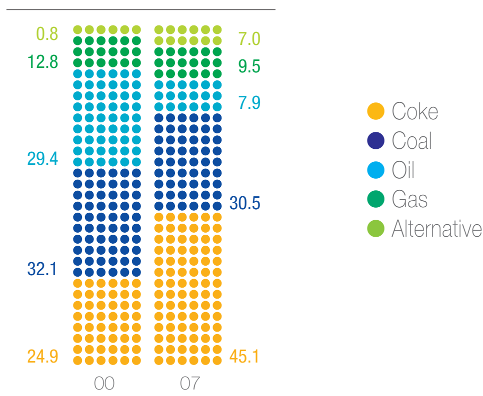
We are also partnering with Vattenfall, a Swedish utility company, to develop a waste-to-energy plant in Germany. The facility will use commercial and urban waste – classified and sized to specification – to generate 100 percent of our Rüdersdorf plant's electricity needs. This 30 Megawatt power plant is expected to come online during the first quarter of 2008, and will dispose of 250 thousand tons of waste per year.

We continue to use more cost-effective and environmentally friendly alternative fuels such as biomass – including rice husks, sugarcane stalks, and wood chips – instead of traditional fossil fuels. Biomass benefits the environment since it is considered a carbon-neutral fuel.

The "Eurus" wind farm will generate approximately 250 Megawatts, or more than 900 Gigawatt hours per year.

Energy strategy delivers

percentage of fuel mix



Coke
Coal
Oil
Gas
Alternative

If we had kept the same fuel mix that we had in the year 2000, our fuel bill would have been US$420 million higher at 2007 prices.

100%

Our developing waste-to-energy plant in Germany will fulfill 100 percent of our Rüdersdorf cement plant's electricity needs.

CONCRETE provides the needed support to make any structure resistant and long lasting.

CEMEX has the same strength as its concrete; through strict discipline, the company is able to achieve sustainable growth.

UNCEASING
innovation

RELIABLE
customer service

We have nine laboratories dedicated to research and development. Eight are located near our main plants, which enables us to respond more quickly to our customers' needs. The ninth is our Global Center for Technology and Innovation, located in Biel, Switzerland. Each of our laboratories works to develop innovative building solutions that keep our company, our customers, and our suppliers at the forefront of the industry.

Among its areas of focus, our Global Center for Technology and Innovation designs new and enhanced construction materials from alternative cementitious materials such as fly ash, slag, and pozzolana. It also evaluates and develops sustainable methods of construction, including the use of byproducts, wastes, and recycled materials across the company's core businesses.

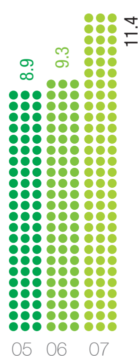
The center further manages worldwide emission reduction projects under the Clean Development Mechanisms (CDM) of the Kyoto Protocol - which ensures the recognition of these initiatives in countries without mandatory emissions reduction targets and promotes the profitability of these projects. This effort enables us to not only reduce our environmental impact, but also our global exposure to energy risk.

We tailor our products and services around the world to suit our different markets and customers. For example, in Germany, we recently developed an acid-resistant concrete, specifically designed for the construction of cooling towers and energy projects. And in the US, Smart Silos provide our bulk cement customers with a new inventory management system, which enables them to remotely monitor and automatically replenish their cement inventories within set levels.

Our laboratories work to develop innovative building solutions that keep our company, our customers, and our suppliers at the forefront of the industry.

Specialty products in UK

percentage of total ready-mix concrete volumes



◀ *Our inventive specialty products account for a growing percentage of our total ready-mix concrete volumes in the UK.*

CONCRETE, in addition to its strength, is versatile; it can take almost any shape.

CEMEX is equally adaptable; our company is continually developing new and better products and services customers' demand.

80,000

In Colombia, our CEMEX Hogar program is designed to benefit 80,000 lower income customers, who gain access to the credit required to buy much-needed building materials.

LONG-STANDING
investment criteria

PERMANENT
value creation

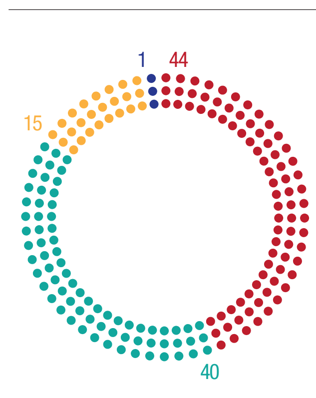
OUR ACQUISITION OF RINKER

Our acquisition of Rinker Group Limited reinforces our strategy of investing across our industry's value chain. Beyond our significantly enhanced positions in the aggregates, ready-mix concrete, and concrete products businesses, this transaction better positions us for more profitable, sustainable growth to serve our customers better and to create more value for all of our stakeholders.

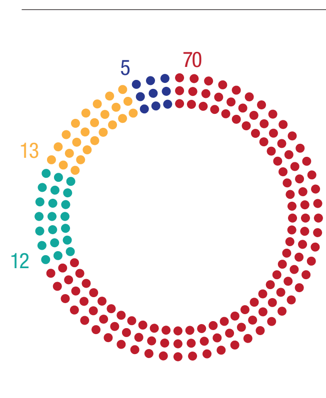
The acquisition meets all of our long-standing investment criteria. First, it will provide positive returns compared with our weighted average cost of capital. It is immediately accretive to our free cash flow, and it will yield our target return on capital employed of 10 percent over the medium term.

Second, the acquisition will enhance our earnings quality and considerably lower our cost of capital. With the acquisition of Rinker, our weighted average cost of capital (WACC) decreased from 7.9 to 6.8 percent.

Sales distribution by product
percentage



EBITDA distribution by product
percentage



- Cement
- Ready-mix
- Aggregates
- Others

As we have repeatedly demonstrated in the past, we have the capacity to regain our financial flexibility quickly after we complete an acquisition. We expect to reach a net-debt-to-EBITDA ratio of 2.7 times within 24 months after the acquisition.

Third, the acquisition leverages our management expertise, integration skills, and global network. Rinker's significant presence in the aggregates and ready-mix concrete businesses will strengthen and further diversify our positions along the industry value chain. The transaction will not only significantly increase our aggregates reserves—we are now one of the top three aggregates producers in the world—but also open up new opportunities in that increasingly important business segment. The company's strong presence in key regions of the United States complements our existing US operations, and considerably enhances our company's ability to serve customers in the world's largest and most dynamic building materials market. The acquisition will also give us a major position in a growing market, Australia, as well as a small entrée to China.

Although this transaction is based on much more than its potential synergies, we expect to realize approximately US$400 million from 2008 through 2009. These synergies will flow mainly from our centralized and standardized processes, local market optimization, and operations, including aggregates, cement, and ready-mix concrete. We will also blend the best practices of both organizations to build an even stronger company—a global industry leader that will yield sustainable value for our stockholders, our customers, our employees, and our other important stakeholders.

The Rinker transaction will significantly increase our aggregates reserves and will open new opportunities in that increasingly important business segment.

$400 million

We identified approximately US$400 million in recurring cost synergies that will fully impact EBITDA over the course of 2008 through 2009.

SELECTED CONSOLIDATED

financial information

CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES

In millions of US dollars, except ADRs and per-ADR amounts

	1997	1998	1999	2000	2001	2002	2003	2004	2005
OPERATING RESULTS									
Net sales	3,788	4,315	4,828	5,621	6,923	6,543	7,164	8,149	15,321
Cost of sales[1][2]	(2,322)	(2,495)	(2,690)	(3,141)	(3,894)	(3,656)	(4,130)	(4,586)	(9,271)
Gross profit	1,467	1,820	2,138	2,480	3,029	2,888	3,034	3,563	6,050
Operating expenses[2]	(572)	(642)	(702)	(826)	(1,376)	(1,577)	(1,579)	(1,711)	(3,563)
Operating income	895	1,178	1,436	1,654	1,653	1,310	1,455	1,852	2,487
Other expenses, net[3]	(154)	(172)	(334)	(270)	(441)	(425)	(474)	(514)	(316)
Financial expense	(510)	(485)	(488)	(467)	(412)	(333)	(381)	(372)	(526)
Financial income	37	37	31	25	41	45	17	23	39
Comprehensive financing result[4]	159	(132)	(29)	(174)	265	(329)	(267)	133	239
Income before taxes	933	909	1,136	1,271	1,522	617	766	1,541	2,495
Minority interest net income[5][6][7][8]	107	39	56	78	153	37	30	21	55
Majority interest net income	761	803	973	999	1,178	520	629	1,307	2,112
Millions of ADRs outstanding[9][10][13]	508	504	546	556	584	608	648	678	704
Earnings per ADR[10][11]	1.49	1.59	1.94	1.83	2.07	0.87	1.00	1.96	3.05
Dividends per ADR[9][10][12][13]	0.30	0.35	0.40	0.49	0.51	0.52	0.51	0.61	0.60
BALANCE-SHEET INFORMATION									
Cash and temporary investments	380	407	326	308	428	361	291	342	601
Net working capital[14]	588	638	669	813	933	699	576	525	1,268
Property, plant, and equipment, net	6,006	6,142	6,922	9,034	8,940	8,963	9,265	9,613	15,542
Total assets	10,231	10,460	11,864	15,759	16,230	15,934	16,016	17,381	26,763
Short-term debt	657	1,106	1,030	2,962	1,028	1,393	1,329	1,044	1,191
Long-term debt	3,961	3,136	3,341	2,709	4,345	4,374	4,537	4,887	8,287
Total liabilities	5,535	5,321	5,430	8,111	8,078	8,983	9,250	9,161	16,409
Minority interest[5][6][7][8]	1,181	1,251	1,253	2,398	1,975	1,207	532	389	529
Majority interest	3,515	3,887	5,182	5,251	6,177	5,744	6,234	7,831	9,825
Total stockholders' equity	4,696	5,138	6,435	7,649	8,152	6,951	6,766	8,220	10,354
Book value per ADR[9][10]	6.93	7.73	9.48	9.45	10.58	8.63	8.78	11.55	13.94
OTHER FINANCIAL DATA									
Operating margin	23.60%	27.30%	29.80%	29.40%	23.90%	20.00%	20.30%	22.70%	16.20%
EBITDA margin[14]	31.50%	34.40%	37.10%	36.10%	32.60%	29.30%	29.40%	31.10%	23.20%
EBITDA[14]	1,193	1,485	1,791	2,030	2,256	1,917	2,108	2,538	3,557
Free cash flow[14][15]	383	559	860	886	1,145	948	1,143	1,478	2,198

2006	2007	Compounded annual growth 06–07	Compounded annual growth 97–07
18,249	21,673	19%	19%
(11,649)	(14,441)		
6,600	7,232		
(3,655)	(4,261)		
2,945	2,971	1%	13%
(49)	(300)		
(494)	(807)		
46	79		
(32)	100		
2,989	2,907		
110	77		
2,378	2,391	1%	12%
733	751		
3.31	3.21	(3%)	8%
0.90	n.a.		
1,579	794		
887	1,528		
17,196	24,010		
29,972	49,662		
1,252	3,320		
6,290	16,544		
15,193	30,967		
1,920	3,753		
12,859	14,942		
14,779	18,695		
17.55	19.90		
16.10%	13.71%		
22.70%	21.16%		
4,138	4,586	11%	14%
2,689	2,578	(4%)	21%

Notes to Selected Consolidated Financial Information

1. Cost of sales includes depreciation.

2. For the periods ending December 31, 2002 through 2007, and partially during 2001, the expenses related to the distribution of the company's products were classified as selling expenses on the income statement. Partially during 2001 and fully between the years 1997 and 2000, such expenses were recognized as part of cost of sales.

3. In accordance with Mexican Financial Reporting Standards ("MFRS"), starting from 2007 new presentation requirements apply for the income statement. For the purposes of the table, years from 1997 through 2006 have been adjusted to comply with the new presentation requirements for 2007 (see note 3T to the 2007 annual report's Financial Statements). The main changes are described as follows: The concept Other expenses, net is presented before the Comprehensive Financing Result; additionally, this concept now includes the Employees' Statutory Profit Sharing (ESPS) current and deferred which, until 2006, was presented within the income taxes. The ESPS for the years 1997 through 2007 represented (expenses)/income of US$(16), US$(20), US$(38), US$(36), US$(24), US$(36), US$(17), US$(30), US$1, US$(15) and US$(23) million, respectively. Also, as of 2007 the Income before Taxes includes the Equity in Income of Associates, which represented for the years from 1997 through 2007 income of US$17, US$16, US$25, US$25, US$21, US$25, US$35, US$40, US$87, US$122 and US$136 million, respectively.

4. Comprehensive financing result includes financial expense, financial income, realized and unrealized gains and losses on derivative financial instruments and marketable securities, foreign exchange results, and the net monetary position result.

5. During 1997 and until August 2000, a minority interest was created in the consolidated stockholders' equity due to a financial transaction implying the ownership transfer of 24.77% of the common stock of CEMEX España; such shares were treated as owned by a third party, although, CEMEX retained dividends and voting rights over such shares during the life of the transaction.

6. In 2000, a Dutch subsidiary of CEMEX issued preferred stock for US$1.5 billion in connection with the financing required for the CEMEX, Inc. (formerly Southdown) acquisition. After redemptions of preferred stock made during the life of this transaction, the outstanding amount of preferred stock included as minority interest as of December 31, 2000, 2001, and 2002, was US$1,500 million, US$900 million, and US$650 million, respectively. In October 2003, CEMEX early redeemed the total outstanding amount of the preferred stock.

7. In 1998 a subsidiary of CEMEX in Spain issued US$250 million of capital securities. In April 2002, through a tender offer, US$184 million of capital securities were redeemed. The balance outstanding as of December 31, 2003 and 2002, was US$66 million and was liquidated during 2004. This transaction was recorded as minority interest during its validity.

8. As of December 31, 2006 and 2007, minority interest stockholders' equity includes US$1,250 million and US$3,065 million, respectively, of aggregate notional amount of perpetual debentures issued by consolidated entities. For accounting purposes, these debentures represent equity instruments (see note 16D to the 2007 annual report's Financial Statements).

9. The number of ADRs outstanding represents the total ADR equivalent units outstanding at the close of each year, stated in millions of ADRs, and includes the total number of ADR equivalents issued by CEMEX in underlying derivative transactions, and excludes the total number of ADR equivalents issued by CEMEX and owned by subsidiaries. Each ADR listed on the New York Stock Exchange represents ten CPOs.

10. Our shareholders approved stock splits in 2006, 2005, and 1999. As a result, each of our existing series A shares was surrendered in exchange for two new series A shares, each of our existing series B shares was surrendered in exchange for two new series B shares, and each of our existing CPOs was surrendered in exchange for two new CPOs, with each new CPO representing two new series A shares and one new series B. The proportional equity interest participation of the stockholders in CEMEX's common stock did not change as a result of the exchange offer and the stock splits mentioned above. The number of our outstanding ADRs did not change as a result of the stock splits of the years 2005 and 1999. Instead, the ratio of CPOs to ADRs was modified so that each ADR represented ten new CPOs; as a result of the stock split approved during 2006 one additional ADR was issued in exchange for each existing ADR, each ADR representing ten (10) new CPOs. Earnings per ADR and the number of ADRs outstanding for the years ended December 31, 1997 through 2005, have been adjusted to make the effect of the stock splits retroactive for the correspondent years. In order to comply with Mexico's accounting principles, in the Financial Statements these figures are presented on a per-share basis (see note 19 to the 2007 annual report's Financial Statements).

11. For the periods ended December 31, 1997 through 2006, the earnings-per-ADR amounts were determined by considering the average number of ADR equivalent units outstanding during each year, i.e., 513.6, 504.8, 502.4, 549.8, 568.6, 598.3, 630.4, 665.8, 691.9, 718.4 and 743.2 million, respectively.

12. Dividends declared at each year's annual stockholders' meeting for each period are reflected as dividends for the preceding year.

13. CEMEX did not declare or pay any dividends with respect to 1996; rather, management recommended, and shareholders approved, a Share Repurchase Program and as a result during 1997, 24.1 million CPOs were acquired for an amount of approximately US$119 million. The CPOs acquired through this program accounted for approximately 2% of the CPOs outstanding on that date.

14. Please refer to page 92 for the definition of terms.

15. Beginning in 2005, free cash flow is calculated after maintenance capital expenditures only.

MANAGEMENT

discussion and analysis

OF THE OPERATIONAL RESULTS AND FINANCIAL CONDITION OF THE COMPANY

BUSINESS

CEMEX is a growing global building materials company that provides high quality products and reliable service to customers and communities in more than 50 countries throughout the world. CEMEX has a rich history of improving the well-being of those it serves through its efforts to pursue innovative industry solutions and efficiency advancements and to promote a sustainable future.

Our company was founded in Mexico in 1906, and we have grown from a local player to one of the top global companies in our industry, with close to 67,000 employees worldwide. Today we are strategically positioned in the Americas, Europe, Africa, the Middle East, Asia, and Australia. Our operations network produces, distributes, and markets cement, ready-mix concrete, aggregates, and related building materials to customers in over 50 countries, and we maintain trade relationships with more than 100 nations.

BUSINESS STRATEGY

We have built a portfolio of assets with sustainable, profitable, long-term growth potential. Looking forward, we will continue to:

- Focus on our core business of cement, ready-mix concrete, and aggregates
- Provide our customers with the best value proposition
- Grow profitably through integrated positions across our industry's value chain
- Allocate capital effectively
- Integrate acquisitions quickly and achieve optimal operating standards

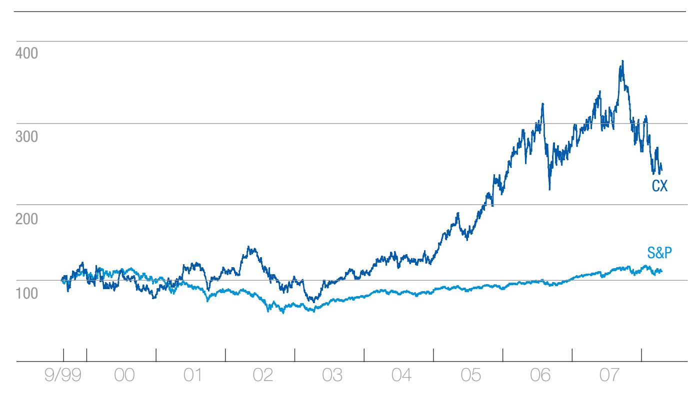
Focus on our core business of cement, ready-mix concrete, and aggregates

Our portfolio of cement, ready-mix concrete, and aggregates assets is concentrated in markets that provide sustainable top- and bottom-line growth throughout the economic cycle. Over the past decade, our consolidated revenue and EBITDA have increased at compounded annual growth rates of 19% and 14%, respectively.

We intend to continue geographically diversifying our cement, ready-mix concrete, and aggregates assets and vertically integrating our operations in new and existing markets by acquiring or developing complementary assets along the value chain. By managing our cement, ready-mix concrete, and aggregates assets as one integrated business rather than as distinct businesses, we make them more efficient and profitable.

CX vs. S&P 500 Index

total cumulative return



We are dedicated to delivering consistently strong performance throughout the business cycle.

Provide our customers the best value proposition

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 ideal for sidewalks and roadways because it allows rainwater to filter into the ground, reducing flooding and helping to maintain groundwater levels. Whereas, 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.

Grow profitably through integrated positions across the value chain

We see ample opportunity for profitable growth, across three avenues in particular: 1) organic growth from our existing portfolio; 2) EBITDA growth from disciplined investments in our existing businesses, which improve our margins and/or increase our production capacity; and 3) the long-term acquisition of new operations in our existing or new markets.

Our potential for growth increases substantially when we look down the cement value chain. Today

we estimate that our industry's total value chain produces EBITDA of US$85 billion. In 2007 we generated EBITDA of US$4.59 billion or approximately 5% of our industry's total. Thus, we see substantial long-term opportunity for us to acquire new operations and leverage our existing assets, expertise, and infrastructure to intensify our strategic growth across the value chain.

Allocate capital effectively

We complement the organic growth of our business with strategic acquisitions and capital investments. As a leading industry consolidator, we take a disciplined approach to capital allocation. We evaluate potential acquisitions in light of three investment criteria:

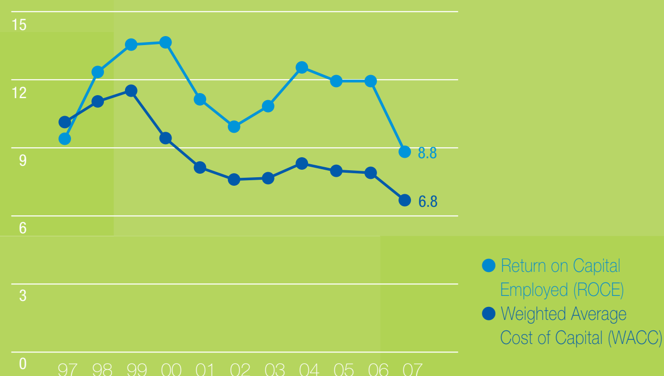
1. The acquisition should provide a return on our investment that is well in excess of our weighted cost of capital.
2. The acquisition should allow us to maintain our financial strength and investment-grade credit quality.
3. Factors that we can influence, in particular the application of our management and turnaround expertise, should principally drive the potential for increasing the acquisition's value.

Our recent acquisition of Rinker meets all of these criteria and is consistent with our business strategy. First, the acquisition will provide a return on our investment that is well in excess of our cost of capital. It also is immediately accretive to our free cash flow.

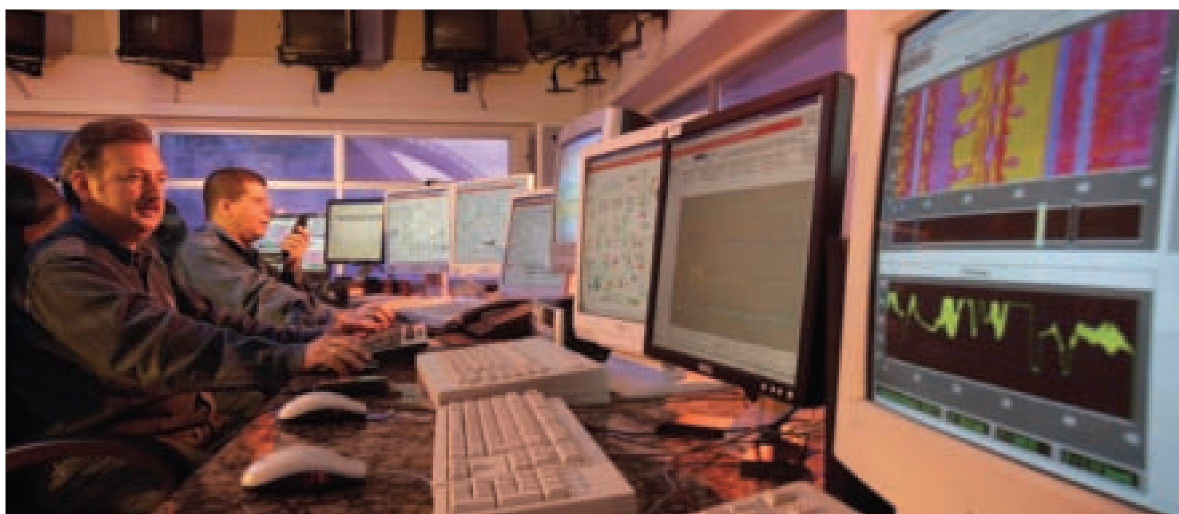
Second, the acquisition allows us to maintain our financial strength and investment-grade credit quality. The transaction enhances our earnings quality, lowers our weighted average cost of capital (WACC) from 7.9% to 6.8%, and will yield our target return on capital employed of 10% over the medium term.

Third, the acquisition leverages our management expertise, integration skills, and global operations network. The transaction considerably strengthens and further diversifies our positions in the aggregates and ready-mix concrete segments of the industry value chain. The company's strong presence in key regions of the US complements our existing operations, considerably enhancing our ability to serve customers in that market. It also gives us a major position in the growing market of Australia and a small entrée to China. Although this acquisition is based on much more than its potential synergies, we

We intend to continue geographically diversifying our assets and vertically integrating our operations.



We have implemented standardized platforms to reduce our costs, streamline our processes, and extract synergies from our global operations.



expect to realize approximately US$400 million from 2008 through 2009.

In 2007 we made expansion capital expenditures of US$1.43 billion. During the year, we continued the expansion of the Balcones plant in New Braunfels, Texas in the US; we sustained construction of new kilns at the Yaqui and Tepeaca plants in Mexico; we continued construction of a new cement mill and dry mortar plant at the Port of Cartagena in Spain; we undertook the construction of a new kiln at the Broceni plant in Latvia; we continued building a new grinding facility in Dubai, United Arab Emirates; and we began construction of a new grinding and blending mill at the Port of Tilbury in the United Kingdom. We also announced the construction of a new kiln in Panama and a new cement manufacturing facility in Arizona in the US.

To maintain the flexibility necessary to pursue future growth opportunities, we aim to sustain our strong free cash flow and financial structure by reducing our debt levels, optimizing our borrowing costs and debt maturities, and increasing our access to various capital sources. We remain committed to achieving a net-debt-to-EBITDA ratio of 2.7 times by mid-2009. We intend to make significant progress towards this objective during 2008. We have targeted to achieve a level of close to 3.0 times net debt to EBITDA by December 2008.

Integrate acquisitions quickly and achieve optimal operating standards

We are always looking for ways to improve our productivity and operating efficiency. Toward this end, we have implemented several standardized platforms to reduce our costs, streamline our processes, and extract synergies from our global operations. We have also taken various steps over the past several years to improve our overall product quality and the environmental impact of our operations.

With each acquisition, we have further refined the technological and managerial processes required to integrate new operations into our corporate structure. Consequently, we were able to complete the core post-merger integration process of Rinker in less than six months.

Alignment with investor interests

Employee stock-ownership plan

To better align our executives' interests with those of our stockholders, we began offering executives a new stock-ownership program in 2005. The plan's goal is to move our company's long-term incentives from stock options to programs based on restricted stock, which we believe is more highly valued by our executives and stockholders. As of December 31, 2007, our executives held 99,032,580 restricted CPOs, representing 1.3% of our total CPOs outstanding.

Corporate governance

We are committed to the highest standards of corporate governance. Our company's board of directors is composed of qualified directors who provide appropriate oversight. The requirement of independence of the audit committee members satisfies applicable law, and at least one member of our audit committee meets the requirements of a "financial expert", as defined by the Sarbanes-Oxley Act of 2002 (SOX).

We also have designed and deployed 1) a formal internal process to support the certification by our chief executive officer and our executive vice

president of planning and finance of the information that we present in CEMEX's annual report to the US Securities and Exchange Commission; 2) a system to ensure that relevant information reaches senior management in a timely manner; 3) a system for anonymously and confidentially communicating to the audit committee complaints and concerns regarding accounting and audit issues; 4) a process for anonymously and confidentially submitting complaints related to unethical conduct and misuse of assets; and 5) a task force to follow legal requirements and best corporate-governance practices

As of December 31, 2007

	CEMENT PRODUCTION CAPACITY MILLION METRIC TONS/YEAR	CEMENT PLANTS CONTROLLED	CEMENT PLANTS MINORITY PART.	READY-MIX PLANTS	AGGREGATES QUARRIES	LAND DISTRIBUTION CENTERS	MARINE TERMINALS
Mexico	27.2	15	3	325	24	86	8
United States[1]	15.4	14	4	552	130	40	10
Spain	11.4	8	0	114	27	9	18
United Kingdom	2.8	3	0	250	76	28	6
Rest of Europe[2]	11.9	8	4	640	181	51	27
South / Central America and Caribbean[3]	15.6	14	3	127	23	31	15
Africa and Middle East[4]	5.0	1	0	76	11	6	1
Asia[5] and Australia	7.4	4	4	281	92	23	12
Total	96.7	67	18	2,365	564	274	97

1 Includes operations from joint venture with Ready Mix USA.
2 Includes operations in Austria, Croatia, Czech Republic, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Norway, Poland, and Sweden.
3 Includes operations in Argentina, Colombia, Costa Rica, the Dominican Republic, Guatemala, Nicaragua, Panama, Puerto Rico, and Venezuela, as well as other operations in the Caribbean region.
4 Includes operations in Egypt, Israel, and the United Arab Emirates.
5 Includes operations in Bangladesh, China, Malaysia, the Philippines, Taiwan, and Thailand.

and, when appropriate, propose further improvements. Moreover, we have modified our code of ethics to reflect the requirements of SOX.

We are in compliance with the applicable sections of SOX and have successfully complied with section 404 thereof.

CONSOLIDATED
results

Net sales increased 19% to US$21.67 billion. The increase resulted primarily from the consolidation of Rinker, higher cement, ready-mix, and aggregates volumes and better supply-demand dynamics in most of our markets.

Cost of sales as a percentage of sales increased 2.8 percentage points, from 63.8% to 66.6%. The increase was driven mainly by higher energy, electricity, and transportation costs. Selling, general, and administrative (SG&A) expenses as a percentage of sales decreased 0.3 percentage points, from 20.0% to 19.7%.

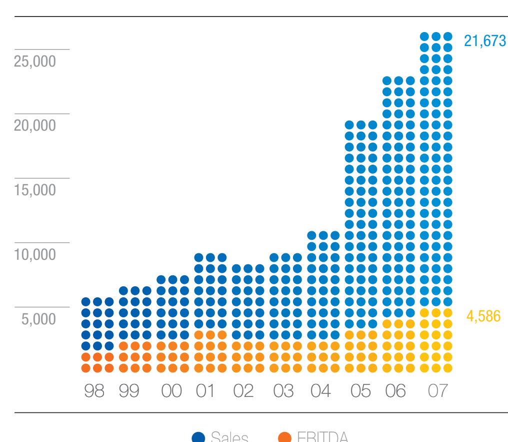
Operating income was up 1% to US$2.97 billion, while EBITDA totaled US$4.59 billion, 11% more than that in 2006. Our EBITDA margin decreased 1.5 percentage points, from 22.7% in 2006 to 21.2% in 2007. A change in our product mix resulting from our consolidation of Rinker, as well as higher energy, electricity, and transportation costs contributed to the reduction in our EBITDA margin.

Financial expenses increased 63% to US$807 million as a result of the increased debt related to the Rinker acquisition. Our interest coverage ratio was 5.7 times, down from 8.4 times at the end of 2006.

We incurred a US$22 million foreign-exchange loss for the year. This loss was due primarily to the appreciation of the Euro and the British pound. We reported a gain on financial instruments of US$219 million in 2007 compared with a loss of US$14 million in 2006. This gain resulted mainly from a positive non-cash impact attributable to the drop in the yen's long-term interest rates embedded in our perpetual instruments.

Sales and EBITDA

millions of US dollars



Our majority interest net income for the year increased 1% to US$2.39 billion.

Free cash flow after maintenance capital expenditures decreased 4% to US$2.58 billion, which we used primarily for expansion capital expenditures of US$1.43 billion and to reduce debt.

Net debt was US$18.90 billion at the end of 2007 compared with US$5.81 billion at year-end 2006. At the end of 2007, our net-debt-to-EBITDA ratio stood at 3.6 times, up from 1.4 times for 2006. This increase was related to the higher level of debt resulting from the acquisition of Rinker.

In 2007 we engaged in debt-refinancing transactions totaling approximately US$4.02 billion. Also during the year, we maintained our investment-grade ratings from Standard & Poor's and Fitch Ratings at BBB and BBB-, respectively.

We are always looking for ways to improve our productivity and operating efficiency.

Mexico

In 2007 our Mexican operations' net sales reached US$3.83 billion, a 5% increase compared with those in 2006, and EBITDA rose 1% to US$1.41 billion.

Cement and ready-mix concrete volumes grew 4% and 8%, respectively, for the year. The main drivers of demand in Mexico were strong formal residential construction, as well as healthy government infrastructure spending on roads, public buildings, and other infrastructure projects. Recently approved fiscal reform will also provide the federal government with additional funds for the 2008 budget and help to foster demand.

In 2007 foreign direct investment and remittances from the United States—which reached close to US$24 billion for the year—remained high and contributed to Mexico's strong economic activity. Mortgage-origination levels reached approximately 730,000 mortgages for the year.

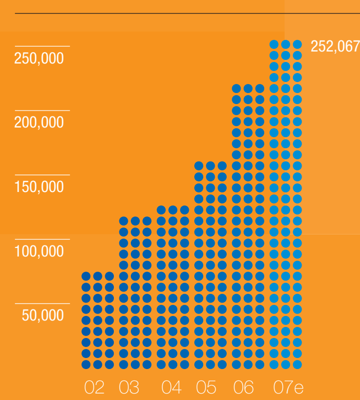
On the operations front, the expansion of our Yaqui and Tepeaca cement plants remains on schedule. These investments, which will extend into 2008 and 2009, respectively, reflect our confidence in the strength of the Mexican economy and the continued high growth of the country's housing and public infrastructure sectors.

United States

Our US operations' net sales increased 18% to US$4.93 billion in 2007. EBITDA was US$1.12 billion, a 7% decline from 2006. These results include the consolidation of Rinker's operations starting July 2007.

Our US operations' cement volumes decreased 8%, while our ready-mix concrete and aggregates volumes increased 13% and 75%, respectively, for 2007. For the full year of 2007, on a like-to-like basis for the company's ongoing operations,

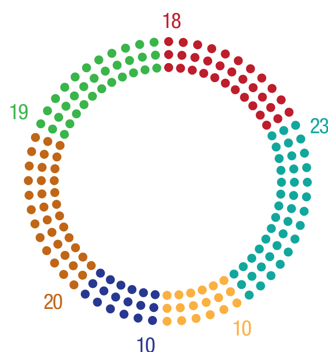
Mexico Total Home Financing Growth
millions of Mexican pesos



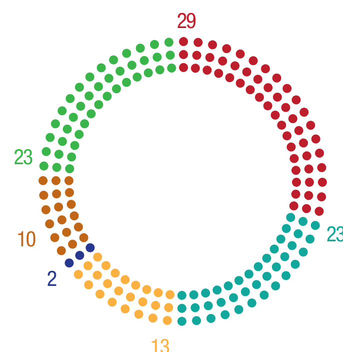
The amount of financing provided for Mexican home construction and ownership continued to grow in 2007 – with total funding up more than 13 percent from 2006.

Mexico
United States
Spain
United Kingdom
Rest of Europe
Rest of world

Sales geographic distribution
percentage



EBITDA geographic distribution
percentage



cement volumes decreased 18%, ready-mix concrete volumes decreased 21%, and aggregates volumes decreased 13% for the year. The ongoing downturn in the residential construction sector continued to impact our cement volumes. Public construction spending rose 14%, with spending for streets and highways up 7%, and industrial-and-commercial construction spending increased 18% in 2007.

Construction spending in the residential sector decreased 18% on a nationwide basis for the year. Housing starts—the fundamental driver of cement demand in this sector—decreased 25% during the year. For our markets, this decline was even steeper, with the high-growth residential markets decreasing faster.

EBITDA generation in the United States was affected mainly by our ready-mix concrete and other-products operations. These operations, which include concrete blocks and other building materials, are driven more by the residential sector than our cement and aggregates operations. The ready-mix and concrete-block operations suffered due to lower sales volumes and high material costs. We have taken actions to reduce costs in the ready-mix concrete, aggregates, and concrete-block operations. These actions have included plant closures and reduced truck fleet and headcount. In addition, we have identified substantial synergies during the post-merger integration of Rinker, which will further reduce our costs going forward.

Spain

Our net sales in Spain increased 15% to US$2.12 billion in 2007. EBITDA reached US$635 million, up 14% from that in 2006.

Cement and ready-mix concrete volumes declined 5% and 4%, respectively, for 2007. The residential sector decelerated from the high growth levels achieved in recent years—in 2006 the residential sector had a record year, with housing permits exceeding 860,000. Additionally, the end of major infrastructure projects in many regions of the country, as local and regional elections concluded, affected volumes for the year. The main drivers of cement demand remained the non-residential and infrastructure construction sectors.

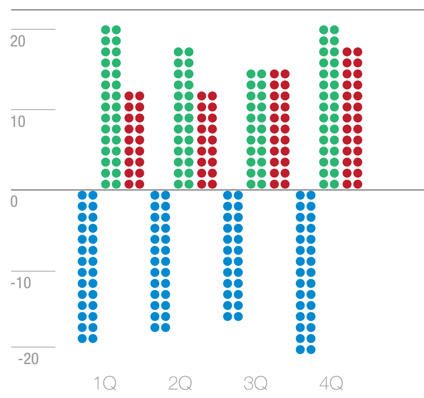
United Kingdom

Our UK operations' net sales grew 1% to US$2.03 billion, and EBITDA declined 38% to US$93 million in 2007. Input cost inflation in our ready-mix operations, which represent about a third of our sales in the country, continued to affect our operations' overall EBITDA margin.

In 2007 cement volumes increased 12%, while ready-mix concrete volumes decreased 2% and aggregate volumes increased 2%. During the fourth quarter of 2007, we made some divestitures in our ready-mix concrete business. On a like-to-like basis for our ongoing operations, ready-mix volumes decreased 1% for the year. The industrial, commercial, and

The increase in construction put in place for the public and the industrial and commercial sectors helped to offset the unprecedented downturn in residential construction.

Construction put in place in the US
year-over-year growth by segment



Residential
Industrial and commercial
Public

public-housing sectors remained the main drivers of cement demand for the year.

Rest of Europe

The rest of our European operations produced net sales growth of 15% to US$4.17 billion and EBITDA growth of 23% to US$479 million for 2007.

In Germany, our domestic cement volumes decreased 6% for 2007. A sharp decline in the number of residential permits affected our volumes. The non-residential sector was the main driver of cement demand during 2007.

non-residential sector. In 2007 the number of housing starts stabilized from last year's record levels.

South/Central America and Caribbean

Our net sales in the region rose 28% to US$2.02 billion, and EBITDA increased 44% to US$679 million in 2007. Our regional operations' domestic cement volumes grew 8% for the year.

In Venezuela, our operations domestic cement volumes increased 17% for 2007. Public infrastructure spending, fueled by a positive macroeconomic

Millions of US dollars	SALES	OPERATING INCOME	EBITDA	ASSETS[6]
Mexico	3,829	1,234	1,405	5,611
United States[1]	4,930	637	1,120	22,581
Spain	2,120	542	635	3,967
United Kingdom	2,033	(66)	93	2,621
Rest of Europe[2]	4,173	238	479	4,579
South/ Central America & Caribbean[3]	2,024	517	679	3,406
Africa & Middle East[4]	758	140	175	1,131
Asia[5] and Australia	1,255	170	238	3,294
Other	552	(441)	(237)	2,472
TOTAL	21,673	2,971	4,586	49,662

1. Includes operations from joint venture with Ready Mix USA and Rinker operations since acquisition date.
2. Includes operations in Austria, Croatia, Czech Republic, Finland, France, Germany, Hungary, Ireland, Latvia, Norway, Poland, and Sweden.
3. Includes operations in Argentina, Colombia, Costa Rica, the Dominican Republic, Nicaragua, Panama, Puerto Rico, and Venezuela, as well as other operations in the Caribbean region.
4. Includes operations in Egypt, Israel, and the United Arab Emirates.
5. Includes operations in Bangladesh, China, Malaysia, the Philippines, Taiwan, and Thailand.
6. Includes assets in associated participation.

In France, our ready-mix concrete and aggregates volumes increased 5% and 2%, respectively, for the year. During the third quarter of 2007, we started to consolidate five ready-mix concrete plants acquired in June. On a like-to-like basis for our ongoing operations, our ready-mix concrete volumes would have increased 3% for 2007.

The main drivers of this growth were the public works sector, which is showing strong activity in anticipation of local elections next year, and to a lesser extent the

outlook, and a strong residential sector remained the main drivers of cement demand.

Our Colombian operations' cement volumes grew 19% in 2007. The main drivers of cement demand during the year were infrastructure spending, middle-income housing, and non-residential construction.

Africa and Middle East

Net sales from our operations in Africa and the Middle East were US$758 million, up 7% over 2006. EBITDA increased 5% to US$175 million.

In Egypt, our operations' cement volumes grew 8% for the year. The residential construction sector was the main driver of cement consumption in the country.

Asia and Australia

Our regional operations' net sales rose 263% to US$1.25 billion, and EBITDA grew 216% to US$238 million. Our regional cement volumes increased 7% for the year.

In Australia, our ready-mix concrete and aggregates volumes increased 5% and 7%, respectively, for the year. Construction growth in the commercial and public sectors drove demand.

Our Philippine operations domestic cement volumes increased 12% for 2007. The main drivers of cement demand were the residential and the industrial and commercial sectors.

Trading

Our global trading network is one of the largest in the industry. Our trading operations help us to optimize our worldwide production capacity, deliver excess cement to where it is most needed, and explore new markets without the necessity of making immediate capital investments. In addition, our worldwide network of strategically-located marine terminals and broad third-party customer base provide added flexibility to fully place contracted supplies in an optimum way.

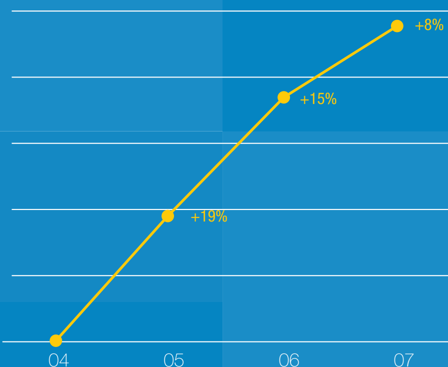
In 2007 our trading volume totaled more than 13.4 million metric tons of cementitious materials—including almost 11.6 million metric tons of cement and clinker—and we have trading relationships with 106 countries. At 1.8 million metric tons, we also maintained a sizeable position in the trading of granulated blast furnace slag, a non-clinker cementitious material.

Freight rates reached a historical peak in 2007. Our trading operations, however, 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.

In addition, we provide freight service to third parties when we have spare fleet capacity, providing us with valuable shipping market information and generating additional profit for our operations.

Domestic Cement Volume in South / Central America and Caribbean Region

year-over-year growth



ACQUISITIONS, DIVESTITURES, AND OTHER
relevant events

CEMEX acquires Rinker
In July of 2007, CEMEX acquired 95.62% of the outstanding shares of Rinker Group Limited for US$15.85 per share. At the time of the acquisition, this represented a multiple of 10.4 times Rinker's EBITDA for the 12-month period ending June 30, 2007. The total enterprise value of the transaction, including Rinker's debt, was approximately US$15.3 billion.

The combination of CEMEX and Rinker creates one of the largest and most profitable building-materials companies in the world with revenues of US$21.67 billion and close to 67,000 employees in more than 50 countries.

CEMEX obtained committed facilities, sufficient to satisfy in full the cash consideration payable to Rinker's shareholders under the terms of the offer.

CEMEX completes sale of US assets required by the US Department of Justice
On November 30, 2007, CEMEX announced that it completed the sale of a portion of its operations in Arizona and Florida, as required by the US Department of Justice in association with the Rinker Group Limited acquisition, to CRH plc, the Ireland-based international building materials group.

CEMEX acquired Rinker in July 2007. As a condition of US regulatory approval, the US Department of Justice required CEMEX to sell 39 ready-mix concrete and aggregate facilities in Arizona and Florida. The value of the transaction was approximately US$250 million. CEMEX used the proceeds from the sale of these assets to reduce debt.

We see abundant opportunities to deepen our customer relationships by focusing on more vertically integrated building solutions.

We tailor our products and services to suit our customers' specific needs.

CEMEX in negotiations with Ready Mix USA to contribute and sell additional assets to joint venture

On November 13, 2007, CEMEX announced that CEMEX, Inc., its US subsidiary, was in negotiations with Ready Mix USA, a private ready-mix concrete company with operations in the southeastern United States, to expand the scope of their ready-mix joint venture formed in July 2005. On January 2, 2008, CEMEX, Inc. entered into a definitive agreement with Ready Mix USA. The transaction remains subject to the satisfaction of certain conditions.

Upon closing, CEMEX will contribute assets valued at approximately US$260 million to the joint venture and will sell additional assets to the joint venture for approximately US$120 million in cash. As part of the transaction, Ready Mix USA will make a US$125 million cash contribution to the joint venture, and CEMEX will receive a US$135 million capital distribution funded from additional borrowings of the joint venture. As previously announced, Ready Mix USA will manage all of the newly acquired assets and, following the transaction, the joint venture will continue to be owned 50.01% by Ready Mix USA and 49.99% by CEMEX.

The assets that CEMEX will contribute and sell will include 11 concrete plants, 12 limestone quarries, 4 concrete maintenance facilities, 2 aggregate distribution facilities, and 2 administrative offices in Tennessee; 3 granite quarries and 1 aggregate distribution facility in Georgia; and 1 limestone quarry and 1 concrete plant in Virginia. CEMEX acquired all of these assets through its acquisition of Rinker Group Limited earlier this year.

CEMEX will use the proceeds of the sale of these assets to reduce debt. The 2006 EBITDA for the operations involved was approximately US$47 million.

CEMEX to construct US$400 million cement manufacturing facility in Arizona

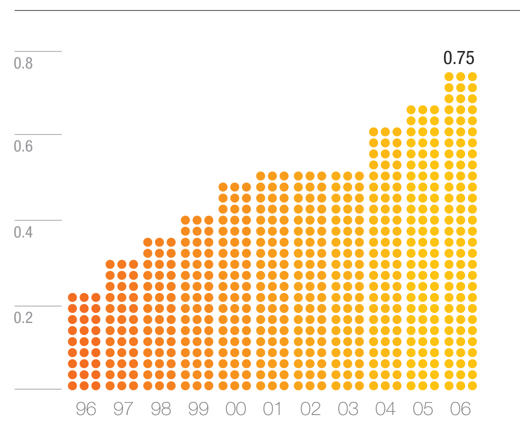
On September 18, 2007, CEMEX announced that it intended to begin the permitting process for the construction of a 1.9 million short ton cement manufacturing facility near Seligman, Arizona. CEMEX will invest approximately US$400 million over five years in the plant, which is expected to begin operations by 2012. The state-of-the-art facility will serve the growing needs of Arizona, including the Phoenix metropolitan area.

The historical shortage of building materials in Arizona and the southwestern US, coupled with robust population growth throughout the region, reinforced the need for the construction of the plant.

97.8% of stockholders receive CPOs or ADSs under CEMEX's stock dividend program

On June 6, 2007, CEMEX announced the completion of its stock dividend program, determined at the Annual Shareholders Meeting on April 26, 2007. A total of 189,273,736 CPOs, including CPOs in the form of ADSs (one ADS represents 10 CPOs), were issued on June 6, 2007, and were distributed to 97.8% of stockholders. The remaining 2.2%, consisting of CPO holders, received a cash payment of MXP 0.803654 per CPO in lieu of the stock dividend, for a total of approximately MXP 140 million (US$13 million) paid by CEMEX.

Dividends
US dollars



**CEMEX did not declare or pay any dividends with respect to 1996; rather, management recommended, and shareholders approved, a share repurchase program.*

Under the stock dividend program, CEMEX stockholders received one new CPO for each 40.750966 CPOs held (each representing two series A shares and one series B share), and ADS holders received one new ADS for each 40.750966 ADSs held.

CPO holders had the option to receive a cash payment in lieu of the stock dividend. ADS holders were entitled to receive a stock dividend only. ADS holders could instruct the ADS Depositary to sell all or a portion of the additional stock received as a result of the stock dividend into the market and receive the net cash proceeds from such sales.

CEMEX to invest US$200 million to expand Bayano plant in Panama

On February 6, 2007, CEMEX announced that it would begin the construction of a new kiln at its Bayano plant in Panama. The construction is expected to be completed in 2009. The value of the investment is approximately US$200 million.

Current production at the Bayano plant is approximately 450,000 tons of clinker per year. Following the completion of the project, the plant's production capacity will increase by approximately 1.15 million tons of clinker to 1.6 million tons of clinker per year.

The Bayano plant will operate using the most modern and efficient processes developed with CEMEX technology for clinker production, fuel use, and environmental standards.

With this additional production capacity, the Bayano plant will become one of the most modern production facilities in the Americas.

Derivative instruments

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 equity-forward contracts, options, and futures, among others, to change the risk profile associated with changes in interest rates and foreign-exchange rates of debt agreements; reduce financing costs; and hedge highly probable forecasted transactions, net assets in foreign subsidiaries, and CEMEX's stock-option plans.

Under Mexican FRS (Financial Reporting Standards), we recognize all derivative financial instruments on the balance sheet as assets or liabilities, at their estimated fair market value, with changes in such fair values recorded in the income statement, except for changes in fair value of derivative instruments designated and that are effective as hedges of the variability in the cash flows associated to existing assets or liabilities and/or forecasted transactions. These effects are initially recognized in stockholders' equity and subsequently reclassified to earnings as the effects of the underlying hedged instruments or transactions impact the income statement. CEMEX has recognized increases in assets and liabilities, which resulted in a net asset of US$360 million, arising from the fair market value recognition of its derivatives portfolio as of December 31, 2007. The notional amounts of derivatives substantially match the amounts of underlying assets, liabilities, or equity transactions on which the derivatives are being entered into.

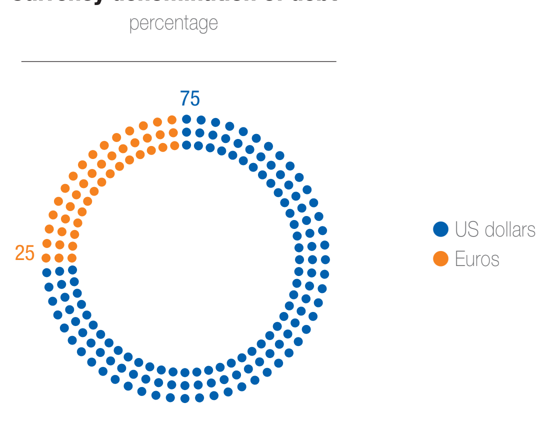
	NOTIONAL AMOUNTS
Equity derivatives	121
Foreign-exchange derivatives	9,748
Interest-rate derivatives	4,686

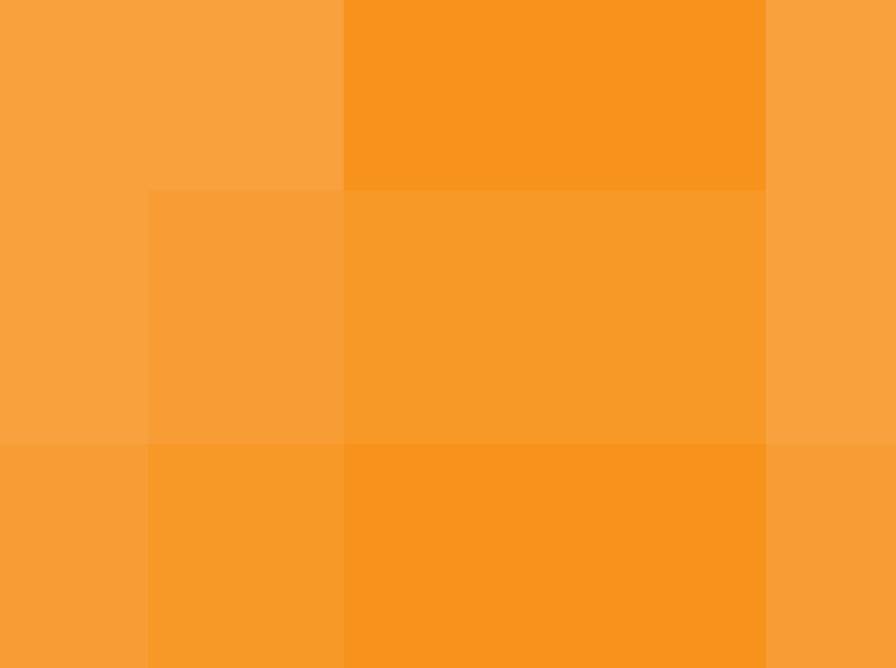
Millions of US dollars as of December 31, 2007

The estimated aggregate fair market value of these derivative instruments was US$160 million on December 31, 2007.

Currency denomination of debt

percentage





Our portfolio of assets is concentrated in markets that provide sustainable growth throughout the economic cycle.

CONSOLIDATED

financial statements

33 auditors report
34 consolidated balance sheets
35 consolidated income statements
36 consolidated statements of changes in financial position
37 balance sheets
38 income statements
39 statements of changes in financial position
40 statements of changes in stockholder’s equity
42 notes to the consolidated financial statements

INDEPENDENT
auditors' report

The Board of Directors and Stockholders
CEMEX, S.A.B. de C. V.:

We have audited the consolidated and the parent company-only balance sheets of CEMEX, S.A.B. de C.V. and CEMEX, S.A.B. de C.V. and subsidiaries as of December 31, 2007 and 2006 and the related consolidated and parent company-only statements of income, changes in stockholders' equity and changes in financial position for each of the years ended December 31, 2007, 2006 and 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and are prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated and parent company only financial statements referred to above present fairly, in all material respects, the financial position of CEMEX, S.A.B. de C.V. and CEMEX, S.A.B. de C.V. and subsidiaries as of December 31, 2007 and 2006, and the consolidated and parent company-only results of their operations, the changes in their stockholders' equity and the changes in their financial position for each of the years ended December 31, 2007, 2006 and 2005, in conformity with Mexican Financial Reporting Standards.

Our audits were made for the purpose of forming an opinion expressed in the above paragraph. The supplementary information related to the conversion of Mexican pesos to U.S. dollars, included in the financial statements in accordance with the basis described in notes 3A) and 25B) and prepared under the responsibility of the Company's management, is presented only for convenience of the financial statements reader, and is not required for the interpretation of the basic financial statements. In our opinion, such additional information is fairly stated in all material respects, in relation to the basic financial statements.

KPMG Cárdenas Dosal, S.C.

C.P.C. Leandro Castillo Parada

Monterrey, N.L., Mexico
January 25, 2008.

CONSOLIDATED

balance sheets

CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2007)

	Note	December 31, 2007	December 31, 2006	2007 Convenience translation (note 3A)
ASSETS				
CURRENT ASSETS				
Cash and investments	4	$ 8,670	18,494	U.S.$ 794
Trade receivables less allowance for doubtful accounts	5	20,719	16,525	1,897
Other accounts receivable	6	9,830	9,206	900
Inventories, net	7	19,631	13,974	1,798
Other current assets	8	2,394	2,255	219
Total current assets		61,244	60,454	5,608
NON-CURRENT ASSETS				
Investments in associates	9A	10,599	8,712	971
Other investments and non-current accounts receivable	9B	10,960	9,966	1,003
Property, machinery and equipment, net	10	262,189	201,425	24,010
Goodwill, intangible assets and deferred charges, net	11	197,322	70,526	18,070
Total non-current assets		481,070	290,629	44,054
TOTAL ASSETS		**$ 542,314**	**351,083**	**U.S.$ 49,662**
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term debt including current maturities of long-term debt	12	$ 36,257	14,657	U.S.$ 3,320
Trade payables		23,660	20,110	2,167
Other accounts payable and accrued expenses	13	23,471	17,203	2,149
Total current liabilities		83,388	51,970	7,636
NON-CURRENT LIABILITIES				
Long-term debt	12	180,654	73,674	16,544
Pension and other postretirement benefits	14	7,650	7,484	701
Deferred income tax liability	15B	50,307	30,119	4,607
Other non-current liabilities	13	16,162	14,725	1,479
Total non-current liabilities		254,773	126,002	23,331
TOTAL LIABILITIES		**338,161**	**177,972**	**30,967**
STOCKHOLDERS' EQUITY				
Majority interest:				
Common stock	16A	4,115	4,113	377
Additional paid-in capital	16A	63,379	56,982	5,804
Other equity reserves	16B	(104,574)	(91,244)	(9,577)
Retained earnings	16C	174,140	152,921	15,947
Net income		26,108	27,855	2,391
Total majority interest		163,168	150,627	14,942
Minority interest and perpetual debentures	16D	40,985	22,484	3,753
TOTAL STOCKHOLDERS' EQUITY		**204,153**	**173,111**	**18,695**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**$ 542,314**	**351,083**	**U.S.$ 49,662**

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED

statements of income

CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2007, EXCEPT FOR EARNINGS PER SHARE)

		YEARS ENDED DECEMBER 31,			
	Note	2007	2006	2005	2007 Convenience translation (note 3A)
Net sales	3Q	$ 236,669	213,767	192,392	U.S.$ 21,673
Cost of sales	3R	(157,696)	(136,447)	(116,422)	(14,441)
Gross profit		**78,973**	**77,320**	**75,970**	**7,232**
Administrative and selling expenses		(33,120)	(28,588)	(24,584)	(3,033)
Distribution expenses		(13,405)	(14,227)	(20,159)	(1,228)
Total operating expenses		(46,525)	(42,815)	(44,743)	(4,261)
Operating income		**32,448**	**34,505**	**31,227**	**2,971**
Other expenses, net	3T	(3,281)	(580)	(3,976)	(300)
Operating income after other expenses, net		**29,167**	**33,925**	**27,251**	**2,671**
Comprehensive financing result:					
Financial expense		(8,809)	(5,785)	(6,607)	(807)
Financial income		862	536	493	79
Results from financial instruments		2,387	(161)	4,849	219
Foreign exchange result		(243)	238	(989)	(22)
Monetary position result		6,890	4,667	5,330	631
Comprehensive financing result		1,087	(505)	3,076	100
Equity in income of associates		1,487	1,425	1,098	136
Income before income tax		**31,741**	**34,845**	**31,425**	**2,907**
Income tax	15	(4,796)	(5,698)	(4,214)	(439)
Consolidated net income		26,945	29,147	27,211	2,468
Minority interest net income		837	1,292	692	77
MAJORITY INTEREST NET INCOME		**$ 26,108**	**27,855**	**26,519**	**U.S.$ 2,391**
BASIC EARNINGS PER SHARE	19	**$ 1.17**	**1.29**	**1.28**	**U.S.$ 0.11**
DILUTED EARNINGS PER SHARE	19	**$ 1.17**	**1.29**	**1.27**	**U.S.$ 0.11**

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

changes in financial position

CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2007)

	Note	YEARS ENDED DECEMBER 31, 2007	2006	2005	2007 Convenience translation (note 3A)
OPERATING ACTIVITIES					
Majority interest net income		**$ 26,108**	**27,855**	**26,519**	**U.S.$ 2,391**
Adjustments for items which are non cash:					
Depreciation of property, machinery and equipment	10	14,876	12,357	11,808	1,362
Amortization of intangible assets and deferred charges	11	2,790	1,604	1,898	255
Impairment of assets	3K	195	704	196	18
Pensions and other postretirement benefits	14	995	915	2,366	91
Deferred income taxes	15	(427)	1,258	1,329	(39)
Deferred employees' statutory profit sharing		25	–	(210)	2
Equity in income of associates	9A	(1,487)	(1,425)	(1,098)	(136)
Minority interest		837	1,292	692	77
Resources provided by operating activities		**43,912**	**44,560**	**43,500**	**4,021**
Changes in working capital, excluding acquisition effects:					
Trade receivables, net		2,837	3,495	(547)	260
Other accounts receivable and other assets		422	289	(1,623)	39
Inventories		(1,185)	(1,043)	1,863	(109)
Trade payables		(566)	2,995	2,158	(52)
Other accounts payable and accrued expenses		205	(2,451)	(2,271)	19
Net change in working capital		1,713	3,285	(420)	157
Net resources provided by operating activities		**45,625**	**47,845**	**43,080**	**4,178**
FINANCING ACTIVITIES					
Proceeds from debt (repayments), net, excluding debt assumed through business acquisitions		114,065	(31,235)	15,855	10,446
Decrease of treasury shares owned by subsidiaries		158	3,126	372	14
Dividends paid		(6,636)	(6,226)	(5,751)	(608)
Issuance of common stock under stock dividend elections and stock option programs		6,399	5,976	4,929	586
Issuance of perpetual debentures, net of interest paid	16D	16,981	14,490	–	1,555
Other financing activities, net		(618)	1,729	(6,955)	(56)
Net resources provided by (used in) financing activities		**130,349**	**(12,140)**	**8,450**	**11,937**
INVESTING ACTIVITIES					
Property, machinery and equipment, net	10	(21,779)	(16,067)	(9,862)	(1,994)
Disposal (acquisition) of subsidiaries and associates	9A and 11	(146,663)	2,958	(48,729)	(13,431)
Minority interest		(1,166)	(86)	(183)	(107)
Goodwill, intangible assets and other deferred charges	11	(1,408)	(2,629)	12,153	(129)
Other investments and monetary foreign currency effect		(14,782)	(8,938)	(1,681)	(1,354)
Resources used in investing activities		**(185,798)**	**(24,762)**	**(48,302)**	**(17,015)**
Increase (decrease) in cash and investments		(9,824)	10,943	3,228	(900)
Cash and investments at beginning of year		18,494	7,551	4,323	1,694
CASH AND INVESTMENTS AT END OF YEAR	4	**$ 8,670**	**18,494**	**7,551**	**U.S.$ 794**

The accompanying notes are part of these consolidated financial statements.

B A L A N C E
sheets

CEMEX, S.A.B. DE C.V.
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2007)

	Note 25	DECEMBER 31, 2007	2006	2007 Convenience translation (note 25B)
ASSETS				
CURRENT ASSETS				
Other accounts receivable	C	$ 1,772	778	U.S.$ 162
Related parties accounts receivable	I	64	6,700	6
Total current assets		1,836	7,478	168
NON-CURRENT ASSETS				
Investment in subsidiaries and affiliated companies	D	232,483	185,358	21,289
Other investments and non-current accounts receivable		2,661	3,176	244
Long-term related parties accounts receivable	I	18,647	–	1,708
Land and buildings, net	E	1,995	2,012	183
Goodwill and deferred charges, net	F	3,304	4,514	302
Total non-current assets		259,090	195,060	23,726
TOTAL ASSETS		**$ 260,926**	**202,538**	**U.S.$ 23,894**
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term debt including current maturities of long-term debt	H	$ 20,472	4,560	U.S.$ 1,875
Other accounts payable and accrued expenses	G	1,032	1,201	94
Related parties accounts payable	I	20,495	314	1,877
Total current liabilities		41,999	6,075	3,846
NON-CURRENT LIABILITIES				
Long-term debt	H	53,250	30,775	4,876
Long-term related parties accounts payable	I	155	13,943	14
Other non-current liabilities		2,354	1,118	216
Total non-current liabilities		55,759	45,836	5,106
TOTAL LIABILITIES		**97,758**	**51,911**	**8,952**
STOCKHOLDERS' EQUITY	K			
Common stock		4,115	4,113	377
Additional paid-in capital		63,379	56,982	5,804
Other equity reserves		(104,574)	(91,244)	(9,577)
Retained earnings		174,140	152,921	15,947
Net income		26,108	27,855	2,391
TOTAL STOCKHOLDERS' EQUITY		**163,168**	**150,627**	**14,942**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**$ 260,926**	**202,538**	**U.S.$ 23,894**

The accompanying notes are part of these financial statements.

STATEMENTS of income

CEMEX, S.A.B. DE C.V.
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2007,
EXCEPT FOR EARNINGS PER SHARE)

		YEARS ENDED DECEMBER 31,			
	Note 25	2007	2006	2005	2007 Convenience translation (note 25B)
Equity in income of subsidiaries and associates	D	$ 28,863	26,796	27,843	U.S.$ 2,643
Rental income	I	278	287	295	25
License fees	I	1,177	957	784	108
Total revenues		**30,318**	**28,040**	**28,922**	**2,776**
Administrative expenses		(28)	(34)	(62)	(3)
Operating income		**30,290**	**28,006**	**28,860**	**2,773**
Other expenses, net		(1,310)	(862)	(831)	(120)
Operating income after other expenses, net		**28,980**	**27,144**	**28,029**	**2,653**
Comprehensive financing result:					
Financial expense		(3,425)	(5,268)	(5,002)	(313)
Financial income		693	1,830	1,723	63
Results from financial instruments		(1,280)	(1,324)	1,009	(117)
Foreign exchange result		(311)	438	(843)	(28)
Monetary position result		1,608	1,575	916	147
Comprehensive financing result		(2,715)	(2,749)	(2,197)	(248)
Income before income tax		**26,265**	**24,395**	**25,832**	**2,405**
Income tax	J	(157)	3,460	687	(14)
NET INCOME		**$ 26,108**	**27,855**	**26,519**	**U.S.$ 2,391**
BASIC EARNINGS PER SHARE	M	**$ 1.17**	**1.29**	**1.28**	**U.S.$ 0.11**
DILUTED EARNINGS PER SHARE	M	**$ 1.17**	**1.29**	**1.27**	**U.S.$ 0.11**

The accompanying notes are part of these financial statements.

STATEMENTS OF
changes in financial position

CEMEX, S.A.B. DE C.V.
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2007)

	Note 25	YEARS ENDED DECEMBER 31, 2007	2006	2005	2007 Convenience translation (note 25B)
OPERATING ACTIVITIES					
Net income		**$ 26,108**	**27,855**	**26,519**	**U.S.$ 2,391**
Adjustments for items which are non cash:					
Depreciation of property and buildings		6	5	4	–
Amortization of deferred charges		82	141	138	7
Deferred income taxes	J	957	(1,335)	1,105	88
Equity in income of subsidiaries and associates		(28,863)	(26,796)	(27,843)	(2,643)
Resources used in operating activities		**(1,710)**	**(130)**	**(77)**	**(157)**
Changes in working capital:					
Other accounts receivable		(994)	46	273	(91)
Short-term related parties accounts receivable and payable, net	I	26,817	(6,286)	(6,424)	2,456
Other accounts payable and accrued expenses		(169)	712	(240)	(16)
Net change in working capital		25,654	(5,528)	(6,391)	2,349
Net resources provided by (used in) operating activities		**23,944**	**(5,658)**	**(6,468)**	**2,192**
FINANCING ACTIVITIES					
Proceeds from debt (repayments), net		38,387	(4,185)	11,234	3,515
Dividends paid		(6,636)	(6,226)	(5,751)	(607)
Issuance of common stock under stock dividend elections and stock option programs		6,399	5,976	4,929	586
Other financing activities, net		1,236	580	(986)	113
Net resources provided by (used in) financing activities		**39,386**	**(3,855)**	**9,426**	**3,607**
INVESTING ACTIVITIES					
Long-term related parties accounts receivable and payable, net	I	(32,435)	14,592	9,203	(2,970)
Investment in subsidiaries and associates		(31,581)	(4,746)	(10,512)	(2,891)
Goodwill and deferred charges		171	57	56	15
Other long-term investments and accounts receivable		515	(390)	(1,821)	47
Net resources (used in) provided by investment activities		**(63,330)**	**9,513**	**(3,074)**	**(5,799)**
Decrease in cash and investments		–	–	(116)	–
Cash and investments at beginning of year		–	–	116	–
CASH AND INVESTMENTS AT END OF YEAR		**$ –**	**–**	**–**	**U.S.$ –**

The accompanying notes are part of these financial statements.

STATEMENTS OF CHANGES

in stockholders' equity

CEMEX, S.A.B. DE C.V. AND CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2007)

	Note	Common stock	Additional paid-in capital
Balance at December 31, 2004		**$ 4,109**	**46,081**
Results from holding non-monetary assets	16B	–	–
Currency translation of foreign subsidiaries	16B	–	–
Hedge derivative financial instruments	12	–	–
Deferred income tax in equity	15	–	–
Net income		–	–
Comprehensive income for the period		–	–
Dividends ($0.25 pesos per share)	16A	–	–
Issuance of common stock	16A	2	4,927
Treasury shares owned by subsidiaries	16B	–	–
Changes and transactions related to minority interest	16D	–	–
Balance at December 31, 2005		**4,111**	**51,008**
Results from holding non-monetary assets	16B	–	–
Currency translation of foreign subsidiaries	16B	–	–
Hedge derivative financial instruments	12	–	–
Deferred income tax in equity	15	–	–
Net income		–	–
Comprehensive income for the period		–	–
Dividends ($0.27 pesos per share)	16A	–	–
Issuance of common stock	16A	2	5,974
Treasury shares owned by subsidiaries	16B	–	–
Issuance and effects of perpetual debentures	16D	–	–
Changes and transactions related to minority interest	16D	–	–
Balance at December 31, 2006		**4,113**	**56,982**
Results from holding non-monetary assets	16B	–	–
Currency translation of foreign subsidiaries	16B	–	–
Hedge derivative financial instruments	12	–	–
Deferred income tax in equity	15	–	–
Net income		–	–
Comprehensive income for the period		–	–
Dividends ($0.28 pesos per share)	16A	–	–
Issuance of common stock	16A	2	6,397
Treasury shares owned by subsidiaries	16B	–	–
Issuance and effects of perpetual debentures	16D	–	–
Changes and transactions related to minority interest	16D	–	–
Balance at December 31, 2007		**$ 4,115**	**63,379**

The accompanying notes are part of these financial statements.

Other equity reserves	Retained earnings	Total majority interest	Minority interest	Total stockholders' equity
(89,652)	**138,379**	**98,917**	**4,914**	**103,831**
2,611	–	2,611	–	2,611
(4,446)	–	(4,446)	–	(4,446)
(1,607)	–	(1,607)	–	(1,607)
2,063	–	2,063	–	2,063
–	26,519	26,519	692	27,211
(1,379)	26,519	25,140	692	25,832
–	(5,751)	(5,751)	–	(5,751)
–	–	4,929	–	4,929
149	–	149	–	149
–	–	–	1,031	1,031
(90,882)	**159,147**	**123,384**	**6,637**	**130,021**
(4,031)	–	(4,031)	–	(4,031)
3,331	–	3,331	–	3,331
148	–	148	–	148
(641)	–	(641)	–	(641)
–	27,855	27,855	1,292	29,147
(1,193)	27,855	26,662	1,292	27,954
–	(6,226)	(6,226)	–	(6,226)
–	–	5,976	–	5,976
983	–	983	–	983
(152)	–	(152)	14,642	14,490
–	–	–	(87)	(87)
(91,244)	**180,776**	**150,627**	**22,484**	**173,111**
(13,910)	–	(13,910)	–	(13,910)
2,927	–	2,927	–	2,927
(117)	–	(117)	–	(117)
(427)	–	(427)	–	(427)
–	26,108	26,108	837	26,945
(11,527)	26,108	14,581	837	15,418
–	(6,636)	(6,636)	–	(6,636)
–	–	6,399	–	6,399
44	–	44	–	44
(1,847)	–	(1,847)	18,828	16,981
–	–	–	(1,164)	(1,164)
(104,574)	**200,248**	**163,168**	**40,985**	**204,153**

NOTES TO THE CONSOLIDATED
financial statements

CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
AS OF DECEMBER 31, 2007, 2006 AND 2005
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2007)

1. DESCRIPTION OF BUSINESS

CEMEX, S.A.B. de C.V. is a Mexican corporation, a holding company (parent) of entities whose main activities are oriented to the construction industry, through the production, marketing, distribution and sale of cement, ready-mix concrete, aggregates and other construction materials. CEMEX is a public stock corporation with variable capital (S.A.B. de C.V.) organized under the laws of the United Mexican States, or Mexico.

CEMEX, S.A.B. de C.V. 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. In 2002 this period was extended to the year 2100. The shares of CEMEX, S.A.B. de C.V. are listed on the Mexican Stock Exchange as Ordinary Participation Certificates ("CPOs"). Each CPO represents two series "A" shares and one series "B" share of common stock of CEMEX, S.A.B. de C.V. In addition, CEMEX, S.A.B. de C.V. shares are listed on the New York Stock Exchange ("NYSE") as American Depositary Shares or "ADS" under the symbol "CX". Each ADS represents ten CPOs.

On July 17, 2006, a two-for-one stock split became effective, by means of which each of the existing series "A" shares was surrendered in exchange for two new series "A" shares, and each of the existing series "B" shares was surrendered in exchange for two new series "B" shares. The proportional equity interest participation of existing stockholders did not change as a result of the stock split (note 16). Unless otherwise indicated, all amounts in CPOs, shares and prices per share for 2005 included in these notes to the financial statements have been adjusted to present a retroactive effect resulting from this stock split.

The terms "CEMEX, S.A.B. de C.V." or the "Parent Company" used in these accompanying notes to the financial statements refer to CEMEX, S.A.B. de C.V. without its consolidated subsidiaries. The terms the "Company" or "CEMEX" refer to CEMEX, S.A.B. de C.V. together with its consolidated subsidiaries. The consolidated and Parent Company-only financial statements were authorized for their issuance by the Company's management on January 25, 2008.

2. OUTSTANDING EVENT IN 2007 (note 3A)

In 2007, CEMEX acquired 100% of the shares of Rinker Group Limited ("Rinker"), an Australian producer of construction materials. The purchase price of the Rinker shares including acquisition expenses was approximately U.S.$14,245 ($155,559), which does not include U.S.$1,277 ($13,943) of assumed debt. For its fiscal year ended March 31, 2007, Rinker reported consolidated revenues of approximately U.S.$5,300, of which approximately U.S.$4,100 were generated in the United States and approximately U.S.$1,200 in Australia and China. The consolidated financial statements include Rinker's balance sheet as of December 31, 2007 and its results of operations for the six-month period from July 1 to December 31, 2007 (note 11A).

3. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

The separate financial statements and accompanying notes of the Parent Company (note 25), are included in order to comply with legal requirements in Mexico for the Parent Company to report as an independent legal entity.

The consolidated balance sheet as of December 31, 2007, as well as the statement of income and the statement of changes in financial position for the year ended December 31, 2007, include the presentation, caption by caption, of amounts denominated in dollars under the column "Convenience translation". These amounts in dollars have been presented solely for the convenience of the reader at the rate of $10.92 pesos per dollar, 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.

In the accompanying notes to the financial statements, when CEMEX has deemed relevant and only for the convenience of the reader, next to an amount in pesos or dollars, CEMEX includes between parentheses the corresponding translation into dollars or pesos, as applicable. When the amount between parentheses is in dollars, it means that: a) the amount in pesos also appears on the face of the financial statements; or b) the amount was generated in pesos or in a currency other than the dollar. Such dollar translations were calculated dividing the constant peso amounts as of December 31, 2007, by the closing accounting exchange rate as of December 31, 2007. When the amount between parentheses is in pesos, it means that the amount was originated from a transaction denominated in dollars. These peso translations were calculated multiplying the dollar amounts by the closing accounting exchange rate of the respective year and restated into constant pesos as of December 31, 2007.

Beginning in 2006, the financial statements are prepared in accordance with Mexican Financial Reporting Standards ("MFRS") issued by the Mexican Board for Research and Development of Financial Reporting Standards ("CINIF"). The MFRS, which replaced the Generally Accepted Accounting Principles in Mexico ("Mexican GAAP") issued by the Mexican Institute of Public Accountants, have recognized the effects of inflation on the financial information. The regulatory framework of the MFRS applicable beginning in 2006 initially adopted in their entirety the former Mexican GAAP effective until 2005; therefore, there were no effects in CEMEX's financial statements resulting from the adoption of the MFRS. Note 3X explains significant changes in Mexican inflationary accounting which are effective beginning January 1, 2008.

New MFRS B-3, "Income Statement", effective beginning January 1, 2007, establishes presentation and disclosure requirements for the captions that are included in the income statement. CEMEX's income statements for the years ended December 31, 2006 and 2005 were reclassified to comply with the presentation rules required in 2007 (note 3T).

When reference is made to “pesos” or “$”, it means Mexican pesos. Except when specific references are made to “earnings per share” and “prices per share”, the amounts in these notes are stated in millions of constant Mexican pesos as of the latest balance sheet date. When reference is made to “U.S.$” or dollars, it means dollars of the United States of America (“United States” or “U.S.A.”). When reference is made to “£” or pounds, it means British pounds sterling. When reference is made to “€” or euros, it means the currency in circulation in a significant number of the European Union countries. Except for per share data and as otherwise noted, all amounts in such currencies are stated in millions.

B) RESTATEMENT OF COMPARATIVE FINANCIAL STATEMENTS

The restatement factors applied to the consolidated financial statements of prior periods were calculated using the weighted average inflation and the fluctuation in the exchange rate of each country in which the Company operates relative to the Mexican peso. The restatement factors for the Parent Company-only financial statements for prior periods were calculated using Mexican inflation.

	Weighted average restatement factor	Mexican inflation restatement factor
2006 to 2007	1.0846	1.0398
2005 to 2006	1.0902	1.0408
2004 to 2005	0.9590	1.0300

Common stock and additional paid-in capital are restated by Mexican inflation. The weighted average inflation factor is used for all other restatement adjustments to stockholders’ equity.

C) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of CEMEX, S.A.B. de C.V. and the entities in which the Parent Company holds, directly or through subsidiaries, more than 50% of their common stock and/or has control. Control exists when CEMEX has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity in order to obtain benefits from its activities.

The financial statements of joint ventures, which are those entities in which CEMEX and third-party investors have agreed to exercise joint control, are consolidated through the proportional integration method considering CEMEX’s interest in the results of operations, assets and liabilities of such entities, based on International Accounting Standard No. 31, “Interests in Joint Ventures”. CEMEX applies the full consolidation or the equity method, as applicable, for those joint ventures in which one of the venture partners controls the entity’s administrative, financial and operating policies.

Investments in associates (note 9A) 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 balances and transactions between related parties have been eliminated in consolidation.

D) USE OF ESTIMATES

The preparation of financial statements in accordance with MFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

The main captions subject to estimates and assumptions include, among others, the book value of fixed assets, allowances for doubtful accounts, inventories and deferred income tax assets, the fair market values of financial instruments and the assets and liabilities related to labor obligations.

E) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the dates of their execution. Monetary assets and liabilities denominated in foreign currencies are adjusted into pesos at the exchange rates prevailing at the balance sheet date, and the resulting foreign exchange fluctuations are recognized in earnings, except for the exchange fluctuations arising from: 1) foreign currency indebtedness directly related to the acquisition of foreign entities and 2) fluctuations associated with related parties balances denominated in foreign currency that are of a long-term investment nature, considering that CEMEX does not anticipate their liquidation in the foreseeable future. These fluctuations are recorded against stockholders’ equity, as part of the foreign currency translation adjustment of foreign subsidiaries.

The financial statements of foreign subsidiaries, which are determined using the functional currency applicable in each country, are restated in their functional currency based on the subsidiary country’s inflation rate and subsequently translated by using the foreign exchange rate at the end of the reporting period for balance sheet and income statement accounts.

The closing exchange rates used to translate the financial statements of the Company's main foreign subsidiaries as of December 31, 2007, 2006 and 2005 are as follows:

Currency	Pesos per 1 unit of foreign currency 2007	2006	2005
United States Dollar	10.9200	10.8000	10.6200
Euro	15.9323	14.2612	12.5829
British Pound Sterling	21.6926	21.1557	18.2725
Colombian Peso	0.0054	0.0048	0.0046
Venezuelan Bolivar	0.0051	0.0050	0.0049
Egyptian Pound	1.9802	1.8888	1.8452
Philippine Peso	0.2645	0.2203	0.2000

The financial statements of foreign subsidiaries are initially translated from their functional currencies into dollars and subsequently into pesos. Therefore, the foreign exchange rates presented in the table above between the functional currency and the peso represent the accounting exchange rates resulting from this methodology. Likewise, the peso to U.S. dollar exchange rate used by CEMEX is an average of free market rates available to settle its foreign currency transactions. The Mexican central bank ("*Banco de México*" or "Banxico") publishes exchange rates of the U.S. dollar, the pound sterling and the euro, among others, vis-à-vis the peso. No significant differences exist, in any case, between the foreign exchange rates used by CEMEX and those exchange rates published by Banxico in the most relevant foreign currencies for CEMEX.

F) CASH AND INVESTMENTS (note 4)

The balance in this caption is comprised of available amounts of cash and cash equivalents, represented by investments held for trading purposes, which are easily convertible into cash and have maturities of less than three months from the investment date. Those investments in fixed-income securities are recorded at cost plus accrued interest. Investments in marketable securities, such as shares of public companies, are recorded at market value. Gains or losses resulting from changes in market values, accrued interest and the effects of inflation arising from these investments are included in the income statements as part of the Comprehensive Financing Result.

G) INVENTORIES (note 7)

Inventories are valued using the lower between replacement cost and market value. Replacement cost is based upon the latest purchase price, the average price of the last purchases or the last production cost. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired. When an impairment situation arises, the inventory balance is adjusted to its net realizable value, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results of the period.

H) OTHER INVESTMENTS AND NON-CURRENT RECEIVABLES (note 9B)

Other investments and non-current accounts receivable include the Company's collection rights with maturities of more than twelve months as of the reporting date. Non-current assets resulting from the valuation of derivative financial instruments, as well as investments in private funds and other investments are recognized at their estimated fair value as of the balance sheet date, and their changes in valuation are included in the income statement as part of the Comprehensive Financing Result.

I) PROPERTY, MACHINERY AND EQUIPMENT (note 10)

Property, machinery and equipment ("fixed assets") are presented at their restated value, using the inflation index of each country, except for those foreign assets which are restated using the inflation index of the fixed assets' origin country and the variation in the foreign exchange rate between the country of origin currency and the functional currency of the country holding the asset.

Depreciation of fixed assets is recognized within "Cost of sales" and "Administrative and selling expenses", depending on the utilization of the respective assets, and is calculated using the straight-line method over the estimated useful lives of the assets, except for mineral reserves, which are depleted using the units-of-production method. The maximum average useful lives by category of assets are as follows:

	Years
Administrative buildings	33
Industrial buildings	30
Machinery and equipment in plant	23
Ready-mix trucks and motor vehicles	10
Office equipment and other assets	9

The Comprehensive Financing Result ("CFR"), which includes interest expense and monetary position result, arising from indebtedness incurred during the construction or installation period of significant fixed assets, is capitalized as part of the historical cost of such assets. New MFRS D-6, "Capitalization of the Comprehensive Financing Result", effective January 1, 2007, requires the capitalization of the CFR generated during significant construction projects and eliminates the election to recognize it as expense through the income statement as incurred. The new rule does not represent any change with respect to CEMEX's accounting policy.

Costs incurred in respect of operating fixed assets that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. These capitalized costs are depreciated over the remaining useful lives of the related fixed assets. Other costs, including periodic maintenance on fixed assets, are expensed as incurred.

J) BUSINESS COMBINATIONS, GOODWILL, OTHER INTANGIBLE ASSETS AND DEFERRED CHARGES (note 11)

In accordance with MFRS B-7, "Business Acquisitions", CEMEX applies the following accounting principles to business combinations: a) adoption of the purchase method as the sole recognition alternative; b) allocation of the purchase price to all assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date; c) intangible assets acquired are identified, valued and recognized; d) any unallocated portion of the purchase price is recognized as goodwill; and e) goodwill is not amortized and is subject to periodic impairment tests.

CEMEX capitalizes intangible assets acquired, as well as costs incurred in the development of intangible assets, when future economic benefits associated are identified and control over such benefits is evidentiated. Intangible assets are presented at their restated value and are classified as having a definite or indefinite life; the latter are not amortized since the period cannot be accurately established in which the benefits associated with such intangibles will terminate. Amortization of intangible assets of definite life is calculated under the straight-line method.

Intangible assets acquired in a business combination are accounted for at their estimated fair value at the acquisition date. When such assets cannot be separately recognized, they are included as part of goodwill, which is not amortized and is subject to periodic impairment tests (note 3K).

Direct costs incurred in debt issuances or borrowings are capitalized and amortized as part of the effective interest rate of each transaction over its maturity. These costs include commissions and professional fees. Direct costs incurred in the development stage of computer software for internal use are capitalized and amortized through the operating results over the useful life of the software, which is approximately 4 years.

Pre-operational expenses are recognized in the income statement as they are incurred. Costs associated with research and development activities ("R&D"), performed by CEMEX to create new products and services, as well as to develop processes, equipment and methods to optimize operational efficiency and reduce costs, are recognized in the operating results as incurred. The Technology and Energy departments in CEMEX undertake all significant R&D activities as part of their daily routines. In 2007, 2006 and 2005, total combined expenses of these departments were approximately $437 (U.S.$40), $503 (U.S.$46) and $477 (U.S.$44), respectively.

K) IMPAIRMENT OF LONG LIVED ASSETS (notes 10 and 11)

Property, machinery and equipment, intangible assets of definite life and other investments

Fixed assets, intangible assets of definite life and other investments are tested for impairment upon the occurrence of factors such as the occurrence of a significant adverse event, changes in the operating environment in which CEMEX operates, changes in projected use or in technology, as well as expectations of lower operating results for each cash generating unit, in order to determine whether their book value may not be recovered, in which case an impairment loss is recorded in the income statement, within other expenses, net, for the period when such determination is made. The impairment loss results from the excess of the carrying amount over the net present value of estimated cash flows related to such assets.

Goodwill and intangible assets of indefinite life

Goodwill and other intangible assets of indefinite life are tested for impairment at least once a year, during the second half of the period, by determining the value in use (fair value) of the reporting units, which consists in the discounted amount of estimated future cash flows to be generated by the reporting units to which those assets relate. A reporting unit refers to a group of one or more cash generating units. An impairment loss is recognized if such discounted cash flows are lower than the net book value of the reporting unit. CEMEX determines the discounted amount of estimated future cash flows over a period of 5 years.

As of December 31, 2007, 2006 and 2005, the geographic segments reported by CEMEX (note 18), each integrated by multiple cash generating units, also represent the reporting units for purposes of testing goodwill for impairment. CEMEX concluded that the operating components that integrate the reported segments have similar economic characteristics, by considering: a) that the reported segments are the level used by CEMEX to organize and evaluate its activities in the internal information system; b) the homogeneous 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; and f) that the compensation system of a specific country is based on the consolidated results of the geographic segment and not in the particular results of the components.

Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of CEMEX's 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 tests. CEMEX uses specific discount rates for each reporting unit, which consider the weighted average cost of capital of each country.

L) DERIVATIVE FINANCIAL INSTRUMENTS (note 12C, D and E)

In compliance with the guidelines established by its Risk Management Committee, CEMEX uses derivative financial instruments ("derivative instruments"), in order to change the risk profile associated with changes in interest rates and exchange rates of debt agreements denominated in foreign currency, as a vehicle to reduce financing costs, as an alternative source of financing, and as hedges of: (i) highly probable forecasted transactions, (ii) the Company's net assets in foreign subsidiaries, and (iii) executive stock option programs.

CEMEX recognizes derivative financial instruments 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 within "Results from financial instruments" for the period in which they occur, except for changes in fair value of derivative instruments designated and that are effective as hedges of the variability in the cash flows associated to existing assets or liabilities and/or forecasted transactions. These effects are initially recognized in stockholders' equity and subsequently reclassified to earnings as the effects of the underlying hedged instruments or transactions have an impact on the income statement.

Some derivative instruments have been designated as hedges. For the years ended December 31, 2007, 2006 and 2005, the accounting rules applied to specific derivative instruments were as follows:

a) Changes in the estimated fair value of interest rate swaps to exchange floating rates for fixed rates, designated as hedges of the variability in the cash flows associated with the interest expense of a portion of the outstanding debt, as well as those instruments negotiated to hedge the interest rates at which certain forecasted debt is expected to be contracted or existing debt is expected to be renegotiated, are recognized temporarily in stockholders' equity. These effects are reclassified to earnings as the interest expense of the related debt is accrued, in the case of the forecasted transactions, once the related debt has been negotiated and recognized in the balance sheet.

b) Changes in the estimated fair value of foreign currency forwards, designated as hedges of a portion of CEMEX's net investments in foreign subsidiaries, whose functional currency is different from the peso, are recognized in stockholders' equity, offsetting the foreign currency translation result (notes 3E and 16B). The accumulated effect in stockholders' equity is reversed through the income statement when the foreign investment is disposed of.

c) Changes in the estimated fair value of forward contracts in the Company's own shares are recognized in the income statement as incurred, including those contracts designated as hedges of executive stock option programs. These effects are recognized as part of the costs related to such programs.

d) Changes in the estimated fair value of foreign currency forward contracts or options, negotiated to hedge an underlying firm commitment, are recognized through stockholders' equity, and are reclassified to the income statement once the firm commitment takes place, as the effects from the hedged item are recognized in the income statement. With respect to hedges of the foreign exchange risk associated with a firm commitment for the acquisition of a net investment in a foreign country (note 12D), the accumulated effect in stockholders' equity is reclassified to the income statement when the purchase occurs.

e) Changes in fair value, generated by cross currency swaps ("CCS") and other derivative instruments, are recognized in the income statement as they occur. For presentation purposes of short-term and long-term debt in the balance sheets, the valuation effects of related CCS are recognized and presented separately from the primary financial instruments; consequently, debt associated with the CCS is presented in the currencies originally negotiated.

Interest accruals generated by interest rate swaps and CCS 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 caption when the effects of the primary instrument subject to the hedging relation are recognized.

Derivative instruments are negotiated with institutions with significant financial capacity; therefore, CEMEX considers the risk of non-performance of the obligations agreed to by such counterparties to be minimal. The estimated fair value represents the amount at which a financial asset could be bought or sold, or a financial liability could be extinguished, 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 such 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 CEMEX and used for valuation, recognition and disclosure purposes in the financial statements and their notes, are supported by the confirmations of these values received from the financial counterparties.

M) PROVISIONS

CEMEX recognizes a provision when it has a legal or constructive obligation resulting from past events, whose resolution would imply cash outflows or the delivery of other resources owned by the Company.

Restructuring (note 13)

CEMEX recognizes a provision for restructuring costs, only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to third parties involved and/or affected prior to the balance sheet date. These provisions may include costs not associated with CEMEX's ongoing activities.

Asset retirement obligations (note 13)

CEMEX recognizes a liability for unavoidable obligations, legal or constructive, to restore operating sites upon retirement of tangible long-lived assets at the end of their useful lives. These liabilities represent the net present value of estimated future cash flows to be incurred in the restoration process, and they are initially recognized against the related assets' book value. The additional asset is depreciated during its remaining useful life. The increase in the liability, by the passage of time, is charged to the income statement. Adjustments to the liability 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 the sites for the extraction of raw materials, the maritime terminals and other production sites are left in acceptable condition at the end of their operation.

Costs related to remediation of the environment (notes 13 and 21C)

CEMEX recognizes a provision when it is probable that an environmental remediation liability exists and that it will represent an outflow of resources. The provision represents the estimated future cost of remediation. Reimbursements from insurance companies are recognized as assets only when their recovery is practically certain. In that case, such insurance reimbursement assets are not offset against the provision for remediation costs. Provisions for environmental remediation costs are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant. Otherwise, such provisions are recognized at their discounted value.

Contingencies and commitments (notes 20 and 21)

Obligations or losses, related to contingencies, are recognized as liabilities in the balance sheet when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the financial statements. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the financial statements on the incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the financial statements. The Company does not recognize contingent revenues, income or assets.

N) PENSIONS, OTHER POSTRETIREMENT BENEFITS AND TERMINATION BENEFITS (note 14)

Defined contribution plans

The costs of defined contribution pension plans are recognized in the operating results as they are incurred. Liabilities arising from such plans are periodically settled through cash transfers to the employees' retirement accounts, without generating future obligations.

Defined benefit plans, other postretirement benefits and termination benefits

Under MFRS D-3, "Labor Obligations", CEMEX recognizes the costs associated with employees' benefits for: a) defined benefit pension plans; b) other postretirement benefits, basically comprised of health care benefits, life insurance and seniority premiums, granted pursuant to applicable law or by Company grant; and c) termination benefits, not associated to a restructuring event, which mainly represent ordinary severance payments by law. These costs are recognized in the operating results, as services are rendered, based on actuarial estimations of the benefits' present value.

The actuarial assumptions upon which the Company's employee benefit liabilities are determined consider the use of real rates (nominal rates discounted by inflation). The portion of the actuarial gains and losses ("actuarial results"), which exceeds a corridor of the greater of 10% of the fair value of any plan assets and 10% of the present value of the defined benefit obligation, as well as the prior service cost and the transition liability, are amortized to the operating results over the employees' estimated active service life.

For certain pension plans, irrevocable trust funds have been created to cover future benefit payments. These assets are valued at their estimated fair value at the balance sheet date.

The net period cost recognized in the operating results includes: a) the increase in the obligation resulting from additional benefits earned by employees during the period; b) interest cost, which results from the increase in the liability by the passage of time; c) the amortization of the actuarial gains and losses, prior service cost and transition liability; and d) the expected return on plan assets for the period.

O) INCOME TAX, BUSINESS ASSETS TAX, EMPLOYEES' STATUTORY PROFIT SHARING AND DEFERRED INCOME TAXES (note 15)

Effective January 1, 2007, under new MFRS B-3 (note 3A), the caption in the income statement including income taxes and equivalent taxes shall be denominated as "Income tax". In substance, this does not represent any change with respect to the presentation of prior years. The effects reflected in the income statements for Income Tax ("IT") and minimum taxes, such Business Assets Tax ("BAT") applicable to the Mexican operations, include amounts incurred during the period, as well as the amounts of deferred IT, in both cases determined according to the income tax law applicable to each subsidiary. Consolidated deferred IT represents the addition of the amounts determined in each subsidiary under the assets and liabilities method, by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable values of assets and liabilities, taking into account when the amounts become available and subject to a recoverability analysis, tax loss carryforwards as well as other recoverable taxes and tax credits. The effect of a change in enacted statutory tax rates is recognized in the income statement for the period in which the change occurs and is officially enacted.

Management analyzes projections of future taxable income in each consolidated entity, to evaluate whether it will obtain the tax benefits associated with the deferred income tax assets and tax loss carryforwards, prior to their expiration. When it is determined that future operations would not generate sufficient taxable income, or that tax strategies are no longer viable, the valuation allowance on such assets would be increased against the income statement.

P) STOCKHOLDERS' EQUITY

Common stock and additional paid-in capital (note 16A)

Balances of common stock and additional paid-in capital represent the value of stockholders' contributions, restated to constant pesos as of the most recent reporting period presented, using Mexican inflation.

Other equity reserves (note 16B)

The caption of "Other equity reserves" groups the accrued balances of items and transactions that are, temporarily or permanently, recognized directly to stockholders' equity. This caption includes the elements of "Comprehensive income for the period", which is presented in the statement of changes in stockholders' equity. Comprehensive income includes, in addition to net income, certain changes in stockholders' equity during a period, not resulting from investments by owners and distributions to owners.

The most important items within "Other equity reserves" are as follows:

Items of comprehensive income within "Other equity reserves":

- Results from holding non-monetary assets, which represent the effect arising from the revaluation of non-monetary assets (inventories, fixed assets, intangible assets) in each country, using specific restatement factors that differ from the weighted average consolidated inflation;
- Currency translation effects from the translation of foreign subsidiaries' financial statements, net of the foreign exchange fluctuations arising from foreign currency indebtedness directly related to the acquisition of foreign subsidiaries and foreign currency related parties balances that are of a long-term investment nature (note 3E);
- The effective portion of the valuation and liquidation effects from derivative instruments under cash flow hedging relationships, which are recorded temporarily in stockholders' equity (note 3L); and
- The deferred income tax for the period arising from items whose effects are directly recognized in stockholders' equity.

Items of "Other equity reserves" not included in comprehensive income:

- Effects related to majority stockholders' equity for changes or transactions affecting minority interest stockholders in CEMEX's consolidated subsidiaries;
- Effects attributable to majority stockholders' equity for financial instruments issued by consolidated subsidiaries that qualify for accounting purposes as equity instruments;
- This caption includes the adjustments related to the cancellation of own shares held in the Parent Company's treasury, as well as those held by consolidated subsidiaries; and
- The cumulative initial effect of deferred income taxes arising from the adoption of the assets and liabilities method on January 1, 2000. Note 16B presents the consolidated cumulative initial effect of deferred income taxes.

Retained earnings (note 16C)

Represents the cumulative net results of prior accounting periods, net of dividends declared to stockholders, restated to constant pesos as of the most recent balance sheet date.

Minority interest and perpetual debentures (note 16D)

Represents the share of minority stockholders in the results and equity of consolidated subsidiaries. Likewise, this caption includes the notional amount of financial instruments issued by consolidated entities that qualify as equity instruments. An equity instrument, which may take the form of a perpetual debenture or preferred stock, is an instrument in which the issuer does not have a contractual obligation to deliver cash or another financial asset, does not have a predefined maturity date, meaning that it is issued to perpetuity, and in which CEMEX has the unilateral option to defer interest payments or preferred dividends for indeterminate periods.

Q) REVENUE RECOGNITION

CEMEX's consolidated net sales represent the value, before tax on sales, of products and services sold by consolidated subsidiaries as a result of ordinary activities, after the elimination of transactions between related parties. Revenues are quantified at the fair value of the consideration received or receivable, decreased by any trade discounts or volume rebates granted to customers.

Revenue from the sale of goods and services is recognized upon shipment of products or through goods delivered or services rendered to customers, when there is no condition or uncertainty implying a reversal thereof, and they have assumed the risk of loss.

R) COST OF SALES

Cost of sales reflects the replacement cost of inventories at the time of sale, expressed in constant pesos as of the most recent balance sheet date.

S) MONETARY POSITION RESULT

The monetary position result, which represents the gain or loss from holding monetary assets and liabilities in inflationary environments, is determined by applying the inflation rate of the country of each subsidiary to its net monetary position (difference between monetary assets and liabilities).

T) OTHER EXPENSES, NET

The caption "Other expenses, net" in the income statements consists primarily of revenue and expense derived from transactions or events not directly related to CEMEX's main activity, or which are of unusual or non-recurring nature. The most significant items included under this caption are: a) anti-dumping duties paid and reimbursement obtained of anti-dumping duties previously paid; b) results from the sale of fixed assets and permanent investments; c) impairment losses of long-lived assets; d) amortization of intangible assets based on customer relationships, resulting from the acquisition of Rinker; e) net results from the early extinguishment of debt; f) restructuring costs; and g) employees' statutory profit sharing ("ESPS") for the period, as well as the estimated deferred ESPS.

Under new MFRS B-3, "Income Statement", beginning on January 1, 2007, current and deferred 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 consolidated income statements for 2006 and 2005 were reclassified to conform with the presentation required for 2007. For the years ended December 31, 2007, 2006 and 2005, "Other expenses, net" includes aggregate current and deferred ESPS expenses of approximately $246 and $180 and income of $11, respectively. CEMEX recognizes deferred ESPS for those temporary differences, which are of a non-recurring nature, arising from the reconciliation of net income for the period and the taxable income for the period for ESPS.

U) EXECUTIVE STOCK OPTION PROGRAMS (note 17)

In 2005, considering its mandatory application under MFRS, CEMEX adopted the International Financial Reporting Standard No. 2, "Share-based Payment" ("IFRS 2"). Under IFRS 2, options granted to executives are defined as equity instruments, in which services received from employees are settled through the delivery of shares; or as liability instruments, in which the Company incurs a liability by committing to pay, in cash or other instruments, the intrinsic value of the option as of the exercise date. The cost of equity instruments represents their estimated fair value at the date of grant and is recognized in earnings during the period in which the exercise rights of the employees become vested. In respect to liability instruments, under IFRS 2 these instruments should be valued at their estimated fair value at each reporting date, recognizing the changes in valuation through the income statement. CEMEX determines the estimated fair value of options using the binomial financial option-pricing model.

When implementing IFRS 2, CEMEX determined that the options in its "fixed program" (note 17A) represent equity instruments considering that services received are settled through the issuance of new shares upon exercise. CEMEX considers that the options granted under its other programs (note 17B, C and D) represent liability instruments. Upon adoption of IFRS 2 in 2005, CEMEX did not recognize cost for those options classified as equity instruments, considering that all executives' exercise rights were fully vested. For the other programs, CEMEX determined the estimated fair value of the outstanding options and recognized in the income statement in 2005 an expense of approximately $1,172 ($976 net of income tax), resulting from the difference between the estimated fair value of the instruments and the existing accrual related to such programs, which was quantified through the intrinsic value of the options. This expense was recognized in the caption "Results from financial instruments". Activity under these programs and their accounting effect are presented in note 17. The intrinsic value represents the existing appreciation between the market price of the share and the exercise price of such share established in the option.

V) EMISSION RIGHTS: EUROPEAN EMISSION TRADING SYSTEM TO REDUCE GREENHOUSE GAS EMISSIONS

CEMEX, as a cement producer, is involved in the European Emission Trading Scheme ("EU ETS"), which aims to reduce carbon-dioxide emissions ("CO_2"). Under this directive, governments of the European Union ("EU") countries grant, currently at nil cost, CO_2 emission allowances ("EUAs"). If upon conclusion of an annual review period, CO_2 emissions exceeded EUAs received, CEMEX would then be required to purchase the deficit of EUAs in the market, which would represent an additional production cost, complementary to fines or penalties imposed by governments. The EUAs granted by any member state of the EU can be used to settle emissions in another member state. Consequently, CEMEX manages its portfolio of EUAs held on a consolidated basis for its cement production operations in the EU.

As of December 31, 2007, 2006 and 2005, years comprising the first phase of the EU ETS, CEMEX maintained a consolidated surplus of EUAs held over the total tons of CO_2 emissions. During 2007, 2006 and 2005, CEMEX's purchase or sale transactions of EUAs were not significant. During the second phase of the EU ETS, comprising years 2008 to 2012, CEMEX expects a reduction in the number of EUAs granted by governments as compared to the first phase. Considering the reduction of EUAs in the second phase and CEMEX's estimated production during the 2008 - 2012 period, CEMEX considers that deficits of EUAs, if any, would not be significant and may be hedged with purchases in the market and/or exchange of EUAs, or through the internal generation of Certified Emission Reductions, ("CERs",) which are granted by the United Nations environmental agency to qualified CO_2 emission reduction projects. These certificates may be used in specified proportions to settle EUAs obligations with the EU governments.

CEMEX's accounting policy to recognize the effects derived from the EU ETS is the following: a) EUAs received from different EU countries are recognized in the balance sheet at cost; this presently means at zero value; b) any revenues received from eventual sales of spare EUAs are recognized by decreasing "Cost of sales"; c) EUAs and/or CERs acquired to hedge current CO_2 emissions for the period are recognized at cost as intangible assets, and are amortized to "Cost of sales" during the remaining compliance period; d) EUAs and/or CERs acquired for trading purposes are recognized at cost as financial assets and are restated at their market value as of the balance sheet date, recognizing changes in valuation within "Results from financial instruments"; e) CEMEX accrues a provision against "Cost of sales" when the estimated annual emissions of CO_2 are expected to exceed the number of EUAs and/or CERs received for the period, net of any benefit in the form of EUAs and/or CERs obtained through exchange transactions; and f) forward purchase and sale transactions of EUAs and/or CERs to hedge deficits, or to dispose of certain surpluses, are treated as contingencies and are recognized at the amount paid or received upon physical settlement; meanwhile, forward transactions with trading purposes are treated as financial instruments and are recognized as assets or liabilities at their estimated fair value. Changes in valuation are recognized within "Results from financial instruments".

W) CONCENTRATION OF CREDIT

CEMEX sells its products primarily to distributors in the construction industry, with no specific geographic concentration within the countries in which CEMEX operates. For 2007, 2006 and 2005, no single customer individually accounted for a significant amount of the reported amounts of sales or in the balances of trade receivables. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

X) NEWLY ISSUED FINANCIAL REPORTING STANDARDS WITH IMPACT IN 2008

In 2007, CINIF issued the following MFRS effective beginning January 1, 2008:

MFRS B-10, "Inflation Effects" ("MFRS B-10"). During 2007, CINIF issued the new MFRS B-10, which establishes significant changes to inflationary accounting in Mexico effective beginning January 1, 2008. The most significant changes are:

- Inflationary accounting will only be applied in a high-inflation environment, defined by the MFRS B-10 as existing when the cumulative inflation for the preceding three years equals or exceeds 26%. Until December 31, 2007, inflationary accounting was applied to all CEMEX subsidiaries regardless of the inflation level of their respective country. Beginning in 2008, only the financial statements of those subsidiaries whose functional currency corresponds to a country under high inflation will be restated to take account of inflation,
- The new standard eliminates the alternative to restate inventories using the 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,
- This standard eliminates the requirement to restate the amounts of the income statement for the period, as well as the comparative financial statements for prior periods, into constant pesos 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 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 in which inflationary accounting was applied.

In respect to inventories and fixed assets, 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. When moving from a high-inflation to a low-inflation environment, the restatement adjustments as of the date of discontinuing the inflationary accounting should prevail as part of the carrying amount. When moving from a low-inflation to a high-inflation environment, the initial restatement factor for property, 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" (note 16B), should be reclassified to "Retained earnings". As of December 31, 2007, most of CEMEX's 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. CEMEX does not anticipate that the adoption of new MFRS B-10 will have a material adverse effect on its results of operations.

MFRS D-3, "Labor Obligations" ("MFRS D-3"). CINIF has modified MFRS D-3. The most significant changes, which became effective on January 1, 2008, are as follows:

- Liabilities and the net cost for the period related to defined benefit pension plans and other postretirement benefits, as well as to termination benefits, should be determined using nominal discount rates;
- In connection with defined benefit pension plans and other postretirement benefits, a company may continue to defer and recognize the actuarial results for the period during the years of service of the employees subject to the plan's benefits. In respect to termination benefits, such results should be recognized in the income statement for the period in which they occur;
- Referring to the transition liability, prior services and actuarial results, determined under previous MFRS D-3, and which are pending for recognition in the income statement as of December 31, 2007 (note 14), under new MFRS D-3 these amounts should be applied proportionately to the income statement over the five-year period beginning on January 1, 2008; and
- Current and deferred ESPS is now treated as employees' benefits and removed as an equivalent of income taxes under MFRS D-4. Nonetheless, MFRS D-3 requires the assets and liabilities method to determine deferred ESPS.

CEMEX does not anticipate a material effect on its results of operations or its financial position for the changes in MFRS D-3.

MFRS D-4, "Accounting for Income Taxes" ("MFRS D-4"). CINIF made changes to MFRS D-4 effective beginning January 1, 2008, which are summarized as follows:

- Current and deferred ESPS was relocated to MFRS D-3;
- In connection with BAT (minimum tax), recoverable amounts should be recognized as a deferred tax asset only when it is probable such BAT will be recovered against income tax of future periods; otherwise it should be treated as an account receivable. Under MFRS D-4 effective as of December 31, 2007, subject to a recoverability analysis, such BAT asset was presented net with the deferred income tax liability; and
- Upon adoption of new MFRS D-4 on January 1, 2008, the "Cumulative initial deferred income tax effects" resulting in the year 2000 from the adoption of the assets and liabilities method, should be reclassified to "Retained earnings". As of December 31, 2007, such amount is included in a separate line item within "Other equity reserves".

CEMEX does not anticipate a material effect on its results of operations or its financial position for the changes in MFRS D-4.

MFRS B-2, "Cash Flow Statement" ("MFRS B-2"). Supersedes Bulletin B-12, "Statement of Changes in Financial Position".

The main changes of MFRS B-2 are: (i) a new cash flow statement replaces the statement of changes in financial position; (ii) the presentation of cash inflows and outflows is in nominal currency, not including the effects of inflation; (iii) establishes two alternative methods for the preparation of cash flow statements (direct and indirect), not indicating a preference for either of them; (iv) requires that cash flows related to operating activites shall be presented first, followed by those of investment activities and finally those of financing activities; (v) requires that items in the main captions are presented in gross amounts; and (vi) requires the breakdown of items considered as cash equivalents.

MFRS B-15, "Foreign Currency Translation" ("MFRS B-15"). Replaces Bulletin B-15, "Foreign Currency Transactions and Translation of Financial Statements of Foreign Entities".

The main changes of MFRS B-15 are: (i) eliminates the concepts of integrated foreign operations and foreign subsidiary, and replaces them for recognition currency, functional currency and reporting currency, requiring that translation be made based on the economic environment in which the entity operates, regardless of its dependency to the parent company; and (ii) includes translation procedures for situations in which the reporting currency differs from the functional currency. CEMEX does not anticipate a material effect on its results of operations or its financial position resulting from the adoption of MFRS B-15.

4. CASH AND INVESTMENTS

Consolidated cash and investments as of December 31, 2007 and 2006, consists of:

	2007	2006
Cash and bank accounts	$ 5,980	14,361
Fixed-income securities	2,516	4,122
Investments in marketable securities	174	11
	$ 8,670	18,494

5. TRADE ACCOUNTS RECEIVABLE

Consolidated trade accounts receivable as of December 31, 2007 and 2006, consist of:

	2007	2006
Trade accounts receivable	$ 22,854	18,051
Allowances for doubtful accounts	(2,135)	(1,526)
	$ 20,719	16,525

As of December 31, 2007 and 2006, trade receivables exclude accounts for $12,325 (U.S.$1,129) and $12,731 (U.S.$1,166), respectively, that were sold to financial institutions under securitization programs for the sale of trade receivables, established in Mexico, the United States, Spain and France. Under these programs, CEMEX effectively surrenders control associated with the trade receivables sold and there is no guarantee nor obligation to reacquire the assets; therefore, the amount of receivables sold is removed from the balance sheet at the moment of sale, except for the amounts owed by the counterparties, which are reclassified to other short-term accounts receivable. Trade receivables qualifying for sale do not include amounts over certain days past due or concentrations over certain limits to any one customer, according to the terms of the programs. The discount granted to the acquirers of the trade receivables is recognized as financial expense and amounted to approximately $673 (U.S.$62) in 2007, $475 (U.S.$44) in 2006 and $248 (U.S.$23) in 2005.

Allowances for doubtful accounts are established according to the credit history and risk profile of each customer. Changes in the valuation allowance for doubtful accounts in 2007, 2006 and 2005, are as follows:

	2007	2006	2005
Allowances for doubtful accounts at beginning of period	$ 1,526	1,469	857
Charged to selling expenses	397	275	329
Deductions	(79)	(191)	(304)
Business combinations	175	–	547
Foreign currency translation and inflation effects	116	(27)	40
Allowances for doubtful accounts at end of period	$ 2,135	1,526	1,469

6. OTHER ACCOUNTS RECEIVABLE

Consolidated other accounts receivable as of December 31, 2007 and 2006, consist of:

	2007	2006
Non-trade accounts receivable	$ 3,582	5,900
Current portion for valuation of derivative instruments	2,094	374
Interest and notes receivable	1,001	1,279
Loans to employees and others	1,850	948
Refundable taxes	1,303	705
	$ 9,830	9,206

Non-trade accounts receivable are mainly originated by the sale of assets. Interest and notes receivable include $957 (U.S.$88) in 2007 and $1,196 (U.S.$110) in 2006, arising from uncollected trade receivables sold under securitization programs (note 5).

7. INVENTORIES

Consolidated balances of inventories as of December 31, 2007 and 2006, are summarized as follows:

	2007	2006
Finished goods	$ 7,293	4,687
Work-in-process	3,565	2,311
Raw materials	3,297	2,284
Materials and spare parts	4,892	4,033
Advances to suppliers	567	573
Inventory in transit	573	652
Allowance for obsolescence	(556)	(566)
	$ 19,631	13,974

Impairment losses of inventory of approximately $131 and $93 in 2007 and 2006, respectively, were recognized within "Other expenses, net". There were no impairment losses of inventory in 2005.

8. OTHER CURRENT ASSETS

Other current assets in the consolidated balance sheets as of December 31, 2007 and 2006, consist of:

	2007	2006
Advance payments	$ 1,954	1,717
Assets held for sale	440	538
	$ 2,394	2,255

Assets held for sale are stated at their estimated realizable value.

9. INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS AND NON-CURRENT ACCOUNTS RECEIVABLE

9A) INVESTMENTS IN ASSOCIATES

Consolidated investments in shares of associates as of December 31, 2007 and 2006, are summarized as follows:

	2007	2006
Book value at acquisition date	$ 4,624	3,785
Revaluation by equity method	5,975	4,927
	$ 10,599	8,712

As of December 31, 2007 and 2006, CEMEX's main investments in associates are as follows:

	Activity	Country	%	2007	2006
Control Administrativo Mexicano, S.A. de C.V.	Cement	Mexico	49.0	$ 3,684	3,430
Cement Australia Holdings Pty Limited	Cement	Australia	25.0	1,447	–
Trinidad Cement Ltd	Cement	Trinidad	20.0	454	410
Huttig Building Products Inc.	Materials	United States	28.1	333	374
Cancem, S.A. de C.V.	Cement	Mexico	10.0	387	349
Lime & Stone Production Co Ltd.	Aggregates	Israel	50.0	302	338
Ready Mix USA, LLC	Concrete	United States	49.9	277	311
Société des Ciments Antillais	Cement	French Antilles	26.1	231	223
Société Méridionale de Carrières	Aggregates	France	33.3	248	207
Lehigh White Cement Company	Cement	United States	24.5	183	188
Société d'Exploitation de Carrières	Aggregates	France	50.0	215	148
Metromix Pty Limited	Concrete	Australia	50.0	115	–
Other companies	–	–		2,723	2,734
				$ 10,599	8,712

During 2006 CEMEX sold its 25.5% interest in the Indonesian cement producer PT Semen Gresik ("Gresik") for approximately U.S.$346 ($4,053), including dividends declared of approximately U.S.$7 ($82). The sale of Gresik´s shares generated a gain of approximately $1,045 (U.S.$96), net of selling expenses and the write-off of related goodwill of approximately $117. This gain was recognized in 2006 within other expenses, net. In connection with the sale of CEMEX's interest in Gresik, it was agreed by mutual consent with the Indonesian government to discontinue the arbitration case filed by CEMEX in December 2003 before the International Centre for Settlement of Investment Disputes.

In 2005, CEMEX sold its 11.9% interest in the Chilean cement producer Cementos Bio Bio, S.A. for approximately U.S.$65 ($817), resulting in a gain of $245, net of the write-off of goodwill of approximately $15, recorded within other expenses, net.

9B) OTHER INVESTMENTS AND NON-CURRENT ACCOUNTS RECEIVABLE

As of December 31, 2007 and 2006, other investments and non-current accounts receivable are summarized as follows:

	2007	2006
Non-current portion from valuation of derivative instruments	$ 5,035	5,742
Non-current accounts receivable and other assets	5,555	3,874
Investments in private funds	370	350
	$ 10,960	9,966

In 2007 and 2006, the amounts contributed to private funds were approximately U.S.$4 ($44) and U.S.$14 ($164), respectively.

10. PROPERTY, MACHINERY AND EQUIPMENT

Consolidated property, machinery and equipment as of December 31, 2007 and 2006, consist of:

	2007	2006
Land and mineral reserves	$ 84,920	51,623
Buildings	64,975	60,335
Machinery and equipment	245,270	217,959
Construction in progress	21,260	10,348
Accumulated depreciation and depletion	(154,236)	(138,840)
	$ 262,189	201,425

Changes in property, machinery and equipment in 2007, 2006 and 2005, are as follows:

	2007	2006	2005
Cost of property, machinery and equipment at beginning of period	$ 340,265	325,382	242,837
Accumulated depreciation and depletion at beginning of period	(138,840)	(130,217)	(121,398)
Net book value at beginning of period	201,425	195,165	121,439
Capital expenditures	22,289	18,044	10,001
Disposals	(510)	(1,977)	(139)
Additions through business combinations	53,870	342	83,145
Capitalized comprehensive financing result	68	6	–
Depreciation and depletion for the period	(14,876)	(12,357)	(11,808)
Impairment losses	(64)	(611)	(196)
Foreign currency translation and inflation effects	(13)	2,813	(7,277)
Cost of property, machinery and equipment at end of period	416,425	340,265	325,382
Accumulated depreciation and depletion	(154,236)	(138,840)	(130,217)
Net book value at end of period	$ 262,189	201,425	195,165

Impairment losses of fixed assets were derived from idle assets in the United Kingdom, Mexico and the Philippines. These assets were adjusted to their estimated realizable value.

11. GOODWILL, INTANGIBLE ASSETS AND DEFERRED CHARGES

Consolidated goodwill, intangible assets and deferred charges as of December 31, 2007 and 2006, are summarized as follows:

	2007			2006		
	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount
Intangible assets of indefinite useful life:						
Goodwill	$ 151,409	–	151,409	$ 56,546	–	56,546
Extraction rights	10,156	–	10,156	–	–	–
Intangible assets of definite useful life:						
Extraction rights	14,378	(709)	13,669	658	(343)	315
Cost of internally developed software	7,769	(2,473)	5,296	5,793	(2,755)	3,038
Industrial property and trademarks	5,529	(900)	4,629	2,143	(845)	1,298
Customer relationships	4,914	(255)	4,659	–	–	–
Mining projects	1,929	(204)	1,725	1,147	(78)	1,069
Other intangible assets	6,240	(3,038)	3,202	4,758	(1,868)	2,890
Deferred charges and others:						
Deferred income taxes (note 15B)	776	–	776	4,118	–	4,118
Intangible assets for pensions (note 14)	905	–	905	796	–	796
Deferred financing costs	1,222	(326)	896	562	(106)	456
	$ 205,227	(7,905)	197,322	$ 76,521	(5,995)	70,526

The amortization of intangible assets and deferred charges was approximately $2,790 in 2007, $1,604 in 2006 and $1,898 in 2005, recognized within operation costs and expenses, except for approximately $255 in 2007 and $261 in 2005, which was recognized within other expenses, net.

Goodwill and intangible assets of indefinite life

Goodwill is recognized at the acquisition date based on the preliminary allocation of the purchase price. If applicable, goodwill is subsequently adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed, within the twelve-month period after purchase. The increase in goodwill in 2007 results from the acquisition of Rinker.

As mentioned in note 3J, intangible assets of indefinite life are not amortized, since the period cannot be accurately established in which the benefits associated with such intangibles will terminate, but such assets are subject to periodic impairment testing. In connection with Rinker's acquisition in 2007, extraction rights were identified and valued as part of the allocation of the purchase price of fair value of assets acquired and liabilities assumed in the aggregates and cement sectors in the United States and in the aggregates sector in Australia. These assets were identified as of indefinite life considering that CEMEX has the ability and the intention to renew them indefinitely.

Changes in goodwill by reporting unit as of December 31, 2007 and 2006, are summarized as follows:

	2005	Acquisitions (disposals)	Adjustments 1	2006	Acquisitions (disposals)	Adjustments 1	2007
North America							
United States	$ 24,369	222	(1,688)	22,903	88,383	(1,549)	109,737
Mexico	7,118	–	89	7,207	–	(795)	6,412
Europe							
Spain	8,874	575	(829)	8,620	–	(443)	8,177
France	2,612	331	60	3,003	57	79	3,139
United Kingdom	1,768	1,562	229	3,559	–	386	3,945
Other Europe 2	958	105	35	1,098	–	(57)	1,041
Central and South America and the Caribbean							
Colombia	4,351	–	(131)	4,220	–	82	4,302
Venezuela	588	–	22	610	–	17	627
Dominican Republic	169	–	12	181	–	10	191
Costa Rica	58	–	(26)	32	–	(2)	30
Other Central and South America and the Caribbean 3	1,010	–	(161)	849	–	(40)	809
Africa and Middle East							
Egypt	261	–	(14)	247	–	(18)	229
United Arab Emirates	1,629	–	(81)	1,548	–	(98)	1,450
Asia and Australia							
Australia	–	–	–	–	9,065	–	9,065
Philippines	1,282	–	2	1,284	–	(139)	1,145
Thailand	432	–	(44)	388	–	(30)	358
Other Asia	14	–	(1)	13	–	(1)	12
Others							
Other reporting units 4	828	–	(44)	784	–	(44)	740
Associates	126	(117)	(9)	–	–	–	–
	$ 56,447	2,678	(2,579)	56,546	97,505	(2,642)	151,409

1 The amounts presented in this column refer to the effects on goodwill from foreign exchange fluctuations during the period between the reporting units' currencies and the Mexican peso, and the effect of the restatement into constant pesos.

2 "Other Europe" refers to the reporting units in the Czech Republic, Ireland and Latvia.

3 "Other Central and South America and the Caribbean" refers mainly to the reporting units in Panama and Puerto Rico.

4 This segment primarily consists of CEMEX's subsidiary in the information technology and software development business.

Intangible assets of definite life

During 2007, 2006 and 2005, CEMEX capitalized the costs incurred in the development stage of internal use software for $3,034, $2,383 and $210, respectively. In 2006, CEMEX initiated the replacement of the technological platform in which CEMEX executes the most important processes of its business model. This effort continued in 2007 and will continue in 2008 and 2009. 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.

In connection with Rinker acquisition in 2007, extraction permits in the aggregates and ready-mix concrete sectors in the United States and Australia were identified and valued, and were assigned an estimated useful life of 30 years. Likewise, trademarks and commercial names were identified and valued, and were assigned an estimated useful life of 5 years. In addition, intangible assets related to customer relationships were identified and valued, and have been assigned an estimated useful life of 10 years.

A) PRINCIPAL ACQUISITIONS AND DIVESTITURES

Rinker acquisition

In 2007, CEMEX acquired 100% of Rinker's equity, an Australian producer of aggregates, ready-mix concrete, cement and other construction materials, by means of a public purchase offer started in October 2006 and concluded on July 16, 2007. On June 7, 2007, CEMEX's offer to acquire all outstanding shares of Rinker became unconditional after obtaining support of more than 50% of the shares. On July 10, 2007, the date in which CEMEX obtained acceptances over more than 90% of the shares, CEMEX announced the compulsory purchase of other shares which were not acquired under the offer. For accounting purposes, July 1, 2007 was established as Rinker's acquisition date. The purchase price paid for the shares, including direct acquisition costs, was approximately U.S.$14,245 ($155,559), which does not include U.S.$1,277 ($13,943) of assumed debt. For its fiscal year ended March 31, 2007, Rinker reported consolidated revenues of approximately U.S.$5,300. Approximately U.S.$4,100 of these revenues were generated in the United States and approximately U.S.$1,200 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 Department of Justice of the United States, 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, of which approximately U.S.$30 corresponded to the sale of assets from CEMEX's pre-Rinker acquisition operations, which generated a gain of approximately $142, recognized within Other expenses, net.

As of December 31, 2007, CEMEX was in the final stages of allocating the purchase price of Rinker to the fair values of the assets acquired and liabilities assumed. CEMEX has substantially finalized the valuation of such assets acquired and liabilities assumed; nevertheless, some adjustments may arise during the period allowed to conclude this allocation, which terminates June 30, 2008. Rinker's purchase price allocation as of the acquisition date of July 1, 2007, considering an exchange rate of $10.92 pesos per dollar, is as follows:

	Rinker allocation
Current assets 1	$ 19,180
Investments and other non-current assets	2,903
Property, machinery and equipment	53,870
Other assets 2	836
Intangible assets 3	33,582
Goodwill	97,448
Total assets acquired	**207,819**
Current liabilities 4	10,218
Non-current liabilities 4	15,278
Remediation liabilities	807
Deferred income tax liability	25,957
Total liabilities assumed	**52,260**
Total net assets	**$ 155,559**

1 Includes $4,174 of cash and cash equivalents and $2,169 of assets held for sale related to the divestiture order of the U.S. Department of Justice.

2 This caption includes $398 of deferred tax assets.

3 Intangible assets refer to: 1) extraction rights and permits, of which approximately $10,156 have an indefinite useful life, and approximately $13,598 have an estimated useful life of 30 years; 2) commercial names and trademarks of approximately $4,914 with an estimated useful life of 5 years; and 3) intangible assets related to customer relationships of approximately $4,914 with an estimated useful life of 10 years.

4 Current liabilities include approximately $100 of debt. Long-term liabilities include approximately $13,843 of debt and approximately $144 of pensions and other postretirement benefits.

Acquisition of a cement-grinding mill in Guatemala

In January 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 ($204).

Acquisition of RMC Group p.l.c.

On March 1, 2005, CEMEX completed the acquisition of 100% of the outstanding stock of RMC Group p.l.c. ("RMC"). The final purchase price of the shares, net from the sale of certain assets, and considering acquisition expenses, amounted to approximately U.S.$4,301 ($50,381). This amount does not include approximately U.S.$2,249 ($28,242) of assumed debt. RMC, headquartered in the United Kingdom, was one of Europe's largest cement producers and one of the world's largest suppliers of ready-mix concrete and aggregates, with operations in 22 countries, primarily in Europe and the United States, and employed over 26,000 people. The assets acquired included 13 cement plants with an approximate installed capacity of 17 million tons, located in the United Kingdom, the United States, Germany, Croatia, Poland and Latvia. The consolidated income statement for the year ended December 31, 2005, includes the operating results of RMC for the ten-month period ended December 31, 2005. The resulting goodwill arising from this acquisition was approximately $15,809 (U.S.$1,448).

Acquisition of Concretera Mayaguezana ("Mayaguezana")

In July 2005, CEMEX acquired 15 ready-mix concrete plants through the purchase of Mayaguezana, a ready-mix concrete producer located in Puerto Rico, for approximately $326 (U.S.$30). The consolidated income statement for the year ended December 31, 2005, includes the operating results of Mayaguezana for the six-month period ended December 31, 2005. The resulting goodwill arising from this acquisition was approximately $175.

Divestiture of ReadyMix Asland in Spain, Betecna in Portugal and other assets in the United States

In December 2005, CEMEX terminated its joint ventures with the French company Lafarge S.A. ("Lafarge"), through the sale to Lafarge of its 50% equity interest in ReadyMix Asland S.A. ("RMA") in Spain and Betecna Betao Pronto S.A. ("Betecna") in Portugal. Subsequent to the sale and according to the agreements, CEMEX acquired from RMA assets in the ready-mix concrete and aggregates sector, representing 29 concrete plants and 5 aggregates quarries. The net sale price, considering the purchase of assets from RMA, was approximately U.S.$61 ($766). CEMEX's equity interest in RMA and Betecna was acquired with the purchase of RMC. The consolidated income statement for the year ended December 31, 2005, includes the operating results of RMA and Betecna from March 1 to December 22, 2005, recognized under the proportionate consolidation method (note 3C).

By requirement of antitrust authorities in the United States in connection with the acquisition of RMC, in August 2005, assets in the ready-mix concrete sector in Arizona were sold to California Portland Cement Company for approximately U.S.$16.

Alliance with Ready Mix USA, Inc. ("Ready Mix USA")

In July 2005, CEMEX Inc., the Company's subsidiary in the United States, and Ready Mix USA, Inc., a ready-mix concrete producer in the Southeastern United States, established two limited liability companies, CEMEX Southeast, LLC and Ready Mix USA, LLC. Pursuant to the relevant agreements, CEMEX contributed to CEMEX Southeast, LLC the cement plants in Demopolis, AL and Clinchfield, GA and 11 cement terminals, representing approximately 98% of the contributed capital, while Ready Mix USA's contributions represented approximately 2% of the contributed capital. To Ready Mix USA, LLC, CEMEX contributed ready-mix concrete, aggregates and concrete block plants in Florida and Georgia, representing approximately 9% of the contributed capital, while Ready Mix USA contributed all of its ready-mix concrete and aggregates operations in Alabama, Georgia, the Florida Panhandle and Tennessee, as well as its concrete block operations in Arkansas, Tennessee, Mississippi, Florida and Alabama, representing approximately 91% of the contributed capital. CEMEX owns 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; whereas Ready Mix USA owns a 50.01% interest, and CEMEX owns a 49.99% interest, in the profits and losses and voting rights of Ready Mix USA, LLC. As of December 31, 2007 and 2006, CEMEX has control and fully consolidates CEMEX Southeast, LLC, while the CEMEX interest in Ready Mix USA, LLC is accounted for by the equity method.

In September 2005, CEMEX sold to Ready Mix USA, LLC, 27 ready-mix concrete plants and 4 concrete block facilities located in the Atlanta, GA area for approximately U.S.$125 ($1,565). As of December 31, 2007, Ready Mix USA, LLC, under the joint venture agreements, had an option to purchase some of the ready-mix concrete assets acquired in the Rinker acquisition. This option was exercised on January 11, 2008 (note 23).

Divestiture of Charlevoix and Dixon in the United States

In March 2005, CEMEX sold to Votorantim Participações S.A. the cement plants in Charlevoix, MI, and Dixon, IL. In July 2005, CEMEX sold a cement terminal to the city of Detroit. The aggregate sale price of both transactions was approximately U.S.$413, and a portion of goodwill associated to the reporting unit for approximately $1,857 was cancelled. The annual capacity of the two cement plants was approximately two million tons, and their operations represented approximately 9% of CEMEX's annual operating cash flow in the U.S. before the RMC and Rinker acquisitions. The consolidated income statement for the year ended December 31, 2005, includes the operating results of these plants for the three-month period ended March 31, 2005.

B) CONDENSED PRO FORMA INCOME STATEMENT (UNAUDITED)

CEMEX presents condensed pro forma income statements for the years ended December 31, 2007 and 2006, giving effect to the Rinker acquisition as if it had occurred on January 1, 2006. The pro forma financial information is presented solely for the convenience of the reader and is not indicative of the results that CEMEX would have reported, nor should such information be taken as representative of CEMEX's future results. Pro forma adjustments consider the fair values of the net assets acquired, under assumptions that CEMEX considered reasonable.

Year ended December 31, 2007	CEMEX **1**	Rinker **2**	Adjustments **3**	CEMEX pro forma
Sales	$ 236,669	28,249	–	264,918
Operating costs and expenses	(204,221)	(24,522)	–	(228,743)
Operating income	32,448	3,727	–	36,175
Other expenses, net	(3,281)	111	–	(3,170)
Comprehensive financing result	1,087	(194)	(3,463)	(2,570)
Equity in income of associates	1,487	122	–	1,609
Income before income taxes	31,741	3,766	(3,463)	32,044
Income taxes	(4,796)	(1,278)	970	(5,104)
Consolidated net income	26,945	2,488	(2,493)	26,940
Minority interest net income	837	15	–	852
Majority interest net income	$ 26,108	2,473	(2,493)	26,088
Basic EPS	$ 1.17	–	–	1.17
Diluted EPS	$ 1.17	–	–	1.17

1 Includes Rinker's operations for the six-month period from July 1 to December 31, 2007.

2 Refers to the pro forma six-month period from January 1 to June 30, 2007, prepared under International Financing Reporting Standards ("IFRS") by Rinker, which was translated from dollars into pesos at the average exchange rate of $10.95, and then restated to constant pesos at December 31, 2007. The pro forma information for the period was adjusted to include the effects of the purchase price allocation and application of MFRS. Pro forma adjustments for the six months ended June 30, 2007, are as follows:

Item	2007
Depreciation expense	$ (519)
Intangible assets amortization	(1,035)
Monetary position result	96
Deferred income taxes *	502
	$ (956)

* The effect of pro forma adjustments for the six-month period was determined using the approximate average tax rate of 33%.

3 Refers to pro forma adjustments from January 1 to June 30, 2007, related to the financing to acquire Rinker:

Item	2007
Financial expense *	(4,522)
Monetary position result	1,059
Deferred income taxes *	970
	$ (2,493)

* Determined on the basis of approximately U.S.$14,159 of average debt incurred for the purchase of Rinker, using the weighted average interest rate of 5.65% for 2007. For the six-month period there are no foreign exchange results from such debt considering that the exchange rate at June 30, 2007 of $10.80 pesos per dollar was the same that at December 31, 2006. The tax rate of 28% applicable in Mexico in 2007 was used for the consolidated pro forma adjustments.

Income statement condensed pro forma information - continued

Year ended December 31, 2006		CEMEX	Rinker **1**	Adjustments **2**	CEMEX pro forma
Sales	$	213,767	64,735	–	278,502
Operating costs and expenses		(179,262)	(53,537)	–	(232,799)
Operating income		34,505	11,198	–	45,703
Other expenses, net		(580)	(313)	–	(893)
Comprehensive financing result		(505)	431	(5,698)	(5,772)
Equity in income of associates		1,425	307	–	1,732
Income before income taxes		34,845	11,623	(5,698)	40,770
Income taxes		(5,698)	(3,661)	1,653	(7,706)
Consolidated net income		29,147	7,962	(4,045)	33,064
Minority interest net income		1,292	49	–	1,341
Majority interest net income	$	27,855	7,913	(4,045)	31,723
Basic EPS	$	1.29	–	–	1.47
Diluted EPS	$	1.29	–	–	1.47

1 Refers to the income statement for the twelve-month period ended on March 31, 2007, prepared under IFRS by Rinker, which was translated into pesos at the average exchange rate of $10.91, and then restated to constant pesos as of December 31, 2007. This information was adjusted to include the effects of the purchase price allocation and application of MFRS, as if the acquisition had occurred on January 1, 2006. Adjustments to the twelve-month pro forma information are as follows:

Item		2006
Depreciation expense	$	(1,092)
Intangible assets amortization		(2,176)
Inventory revaluation		(262)
Monetary position result		398
Deferred income taxes *		1,079
	$	(2,053)

* The effect of pro forma adjustments for the twelve-month period was determined using the approximate average tax rate of 34%.

2 Refers to pro forma adjustments for the twelve-month period, in connection with financing to acquire Rinker:

Item		2006
Financial expense *		(9,165)
Foreign exchange fluctuations *		(2,764)
Results from financial instruments		2,015
Monetary position result		4,216
Deferred income taxes *		1,653
	$	(4,045)

* Determined on a basis of approximately U.S.$14,159 of average debt incurred for the purchase of Rinker, using the weighted average interest rate of 5.53% for 2006. Foreign exchange results from the debt for the twelve-month period were determined considering the variation between the exchange rate as of December 31, 2006 of $10.80 per dollar, and the exchange rate as of December 31, 2005 of $10.62 per dollar. The tax rate of 29% applicable in Mexico in 2006 was used for the consolidated pro forma adjustments.

C) ANALYSIS OF GOODWILL IMPAIRMENT

For the years ended December 31, 2007, 2006 and 2005, CEMEX did not recognize impairment losses of goodwill, considering that all the annual impairment testings presented an excess of the value in use over the net book value of the reporting units.

CEMEX's methodology for testing goodwill for impairment is described in note 3K. Goodwill amounts are allocated to the multiple cash generating units, which comprise a geographic operating segment, commonly the operations in each country as explained in the financial information by geographic segments presented in note 18. CEMEX's geographic segments also represent its reporting units for purposes of impairment testing.

The fair value of each reporting unit is determined through the value in use method, considering cash flow projections over a five-year period. CEMEX uses after-tax discount rates, which are applied to after-tax cash flows. The following table presents the discount rates and perpetual growth rates used in the impairment testing of those reporting units that represent a significant portion of the consolidated goodwill in 2007 and 2006:

	Discount rates		Perpetual growth rates	
Reporting units	2007	2006	2007	2006
United States	9.3%	8.9%	2.5%	2.5%
Spain	9.6%	9.1%	2.5%	2.5%
Mexico	10.3%	10.1%	2.5%	2.5%
Colombia	10.8%	10.4%	2.5%	2.5%
France	9.6%	9.0%	2.5%	2.5%
United Arab Emirates	9.8%	9.4%	2.5%	2.5%
United Kingdom	9.4%	9.0%	2.5%	2.5%

The reporting units acquired from Rinker were not tested for impairment in 2007, considering that the related net assets were recorded at their estimated fair values as of the acquisition date of July 1, 2007 and there were no significant changes in such values as of December 31, 2007.

The main assumptions used in the impairment testing of CEMEX's other cash generating units, which account for the remaining portion of goodwill in 2007 and 2006, are summarized as follows:

	2007	2006
Range of discount rates	8.9% – 13.1%	8.9% – 12.7%
Perpetual growth rates	2.5%	2.5%

12. FINANCIAL INSTRUMENTS

A) SHORT-TERM AND LONG-TERM DEBT

Consolidated debt as of December 31, 2007 and 2006, is summarized as follows:

Debt according to the interest rate in which debt was contracted:

	Carrying amount		Effective rate 1	
	2007	2006	2007	2006
Short-term				
Floating rate	$ 33,946	11,823	5.8%	4.1%
Fixed rate	2,311	2,834	5.2%	3.1%
	36,257	14,657		
Long-term				
Floating rate	137,992	34,517	5.2%	4.5%
Fixed rate	42,662	39,157	4.9%	4.7%
	180,654	73,674		
	$ 216,911	88,331		

Debt according to currency contracted:

	2007				2006			
Currency	Short-term	Long-term	Total	Efective rate 1	Short-term	Long-term	Total	Effective rate 1
Dollars	$ 25,383	117,277	142,660	5.4%	$ 581	28,536	29,117	5.0%
Pesos	6,278	25,291	31,569	5.1%	4,883	21,895	26,778	5.0%
Euros	4,280	34,690	38,970	5.0%	8,615	17,805	26,420	3.8%
Japanese yen	–	2,974	2,974	1.6%	382	4,610	4,992	1.2%
Pounds sterling	271	402	673	5.9%	189	789	978	5.0%
Other currencies	45	20	65	4.0%	7	39	46	4.0%
	$ 36,257	180,654	216,911		$ 14,657	73,674	88,331	

1 Represents the weighted average effective interest rate and includes the effects of interest rate swaps and derivative instruments that exchange interest rates and currencies, which are denominated as cross currency swaps (note 12C).

Debt by category or instrument type and maturity:

2007	Short-term	Long-term	2006	Short-term	Long-term
Bank loans			**Bank loans**		
Lines of credit in Mexico	$ 1,529	–	Lines of credit in Mexico	$ 234	–
Lines of credit in foreign countries	14,751	–	Lines of credit in foreign countries	8,923	–
Syndicated loans, 2008 to 2012	–	98,016	Syndicated loans, 2007 to 2011	–	37,066
Other bank loans, 2008 to 2016	–	41,147	Other bank loans, 2007 to 2016	–	2,870
	16,280	139,163		9,157	39,936
Notes payable			**Notes payable**		
Euro medium-term notes, 2008 to 2014	–	15,010	Euro medium-term notes, 2007 to 2009	–	720
Medium-term notes, 2008 to 2017	–	37,585	Medium-term notes, 2007 to 2012	–	34,358
Foreign commercial paper programs	–	2,239	Other notes payable	1,804	2,356
Other notes payable	2,416	4,218	–	–	–
	2,416	59,052		1,804	37,434
Total bank loans and notes payable	18,696	198,215	Total bank loans and notes payable	10,961	77,370
Current maturities	17,561	(17,561)	Current maturities	3,696	(3,696)
	$ 36,257	180,654		$ 14,657	73,674

The most representative exchange rates to the financial debt as of December 31, 2007 and 2006 are as follows:

	2007	2006
Mexican pesos per dollar	10.92	10.80
Japanese yen per dollar	111.53	119.05
Euros per dollar	0.6854	0.7573
Pounds sterling per dollar	0.5034	0.5105

Changes in consolidated debt during 2007 and 2006 are as follows:

	2007	2006
Debt at beginning of year	$ 88,331	119,015
Proceeds from new credits	206,690	37,199
Debt repayments	(84,412)	(63,182)
Increase from business combinations	13,943	551
Foreign currency translation and inflation effects	(7,641)	(5,252)
Debt at end of year	$ 216,911	88,331

The maturities of consolidated long-term debt as of December 31, 2007 are as follows:

	2007
2009	$ 61,878
2010	26,096
2011	54,039
2012	16,200
2013 and thereafter	22,441
	$ 180,654

As of December 31, 2007 and 2006, there were short-term debt obligations amounting to U.S.$1,477 ($16,129) and U.S.$110 ($1,289), respectively, classified as long-term debt considering that CEMEX has, according to the terms of the contracts, the ability and the intention to defer to long-term the payments under such obligations.

As of December 31, 2007, CEMEX has the following lines of credit, both committed and subject to the banks' availability, at annual interest rates ranging between 0.925% and 15.5%, depending on the negotiated currency:

	Lines of credit	Available
Revolving credit facilities (U.S.$700)	$ 7,644	2,730
Multi-currency revolving credit facility (U.S.$1,200)	13,104	1,856
Other lines of credit in foreign subsidiaries	121,993	14,925
Other lines of credit from banks	14,381	568
	$ 157,122	20,079

Covenants

Certain debt contracts of CEMEX contain restrictive covenants, among others, those relating to CEMEX's leverage ratio. As of December 31, 2007 and 2006, CEMEX was in compliance with all its restrictive covenants. Since 2006 and in 2007, CEMEX and its creditors have agreed to waive the leverage ratio covenants, in order to delay the application of such covenants that limit the leverage ratio until September 30, 2008. CEMEX projects to be in compliance with the leverage ratio financial covenants by such date.

B) FAIR VALUE OF ASSETS AND FINANCIAL INSTRUMENTS

CEMEX's carrying amounts of cash, trade accounts receivable, other accounts receivable, trade accounts payable, other accounts payable and accrued expenses, as well as short-term debt, approximate their corresponding estimated fair values due to the short-term maturity and revolving nature of these financial assets and liabilities. Temporary investments (cash equivalents) and long-term investments are recognized at fair value, considering quoted market prices for the same or similar instruments.

The estimated fair value of long-term debt is either based on estimated market prices for similar instruments, considering interest rates currently available for CEMEX to negotiate debt with the same maturities, or determined by discounting future cash flows using interest rates currently available to CEMEX. The carrying amounts of long-term debt (including current maturities) and their respective fair values as of December 31, 2007 are as follows:

	Carrying amount	Fair value
Bank loans	$ 139,163	138,484
Notes payable	59,052	61,031

C) DERIVATIVE FINANCIAL INSTRUMENTS RELATED TO DEBT

As described in CEMEX's accounting policy for derivative instruments in note 3L, derivative instruments are recognized at their estimated fair value. Changes in such values are recognized in the income statement for the period in which they occur, except for those changes originated by derivative instruments for which there is a cash flow hedge relationship, which are originally recognized within stockholders' equity and are subsequently reflected in the income statement as adjustments to the interest expense of the debt related to the hedge.

As of December 31, 2007 and 2006, derivative instruments related to short-term and long-term debt are summarized as follows:

	2007		2006	
(U.S. dollars millions)	Notional amount	Fair value	Notional amount	Fair value
Interest rate swaps	U.S.$ 4,473	68	3,184	39
Cross currency swaps	2,532	126	2,144	154
Foreign exchange forward contracts	2,098	39	703	(3)
	U.S.$ 9,103	233	6,031	190

Interest rate swap contracts

As of December 31, 2007 and 2006, in order to change the profile of the interest rates originally negotiated on a portion of its debt, CEMEX has negotiated interest rate swaps, which are detailed as follows:

	2007				2006		
(U.S. dollars millions)	Notional amount	Fair value	Effective rate	(U.S. dollars millions)	Notional amount	Fair value	Effective rate
Long-term debt in U.S.$ **1**	188	–	5.0%	**(i)** Long-term debt in U.S.$ **6**	363	6	4.2%
Long-term debt in U.S.$ **2**	59	2	5.5%	**(i)** Long-term debt in U.S.$ **7**	1,037	10	4.9%
Long-term debt in U.S.$ **3**	1,688	3	5.1%	Long-term debt in U.S.$ **8**	1,584	21	4.5%
Long-term debt in € **4**	1,313	42	4.9%	Long-term debt in U.S.$ **9**	200	2	4.5%
Long-term debt in € **5**	1,225	21	4.7%	–	–	–	–
	4,473	68			3,184	39	

(i) Until their settlement during 2007, these contracts were recognized as cash flow hedges. Other contracts, in both 2007 and 2006, have not been designed as hedges since they contain optionality.

	2007				2006		
	Maturity	CEMEX receives	CEMEX pays		Maturity	CEMEX receives	CEMEX pays
1	February 2008	LIBOR*	Dollar 4.7%	**6**	June 2009	LIBOR*	Dollar 4.0%
2	January 2008	LIBOR* plus 475bps	LIBOR* plus 50bps	**7**	August 2009	LIBOR*	Dollar 4.7%
3	August 2010	LIBOR*	Dollar 5.0%	**8**	August 2010	LIBOR*	Dollar 5.0%
4	March 2014 *	Euro 4.8%	EURIBOR* plus 78bps	**9**	March 2010	LIBOR*	Dollar 4.3%
5	June 2011	EURIBOR*	Euro 4.3%		–	–	–

* LIBOR represents the *London Inter-Bank Offered Rate* used in international markets for debt denominated in U.S. dollars. EURIBOR is the equivalent rate for debt denominated in Euros. At December 31, 2007 and 2006, LIBOR rate was 4.70% and 5.32%, respectively, while the EURIBOR closing rate at the end of 2007 and 2006 was 4.71% and 3.85%, respectively. The contraction "bps" means basis points. One basis point is .01 per cent. The rate that CEMEX pays in this instrument is limited to 4.9%.

During 2007 and 2006, in order to modify the interest rate mix of CEMEX's debt portfolio, interest rate swaps were negotiated and settled for a net notional amount of U.S.$1,289 and U.S.$459, respectively. As a result of these negotiations and settlements, CEMEX realized a loss of U.S.$27 ($295) in 2007, and gains of U.S.$48 ($562) in 2006 and U.S.$4 ($50) in 2005, which were recognized in the results of those periods.

In June 2005, CEMEX settled interest rate swaps covering a notional amount of approximately U.S.$585, assumed through the purchase of RMC, generating a gain of approximately U.S.$8 ($101) recognized in earnings in 2005.

Cross currency swap contracts

With the intention of reducing financial costs, CEMEX has negotiated cross currency swaps ("CCS") in order to change the profile of interest rates and currencies in a portion of its short-term and long-term debt. These contracts are not designated as hedges; therefore, changes in fair value are recognized in earnings as they occur. During the tenure of the CCS and at their maturity, the cash flows related to the exchange of interest rates and currencies under the CCS match, in interest payment dates and conditions, those of the related debt. As of December 31, 2007 and 2006, information with respect to the financial instruments is summarized as follows:

	2007				2006		
(U.S. dollars millions)	Notional amount	Fair value	Effective rate	(U.S. dollars millions)	Notional amount	Fair value	Effective rate
Short-term				Short-term			
Exchange UDIs 341 to U.S.$ **1**	110	13	8.1%	Exchange $1,400 to U.S.$ **1**	126	4	5.3%
Exchange UDIs 432 to U.S.$ **2**	136	25	4.8%	Exchange $3,213 to U.S.$ **2**	295	14	2.0%
Exchange $2,000 to U.S.$ **3**	184	(1)	5.1%	Exchange $869 to U.S.$ **3**	65	17	5.1%
Exchange $800 to U.S.$ **4**	74	–	6.6%	Exchange $800 to U.S.$ **4**	77	–	4.1%
	504	37			563	35	
Long-term				Long-term			
Exchange UDIs 425 to U.S.$ **5**	148	13	5.4%	Exchange $3,126 to U.S.$ **5**	271	66	3.9%
Exchange $750 to U.S.$ **6**	70	1	5.3%	Exchange $2,031 to U.S.$ **6**	181	17	7.1%
Exchange $1,500 to U.S.$ **7**	136	29	3.0%	Exchange $2,140 to U.S.$ **7**	193	17	3.3%
Exchange $2,140 to U.S.$ **8**	193	9	3.3%	Exchange $7,250 to U.S.$ **8**	664	14	5.4%
Exchange $7,150 to U.S.$ **9**	664	15	4.8%	Exchange $2,950 to U.S.$ **9**	272	5	5.3%
Exchange $8,950 to U.S.$ **10**	817	22	5.1%	–	–	–	–
	2,028	89			1,581	119	
	2,532	126			2,144	154	

		2007		2006	
	Maturity	CEMEX receives	CEMEX pays	CEMEX receives	CEMEX pays
1	January 2008	UDIs 8.9%	*L* plus 278bps	TIIE minus 23bps	*L* minus 13bps
2	December 2008	UDIs 5.9%	Dollar 4.8%	Peso 10.8%	Dollar 2.0%
3	June 2008	TIIE minus 32bps	*L* minus 0bps	Peso 10.6%	*L* plus 23bps
4	October 2008	CETES plus 145bps	*L* plus 136bps	CETES plus 145bps	Dollar 4.1%
5	January 2009	UDIs 6.5%	*L* minus 20bps	Peso 8.7%	Dollar 3.9%
6	March 2011	Peso 8.7%	*L* minus 19bps	Peso 8.8%	*L* plus 162bps
7	April 2012	Peso 11.5%	Dollar 3.0%	CETES plus 99bps	Dollar 3.3%
8	April 2009	CETES plus 99bps	Dollar 3.3%	CETES plus 52bps	*L* minus 2bps
9	September 2011	CETES plus 52bps	*L* minus 20bps	TIIE plus 9bps	*L* minus 2.5bps
10	September 2012	TIIE plus 10bps	*L* minus 3bps	–	–

* TIIE represents the *Interbank Offering Rate* in Mexico. UDIs are investment units indexed to inflation in Mexico, whose closing quotation at the end of 2007 and 2006 was 3.932983 pesos per UDI and 3.788954 pesos per UDI, respectively. CETES are public debt instruments issued by the Mexican government. LIBOR or "*L*" represents the *London Interbank Offered Rate* used in international markets for debt denominated in U.S. dollars. At December 31, 2007 and 2006, LIBOR rate was 4.70% and 5.32%, respectively, TIIE at year-end was 7.93% in 2007 and 7.37% in 2006, and the CETES yield at year-end was 7.46% in 2007 and 7.10% in 2006. The contraction "bps" means basis points. One basis point is .01 per cent.

The carrying amounts of CEMEX's debt as of December 31, 2007 and 2006, exclude the valuation effects of related CCS, which are presented within other short-term and long-term accounts receivable and/or payable, as applicable.

As of December 31, 2007 and 2006, in connection with the fair value of the CCS, CEMEX recognized net assets of U.S.$126 ($1,376) and U.S.$154 ($1,804), respectively, of which U.S.$34 ($398) in 2006 related to prepayments made of dollar denominated obligations under the contracts. The estimated fair value of CCS in 2006, excluding the effects of prepayments, resulted in a net asset of U.S.$120 ($1,406). In 2007, 2006 and 2005, changes in the estimated fair value of the CCS, before prepayments, resulted in losses of U.S.$28 ($306), U.S.$58 ($679), and a gain of U.S.$3 ($38), respectively. The periodic interest rate cash flows under the CCS were recognized within financial expense as part of the effective interest rate of the related debt.

In May and June 2005, CEMEX settled CCS for a notional amount of approximately U.S.$397, assumed through the purchase of RMC, generating a gain of approximately U.S.$21 ($264), which was recognized in the Comprehensive Financing Result.

Foreign exchange forward contracts related to debt

During 2007 and 2006, in order to change the mix of currencies in its debt portfolio, CEMEX negotiated foreign exchange forward contracts for a notional amount of U.S.$2,098 and U.S.$703, respectively. As of December 31, 2007 and 2006, the fair value of these contracts represented a gain of approximately U.S.$39 ($426) and loss of U.S.$3 ($35), respectively. Of the notional amount as of December 31, 2007 and 2006, U.S.$1,447 and U.S.$566 exchange euros to dollars, U.S.$82 and U.S.$92 exchange pounds sterling to dollars, and U.S.$254 and U.S.$45 exchange Japanese yen to dollars, respectively. In addition, during 2007, CEMEX negotiated contracts for a notional amount of U.S.$315 that exchange pesos to dollars. Changes in fair values of these contracts are recognized in the income statement since they were not designated as cash flow hedges.

In 2005, CEMEX settled foreign exchange options for a notional amount of U.S.$488. These options were sold in 2003 for approximately U.S.$63. Changes in fair value of these options generated losses of approximately U.S.$6 ($75) in 2005, and were recognized in the income statement.

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 in June 2007. Resulting from changes in the fair value of these contracts, upon settlement, CEMEX realized a gain of approximately U.S.$137 ($1,496), which was recognized in the 2007 results. Likewise, 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. 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 ($1,667), were recognized in stockholders' equity in 2004. This gain was reclassified to earnings in 2005 on the date RMC was purchased.

D) OTHER DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2007 and 2006, outstanding derivative instruments, other than those related to debt (note 12C) and those related to equity items (note 12E), are as follows:

		2007		2006	
		Notional amount	Fair value	Notional amount	Fair value
Equity forwards in CEMEX's own shares	U.S.$	121	2	171	–
Other foreign exchange instruments		273	(18)	81	1
Derivatives related to energy projects		219	14	159	(4)
	U.S.$	613	(2)	411	(3)

Equity forwards in CEMEX's own shares

For the years ended December 31, 2007 and 2006, changes in the fair value of equity forward contracts in CEMEX's own shares were recognized in the results of the corresponding period, considering that upon liquidation, such contracts allow for net cash settlement.

In December 2007, CEMEX negotiated an equity forward contract covering 47,050,614 CPOs with maturity in March 2008. The notional amount of the contract is approximately U.S.$121 ($1,321). This contract was negotiated to hedge future exercises of options under the executives' stock option programs (note 17). 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 $1,932. 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 ($2,003). This derivative was liquidated in 2007, generating a gain of approximately U.S.$13 ($142) recognized in the income statement.

On October 3, 2005, through a secondary equity offering agreed by CEMEX, launched simultaneously on the Mexican Stock Exchange and the NYSE, financial institutions offered and sold 45,886,680 ADSs and 161,000,000 CPOs, at a price of approximately U.S.$24.75 per ADS and $26.95 per CPO. Of the total consideration of approximately U.S.$1,500 ($18,836), net of the offering expenses, the financial institutions kept approximately U.S.$1,300 as payment for the liquidation of the related forward contracts based on the CPO price. The ADSs and CPOs subject to the offer represented the entire amount of shares subject to the forward contracts in CEMEX's own shares as of the offering date. This transaction did not increase the number of shares outstanding. 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, CEMEX recognized in the income statement a gain of approximately U.S.$422 ($5,299), which offset the expenses generated by the stock option programs (note 17).

Other foreign exchange instruments

As of December 31, 2007 and 2006, CEMEX had foreign exchange forward contracts for notional amounts of U.S.$273 and U.S.$81, respectively, not designated as hedges, whose valuation effects are recognized in the income statement for the period.

Derivatives related to energy projects

In connection with agreements entered into by CEMEX for the acquisition of electric energy (note 20D), as of December 31, 2007 and 2006, CEMEX had an interest rate swap (exchanging fixed for floating interest rate) for notional amounts of U.S.$214 and U.S.$141, respectively, maturing in September 2022. During the life of the swap and based on its notional amount, CEMEX will pay a LIBOR rate and will receive a 5.40% fixed rate until September 2022. In addition, during 2001, CEMEX sold a floor option, which had a notional amount of U.S.$149 in 2006, and that was settled in 2007, generating a loss of U.S.$16 ($175) 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 ($153). 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 ($35). 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.

During 2006, CEMEX negotiated a derivative instrument based on gas prices with maturity in January 2008. As of December 31, 2007 and 2006, this instrument had notional amounts of U.S.$5 and U.S.$9, respectively.

E) DERIVATIVE FINANCIAL INSTRUMENTS RELATED TO EQUITY

As of December 31, 2007 and 2006, outstanding derivative instruments that hedge equity transactions or items, other than those related to debt (note 12C) and those related to other transactions (note 12D), are detailed as follows:

	2007		2006	
	Notional amount	Fair value	Notional amount	Fair value
Foreign exchange forward contracts	U.S.$ 4,845	(72)	5,034	132
Derivatives related to perpetual debentures	3,065	202	1,250	46
	U.S.$ 7,910	130	6,284	178

Foreign exchange forward contracts

As of December 31, 2007 and 2006, in order to hedge financial risks associated with variations in foreign exchange rates of certain net investments in foreign countries denominated in euros and dollars vis-à-vis the peso, and consequently reducing volatility in the value of stockholders' equity in CEMEX's reporting currency, CEMEX has negotiated foreign exchange forward contracts for notional amounts of U.S.$4,845 and U.S.$5,034, respectively, with different maturities until 2010. These contracts have been designated as hedges of the Company's net investment in foreign subsidiaries. Changes in the estimated fair value of these instruments are recorded in stockholders' equity as part of the foreign currency translation effect.

Derivative instruments related to perpetual debentures

In connection with the issuance of perpetual debentures (note 16D), as of December 31, 2007 and 2006, there are CCS associated to such instruments for approximately U.S.$3,065 ($33,470) and U.S.$1,250 ($14,642), respectively, through which CEMEX changes the risk profile associated with interest rates and foreign exchange rates from the U.S. dollar and the euro to the yen.

	(U.S. dollars millions) 2007				(U.S. dollars millions) 2006		
Issue of perpetual debentures	Notional amount	Fair value	Effective rate	Issue of perpetual debentures	Notional amount	Fair value	Effective rate
C-10 € 730 to ¥119,085 1	1,065	81	3.6%	–	–	–	–
C-8 U.S.$750 to ¥90,193 2	750	52	4.0%	–	–	–	–
C-5 U.S.$350 to ¥40,905 3	350	13	5.1%	C-5 U.S.$350 to ¥40,905 3	350	6	2.8%
C-10 U.S.$900 to ¥105,115 4	900	56	4.0%	C-10 U.S.$900 to ¥105,115 4	900	40	2.2%
	3,065	202			1,250	46	

		2007		2006	
	Maturity	CEMEX receives	CEMEX pays	CEMEX receives	CEMEX pays
1	June 2017	Euro 6.3%	¥ LIBOR * 3.1037	–	–
2	December 2014	Dollar 6.6%	¥ LIBOR * 3.5524	–	–
3	December 2011	Dollar 6.2%	¥ LIBOR * 4.3531	Dollar 6.2%	¥ LIBOR * 4.3531
4	December 2016	Dollar 6.7%	¥ LIBOR * 3.3878	Dollar 6.7%	¥ LIBOR * 3.3878

* The symbol "¥" represents the Japanese yen. ¥ LIBOR represents the *London Inter-Bank Offered Rate*, which is the interest rate for transactions denominated in Japanese yen in international markets.

Each CCS includes an extinguishable swap, which provides that if the relevant perpetual debentures are extinguished for stated conditions but before the maturity of the CCS, such CCS would be automatically extinguished, with no amounts payable by the swaps counterparties. In addition, in order to eliminate variability during the first two years in the yen denominated payments due under the CCS, CEMEX entered into foreign exchange forwards for notional amounts of U.S.$273 in 2007 and U.S.$89 in 2006, under which CEMEX pays U.S. 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.

F) FAIR VALUE OF DERIVATIVE INSTRUMENTS

The estimated fair value of derivative instruments fluctuates over time and is determined by measuring the effect of future interest rates, exchange rates, prices of natural gas and share prices according to the yield curves shown in the market as of the balance sheet date. These values should be viewed in relation to the fair values of the underlying transactions and as part of CEMEX's overall exposure attributable to fluctuations in interest rates and foreign exchange rates. The notional amounts of derivative instruments do not necessarily represent amounts exchanged by the parties, and consequently, there is no direct measure of CEMEX's exposure to the use of these derivatives. The amounts exchanged are determined based on the basis of the notional amounts and other terms included in the derivative instruments.

13. OTHER CURRENT AND NON-CURRENT LIABILITIES

As of December 31, 2007 and 2006, other current accounts payable and accrued expenses are as follows:

	2007	2006
Provisions	$ 10,504	9,241
Other accounts payable and accrued expenses	4,715	3,375
Tax payable	4,631	2,664
Current liabilities for valuation of derivative instruments	425	106
Advances from customers	1,466	1,390
Interest payable	1,665	427
Dividends payable	65	–
	$ 23,471	17,203

The carrying amount of current provisions primarily consist of employee benefits accrued at the balance sheet date, insurance payments, and accruals related to legal and environmental assessments expected to be settled in the short-term (note 21C). These amounts are revolving in nature and are expected to be settled and replaced by similar amounts within the next 12 months.

As of December 31, 2007 and 2006, other non-current liabilities are detailed as follows:

	2007	2006
Asset retirement obligations	$ 2,000	1,427
Other remediation or environmental liabilities	4,087	3,447
Accruals for legal assessments and other responsibilities	1,085	1,798
Non-current liabilities for valuation of derivative instruments	3,432	2,016
Other non-current liabilities and provisions	5,558	6,037
	$ 16,162	14,725

Non-current provisions refer to the best estimate of cash flows with respect to diverse issues where CEMEX is determined to be responsible and which are expected to be settled over a period greater than 12 months.

Asset retirement obligations include future estimated costs for demolition, cleaning and reforestation of production sites at the end of their operation, which are initially recognized against the related assets and are depreciated over their estimated useful life.

Other remediation and environmental liabilities include future estimated costs arising from legal or constructive obligations, related to cleaning, reforestation and other remedial actions, in order to remedy damage caused to the environment. The expected average period to settle these obligations is greater than 15 years.

As of December 31, 2007 and 2006, the most significant legal proceedings that give rise to the carrying amount of CEMEX's other non-current liabilities and provisions are detailed in note 21.

Changes in consolidated other non-current liabilities for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Balance at beginning of period	$ 14,725	12,178
Current period additions due to new obligations or increase in estimates	1,797	7,860
Current period releases due to payments or decrease in estimates	(1,906)	(6,786)
Additions through business combinations	2,098	221
Reclassification from current to non-current liabilities, net	(5)	1,197
Foreign currency translation and inflation effects	(547)	55
Balance at end of period	$ 16,162	14,725

14. PENSIONS, OTHER POSTRETIRMENT BENEFITS AND TERMINATION BENEFITS

As mentioned in note 3N, the costs of defined contribution pension plans are recognized in the period in which the funds are transferred to the employees' investment accounts, without generating future obligations. Costs of defined contribution pension plans for the years ended December 31, 2007, 2006 and 2005 were approximately $393, $344 and $199, respectively.

Costs of defined benefit pension plans and other postretirement benefits, such as health care benefits, life insurance and seniority premiums, as well as termination benefits not associated with a restructuring event, are recognized in the income statement as employees' services are rendered, based on actuarial calculations of the benefits' present value. The net periodic costs of pension plans and other benefits in 2007, 2006 and 2005 are summarized as follows:

	Pensions			Other benefits			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Net periodic cost:									
Service cost	$ 848	797	758	117	101	95	965	898	853
Interest cost	1,591	1,463	1,347	87	87	89	1,678	1,550	1,436
Actuarial return on plan assets	(1,569)	(1,572)	(1,273)	(1)	(2)	(1)	(1,570)	(1,574)	(1,274)
Amortization of prior service cost, transition liability and actuarial results	40	(16)	146	51	57	52	91	41	198
Loss (gain) for settlements and curtailments	(169)	–	1,153	–	–	–	(169)	–	1,153
	$ 741	672	2,131	254	243	235	995	915	2,366

The reconciliation of the actuarial benefits obligations, pension plan assets, and the carrying amounts as of December 31, 2007 and 2006 are presented as follows:

	Pensions		Other benefits		Total	
	2007	2006	2007	2006	2007	2006
Change in benefits obligation:						
Projected benefit obligation at beginning of year	$ 33,228	28,819	1,972	1,884	35,200	30,703
Service cost	848	797	117	101	965	898
Interest cost	1,591	1,463	87	87	1,678	1,550
Actuarial results	(3,280)	2,674	(83)	75	(3,363)	2,749
Employee contributions	73	82	–	–	73	82
Additions through business combinations	750	92	15	66	765	158
Foreign currency translation and inflation effects	(1,381)	913	(96)	(91)	(1,477)	822
Settlements and curtailments	(282)	(2)	2	(29)	(280)	(31)
Benefits paid	(1,744)	(1,610)	(146)	(121)	(1,890)	(1,731)
Projected benefit obligation at end of year	29,803	33,228	1,868	1,972	31,671	35,200
Change in plan assets:						
Fair value of plan assets at beginning of year	26,459	23,825	27	31	26,486	23,856
Return on plan assets	(51)	2,280	1	2	(50)	2,282
Foreign currency translation and inflation effects	(1,330)	561	–	(2)	(1,330)	559
Additions through business combinations	660	55	–	–	660	55
Employer contributions	928	1,270	145	87	1,073	1,357
Employee contributions	73	82	–	–	73	82
Settlements and curtailments	(68)	(2)	–	(29)	(68)	(31)
Benefits paid	(1,835)	(1,612)	(147)	(62)	(1,982)	(1,674)
Fair value of plan assets at end of year	24,836	26,459	26	27	24,862	26,486
Amounts recognized in the balance sheets:						
Funded status	4,967	6,769	1,842	1,945	6,809	8,714
Transition liability	(100)	(112)	(281)	(363)	(381)	(475)
Prior service cost and actuarial results	242	(1,578)	75	27	317	(1,551)
Accrued benefit liability	5,109	5,079	1,636	1,609	6,745	6,688
Additional minimum liability (note 11)	663	529	242	267	905	796
Net projected liability recognized	$ 5,772	5,608	1,878	1,876	7,650	7,484

CEMEX recognizes an additional minimum liability in those individual cases in which the actual benefit obligation ("ABO") less the plan assets (net actual liability) is lower than the net projected liability. As of December 31, 2007 and 2006, CEMEX recognized minimum liabilities against intangible assets for approximately $905 and $796, respectively.

The transition liability, prior service cost and actuarial results are amortized over the estimated service life of the employees under plan benefits. As of December 31, 2007, the average estimated service life for pension plans is approximately 11.8 years, and for other postretirement benefits is approximately 11.9 years.

As of December 31, 2007 and 2006, the projected benefit obligation is derived from the following types of plans and benefits:

	2007	2006
Plans and benefits totally unfunded	$ 2,349	1,721
Plans and benefits partially or totally funded	29,322	33,479
Projected benefit obligation ("PBO") at end of the period	$ 31,671	35,200

As of December 31, 2007 and 2006, the consolidated plan assets are valued at their estimated fair value and consist of:

	2007	2006
Fixed-income securities	$ 8,980	9,701
Marketable securities quoted in formal markets	12,941	13,288
Private funds and other investments	2,941	3,497
	$ 24,862	26,486

As of December 31, 2007, estimated future benefit payments for pensions and other postretirement benefits during the next ten years are as follows:

	2007
2008	$ 2,046
2009	1,946
2010	2,064
2011	2,012
2012	2,047
2013 – 2017	10,909

The most significant assumptions used in the determination of the net periodic cost, agreed with external actuaries, are as follows:

	2007				2006			
	Mexico	United States	United Kingdom	Other countries **1**	Mexico	United States	United Kingdom	Other countries **1**
Discount rates	4.5%	6.2%	5.7%	4.2% - 9.8%	5.5%	5.8%	5.1%	3.5% - 11.2%
Rate of return on plan assets	6.0%	8.0%	6.1%	4.0% - 8.2%	6.5%	8.0%	6.4%	4.0% - 9.0%
Rate of salary increases	1.5%	3.5%	3.1%	2.2% - 4.8%	1.5%	3.5%	3.6%	2.0% - 4.0%

1 Range of rates.

As of December 31, 2007 and 2006, the aggregate PBO for pension plans and other benefits and the plan assets by country are as follows:

	2007			2006		
	PBO	Assets	Deficit (Excess)	PBO	Assets	Deficit (Excess)
Mexico	$ 3,207	1,868	1,339	$ 3,064	2,323	741
United States	4,153	4,772	(619)	4,363	4,447	(84)
United Kingdom	18,727	16,305	2,422	21,810	17,648	4,162
Other countries	5,584	1,917	3,667	5,963	2,068	3,895
	$ 31,671	24,862	6,809	$ 35,200	26,486	8,714

Other information related to employees' benefits at retirement

The defined benefit program in the United Kingdom has been closed to new participants since January 2004. Regulation in the United Kingdom requires entities to maintain plan assets in a level similar to that of the obligations; consequently, it is expected that CEMEX will incur significant contributions to the United Kingdom's pension plans in the following years. As presented in the table above, as of December 31, 2007, the deficit in the funded status amounted to approximately $2,422. After reducing the deficits related to other postretirement benefits, which do not require mandatory funding and are financed through normal operations, the deficit was approximately $2,084.

During 2007, CEMEX Inc., the subsidiary of CEMEX in the United States, made changes to its defined benefit plans, by means of which employees' benefits under such plans were frozen as of December 31, 2007, generating a settlement gain of approximately $169. In connection with the decision to freeze benefits under the U.S. defined benefit pension plans, the employees' benefits were increased through defined contribution plans. CEMEX considers that the changes in pension benefits will be a more attractive incentive to hire and retain personnel.

In January 2006, CEMEX communicated to its employees in Mexico subject to pension benefits a new defined contribution pension plan, which, from the communication date, replaced the former defined benefit pension plan. CEMEX contributed to the employees' retirement individual accounts, with a private retirement funds manager, the actuarial value of the PBO as of the date of change. Approximately 5% of the employees, or those with 50 years of age or more, had a period to elect between the previous defined benefit plan and the new plan. For all other employees the change was automatic. As a result of the new plan, events of settlement and curtailment of obligations occurred, and since this was a material event which occurred before the issuance of the financial statements, the accounting effects arising from the change were retroactively recognized in the consolidated financial statements as of December 31, 2005. The administrative execution of the migration from the old to the new pension plan occurred during the first quarter of 2006. The initial contributions to the employees' individual accounts were transferred from the existing pension funds.

For purposes of the early accounting recognition in 2005 resulting from the change of plan in Mexico, the actuarial calculations assumed that approximately 85% of the employees with 50 years of age or more would elect to remain in the defined benefit plan. As a result of the settlement and curtailment events, the accrued actuarial results were amortized proportionally to the decrease in the PBO, which was estimated at $1,254, representing a 32% reduction, while the unrecognized transition liability and prior service costs were amortized proportionally to the reduction of the expected years of future service of the employees under the plan benefits, generating in 2005 an aggregate loss of approximately $1,154, recognized within "Other expenses, net". Upon finalization of the election period in 2006 for those employees with 50 years of age or more, approximately 78% elected to migrate to the defined contribution plan. Therefore, in 2006 the PBO decreased by approximately $476 in addition to the $1,254 recognized in 2005, while the total contribution to the individual accounts was approximately $1,626. The differences between the estimates determined in 2005 and the final results in 2006 in connection with the PBO and the plan assets were included within the "Actuarial results" in the reconciliation of the actuarial value of obligations.

There are benefits paid to personnel pursuant to legal requirements upon termination of the working relationship, based on the years of service and the last salary received. The PBO of these benefits as of December 31, 2007 and 2006 was approximately $574 and $512, respectively.

In some countries, CEMEX has established health care benefits for retired personnel, limited to a certain number of years after retirement. As of December 31, 2007 and 2006, the PBO related to these benefits, included in the table above, was approximately $1,104 and $1,283, respectively. The medical inflation rate used in 2007 to determine the PBO of these benefits was 3.0% in Mexico, 5.0% in Puerto Rico, 5.2% in the United States and 7.1% in the United Kingdom.

15. CURRENT AND DEFERRED INCOME TAXES

A) INCOME TAX

As mentioned in note 3(O), CEMEX determines income tax ("IT"), both current and deferred. Income tax included in the income statements for the years ended December 31, 2007, 2006 and 2005, is summarized as follows:

	2007	2006	2005
Current IT			
From Mexican operations	$ (1,649)	57	(15)
From foreign operations	(3,574)	(4,497)	(2,870)
	(5,223)	(4,440)	(2,885)
Deferred IT			
From Mexican operations	(357)	2,331	(2,528)
From foreign operations	784	(3,589)	1,199
	427	(1,258)	(1,329)
	$ (4,796)	(5,698)	(4,214)

As of December 31, 2007, consolidated tax loss and tax credits carryforwards maturities are as follows:

	Amount of carryforwards
2008	$ 29
2009	2,334
2010	1,665
2011	11,454
2012 and thereafter	94,021
	$ 109,503

B) DEFERRED INCOME TAXES

The valuation method for deferred income taxes is detailed in note 3(O). Deferred IT for the period represents the difference in nominal pesos between the deferred IT initial balance and the year-end balance. All items charged or credited directly in stockholders' equity are recognized net of their deferred income tax effects. Deferred IT assets and liabilities relating to different tax jurisdictions are not offset. As of December 31, 2007 and 2006, the IT effects of the main temporary differences that generate the consolidated deferred IT assets and liabilities are presented below:

	2007	2006
Deferred tax assets:		
Tax loss and tax credits carryforwards	$ 31,730	25,633
Accounts payable and accrued expenses	4,943	5,854
Others	2,071	1,078
Total deferred tax assets	38,744	32,565
Less – Valuation allowance	(21,093)	(14,690)
Net deferred tax asset	17,651	17,875
Deferred tax liabilities:		
Property, machinery and equipment	(62,202)	(39,963)
Trade accounts receivable	–	(762)
Others	(4,980)	(3,151)
Total deferred tax liabilities	(67,182)	(43,876)
Net deferred tax position (liability)	(49,531)	(26,001)
Less – Deferred IT of acquired subsidiaries at acquisition date	(46,116)	(20,558)
Total effect of deferred IT in stockholders' equity at end of year	(3,415)	(5,443)
Less – Total effect of deferred IT in stockholders' equity at beginning of year	(5,443)	(5,718)
Restatement effect of beginning balance	(2,028)	(2,174)
Change in deferred IT for the period	$ –	(1,899)

The change in consolidated deferred IT for the period in 2007, 2006 and 2005 is as follows:

	2007	2006	2005
Deferred IT charged to the income statement	$ 427	(1,258)	(1,329)
Changes in accounting principles	–	–	156
Deferred IT of the period applied directly to stockholders' equity	(427)	(641)	2,063
Change in deferred IT for the period	$ –	(1,899)	890

CEMEX considers that sufficient taxable income will be generated to realize the tax benefits associated with the deferred income tax assets, and the tax loss carryforwards, prior to their expiration. Nevertheless, a valuation allowance on tax loss carryforwards has been determined for the amount that is estimated may not be recoverable in the future. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, or that tax strategies are no longer viable, the valuation allowance on deferred tax assets would be increased against the income statement.

CEMEX has not provided any deferred tax liability for the undistributed earnings generated by its subsidiaries and associates, recognized under the equity method, considering that such undistributed earnings are expected to be reinvested, not generating income tax in the foreseeable future (note 16C). Likewise, CEMEX does not recognize a deferred income tax liability related to its investments in subsidiaries and associates, and interests in joint ventures, considering that CEMEX controls the reversal of the temporary differences arising from these investments.

C) EFFECTIVE TAX RATE

Differences between the financial reporting and the corresponding tax basis of assets and liabilities and the different IT rates and laws applicable to CEMEX, among other factors, give rise to permanent differences between the approximate statutory tax rate and the effective tax rate presented in the consolidated income statements, which in 2007, 2006 and 2005 are as follows:

	2007	2006	2005
	%	%	%
Approximate consolidated statutory tax rate	28.0	29.0	30.0
Non-taxable dividend income	(3.9)	(18.2)	(7.0)
Other non-taxable income [1]	(12.9)	(3.8)	(3.7)
Expenses and other non-deductible items	9.3	13.4	(1.4)
Non-taxable sale of marketable securities and fixed assets	(2.7)	(3.5)	(0.3)
Difference between book and tax inflation	(2.5)	(2.7)	1.2
Others	(0.2)	2.1	(5.4)
Effective consolidated tax rate	15.1	16.3	13.4

1 Includes the effects of the different income tax rates in the countries where CEMEX operates.

16. STOCKHOLDERS' EQUITY

On April 27, 2006, the annual extraordinary stockholders' meeting approved a stock split, which became effective on July 17, 2006. In connection with the stock split, each of the existing series "A" shares was surrendered in exchange for two new series "A" shares, and each of the existing series "B" shares was surrendered in exchange for two new series "B" shares. Amounts in CPOs, shares and prices per share, except as otherwise indicated, reflect the stock split of July 17, 2006.

The carrying amounts of consolidated stockholders' equity as of December 31, 2007 and 2006 for $204,153 and $173,111, respectively, exclude investments in shares of CEMEX, S.A.B. de C.V. held by subsidiaries, which implied a reduction to majority interest stockholders' equity of $6,366 (569,671,633 CPOs) in 2007 and $6,410 (559,984,409 CPOs) in 2006. This reduction is included within "Other equity reserves".

A) COMMON STOCK

As of December 31, 2007 and 2006, the common stock of CEMEX, S.A.B. de C.V. was as follows:

	2007		2006	
Shares **1**	Series A **2**	Series B **3**	Series A **2**	Series B **3**
Subscribed and paid shares	16,157,281,752	8,078,640,876	15,778,133,836	7,889,066,918
Treasury shares **4**	425,224,094	212,612,047	536,248,572	268,124,286
Unissued shares authorized for stock option programs	581,451,054	290,725,527	425,823,064	212,911,532
	17,163,956,900	8,581,978,450	16,740,205,472	8,370,102,736

1 13,068,000,000 shares in both years relate to the fixed portion and 12,677,935,350 in 2007 and 12,042,308,208 in 2006 to the variable portion.

2 Series "A" or Mexican shares must represent at least 64% of CEMEX's capital stock.

3 Series "B" or free subscription shares must represent at most 36% of CEMEX's capital stock.

4 In both years, includes the shares issued as stock dividends that were not subscribed by stockholders that elected to receive the cash dividend.

On April 26, 2007, the annual ordinary stockholders' meeting approved: (i) a reserve for share repurchases of up to $6,000 (nominal amount); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $7,889 (nominal amount), issuing shares as a stock dividend for up to 1,440 million shares, equivalent to 480 million CPOs, based on a price of approximately $32.75 pesos (nominal amount) per CPO; or instead, stockholders could have chosen to receive a cash dividend of U.S.$0.0745 in cash for each CPO, or approximately $0.8036 pesos (nominal amount) for each CPO, considering the exchange rate of *Banco de Mexico* on May 31, 2007 of $10.7873 pesos per 1 dollar. As a result, shares equivalent to approximately 189 million CPOs were issued, representing an increase in common stock of $2 and additional paid-in capital of $6,397, considering a nominal value of $0.00833 pesos (nominal amount) per CPO, while an approximate cash dividend payment was made for approximately $140 (nominal amount); and (iii) the cancellation of the corresponding shares held in the CEMEX's treasury.

On April 27, 2006, the annual ordinary stockholders' meeting approved: (i) a reserve for share repurchases of up to $6,000 (nominal amount); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $6,718 (nominal amount), issuing shares as a stock dividend for up to 720 million shares equivalent to 240 million CPOs, based on a price of $52.5368 pesos (nominal amount) per CPO; or instead, stockholders could have chosen to receive a cash dividend of $1.4887 pesos (nominal amount) in cash for each CPO. As a result, shares equivalent to approximately 106 million CPOs were issued, representing an increase in common stock of $2 and additional paid-in capital of $5,974, considering a nominal value of $0.01665 pesos (nominal amount) per CPO, while an approximate cash dividend payment was made for $148 (nominal amount); and (iii) the cancellation of the corresponding shares held in the CEMEX's treasury. The amounts of shares, CPOs and other prices per share related to the annual ordinary stockholders' meeting held on April 27, 2006 were not adjusted to retroactively reflect the stock split of July 17, 2006.

During 2007 and 2006, the CPOs issued pursuant the exercise of options under the "fixed program" (note 17) generated additional paid-in capital of approximately $2 and $5, respectively, and increased the number of shares outstanding.

B) OTHER EQUITY RESERVES

As of December 31, 2007 and 2006, other equity reserves are summarized as follows:

	2007	2006
Deficit in equity restatement	$ (91,290)	(77,916)
Treasury shares	(6,366)	(6,410)
Cumulative initial deferred income tax effects	(6,918)	(6,918)
	$(104,574)	(91,244)

In 2007, 2006 and 2005, the most significant items within deficit in equity restatement, which are also elements of the comprehensive income presented in the statement of changes in stockholders' equity, are detailed as follows:

	2007	2006	2005
Foreign currency translation adjustment 1	$ 3,327	3,911	(6,118)
Capitalized foreign exchange gain (loss) 2	(400)	(580)	1,672
Effects from holding non-monetary assets	(13,910)	(4,031)	2,611
Hedge derivative instruments (note 12C and E)	(117)	148	(1,607)
Deferred IT for the period recorded in stockholders' equity (note 15B)	(427)	(641)	2,063
	$ (11,527)	(1,193)	(1,379)

1 These effects result from the translation of the financial statements of foreign subsidiaries and include foreign exchange fluctuations from financing related to the acquisition of foreign subsidiaries generated by CEMEX's subsidiary in Spain, representing a loss of $12 in 2005. There were no exchange fluctuations capitalized by this subsidiary during 2006. In 2007, Rinker's acquisition generated a gain of $5,588.

2 Generated by foreign exchange fluctuations of debt associated with the acquisition of foreign subsidiaries.

C) RETAINED EARNINGS

Retained earnings as of December 31, 2007 and 2006 include $172,409 and $145,660, respectively, of earnings generated by subsidiaries and associates that are not available to be paid as dividends by CEMEX until these entities distribute such amounts to CEMEX. Additionally, retained earnings include a share repurchase reserve in the amount of $6,266 in 2007 and $6,672 in 2006.

Net income for the year is subject to a 5% allocation toward a legal reserve until such reserve equals one fifth of the common stock. As of December 31, 2007, the legal reserve amounted to $1,804.

D) MINORITY INTEREST AND PERPETUAL DEBENTURES

Minority interest

Minority interest represents the share of minority stockholders in the results and equity of consolidated subsidiaries. As of December 31, 2007 and 2006, minority interest amounts to approximately $7,515 and $7,842, respectively.

Perpetual debentures

As of December 31, 2007 and 2006, consolidated balance sheets include approximately U.S.$3,065 ($33,470) and U.S.$1,250 ($14,642), respectively, representing the notional amount of perpetual debentures. These debentures have no fixed maturity date and do not represent a contractual payment obligation for CEMEX. Based on their characteristics, these debentures issued entirely by Special Purpose Vehicles ("SPVs"), qualify as equity instruments 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 CEMEX has the unilateral right to defer indefinitely the payment of interest due on the debentures. The definition of the debentures as equity instruments was made under applicable 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 $1,847 in 2007 and $152 in 2006. The different SPVs were established solely for purposes of issuing the perpetual debentures and are included in CEMEX's consolidated financial statements.

As of December 31, 2007, CEMEX's perpetual debentures are as follows:

Issuer	Issuance Date	Nominal Amount	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%

As mentioned in note 12E, there are derivative instruments associated with the perpetual debentures, through which CEMEX changes the risk profile associated with interest rates and foreign exchange rates in respect of the debentures from the U.S. dollar and euro to the yen.

17. EXECUTIVE STOCK OPTION PROGRAMS

Between 1995 and 2004, CEMEX granted to a group of executives several types of stock options. Starting in 2005, stock option programs were replaced by a long-term compensation scheme through which such executives receive cash bonuses, recognized in the operating results, which are used by the executives to acquire CPOs in the market. The expense recognized through the income statement during 2007, 2006 and 2005 was $645, $431 and $362, respectively. The fair value of CPOs at acquisition date equals the cash bonuses. Pursuant to an agreement between CEMEX and the executives, the acquired CPOs are placed in an executives' owned trust to comply with a restriction for sale period of 4 years, which vests up to 25% at the end of each year.

As mentioned in note 3U, in 2005, CEMEX adopted IFRS 2 to account for its stock option programs. Under IFRS 2, the cost associated with stock options that qualify as equity instruments is represented by the estimated fair value of the awards as of the grant date, and should be recognized through earnings over the options' vesting period. Likewise, IFRS 2 defines liability instruments, comprised by those awards in which an entity incurs an obligation by committing to pay the employee, through the exercise of the option, an amount in cash or in other financial assets. In connection with liability instruments, IFRS 2 requires the determination of the estimated fair value of the awards at each reporting date, recognizing the changes in valuation through the income statement.

The stock options granted by CEMEX, except for those under the "fixed program" described below, represent liability instruments, considering that CEMEX is committed to pay the executive the intrinsic value of the options at the exercise date. Starting in 2001 and until the adoption of IFRS 2, CEMEX recognized the cost associated with those programs that under IFRS 2 qualify as liability instruments through the intrinsic value method. Under this method, CEMEX accrued a provision at each balance sheet date against the income statement, for the difference between the CPO's market price and the exercise price of such CPO established in the option. In respect of those options that now qualify as equity instruments under IFRS 2, CEMEX did not recognize cost considering that: 1) the CPO exercise price equaled its market price as of the grant date; 2) the exercise price was fixed throughout the tenure of the award; and 3) the exercise of these options implied the issuance of new CPOs.

The information related to options granted in respect of CEMEX, S.A.B. de C.V. shares is as follows:

Options	Fixed programs (A)	Variable programs (B)	Restricted programs (C)	Special program (D)
Options at the beginning of 2006	1,080,300	2,489,999	16,810,046	1,663,806
Changes in 2006:				
Options cancelled	(12,554)	–	–	–
Options exercised	(118,042)	(934,885)	(1,208,373)	(433,853)
Options at the end of 2006	949,704	1,555,114	15,601,673	1,229,953
Changes in 2007:				
Options cancelled and adjustments	928	–	–	–
Options exercised	(52,162)	(178,767)	(579,401)	(384,529)
Options at the end of 2007	898,470	1,376,347	15,022,272	845,424
Underlying CPOs [1]	4,904,103	6,718,048	65,474,573	16,908,480
Exercise prices:				
Options outstanding at the beginning of 2007 [1, 2]	$7.12	U.S.$1.36	U.S.$1.92	U.S.$1.33
Options exercised in the year [1, 2]	$6.10	U.S.$1.48	U.S.$1.94	U.S.$1.29
Options outstanding at the end of 2007 [1, 2]	$7.02	U.S.$1.43	U.S.$2.00	U.S.$1.34
Average useful life of options:	1.5 years	4.3 years	4.5 years	5.8 years
Number of options per exercise price:	266,385 - $5.1	886,170 - U.S.$1.5	15,022,272 - U.S.$2.0	89,575 - U.S.$1.1
	134,294 - $7.4	141,679 - U.S.$1.7	–	135,093 - U.S.$1.4
	155,099 - $6.8	67,295 - U.S.$1.3	–	194,238 - U.S.$1.0
	148,964 - $8.3	222,461 - U.S.$1.2	–	296,008 - U.S.$1.4
	193,728 - $8.7	58,742 - U.S.$1.4	–	130,510 - U.S.$1.9
Percent of options fully vested at year-end 2007:	100%	98.9%	100%	72.8%

1 Exercise prices and the number of underlying CPOs are technically adjusted for the dilutive effect of stock dividends.

2 Weighted average exercise prices per CPO. Prices include the effects of the stock split detailed in note 16A.

A) Fixed program

From June 1995 through June 2001, CEMEX granted stock options with a fixed exercise price in pesos ("fixed program"), equivalent to the market price of the CPO at the grant date and with tenure of 10 years. The employees' option rights vested up to 25% annually during the first four years after having been granted.

B) Variable programs

These programs started in November 2001, through an exchange of fixed program options, with exercise prices denominated in dollars increasing annually at a 7% rate.

C) Restricted programs

These programs started in February 2004 through a voluntary exchange of options mainly from the variable program. These options have an exercise price denominated in dollars which, depending on the program, increase annually at a 5.5% rate or at a 7% rate. Executives' gains under these options are settled in the form of CPOs, which are restricted for sale for an approximate period of four years from the exercise date.

D) Special program

From June 2001 through June 2005, CEMEX's subsidiary in the United States granted to a group of its employees a stock option program to purchase CEMEX ADSs. The options granted have a fixed exercise price denominated in dollars and tenure of 10 years. The employees' option rights vested up to 25% annually after having been granted. The option exercises are hedged using ADSs currently owned by subsidiaries, which increases stockholders' equity and the number of shares outstanding. The amounts of these ADS programs are presented in terms of equivalent CPOs (ten CPOs represent one ADS).

Other programs

As of December 31, 2007 and 2006, CEMEX's subsidiary in Ireland has an outstanding stock option program in its own shares covering 849,708 and 1,230,000 shares, respectively, with an average exercise price per share of approximately €1.32 in 2007 and €1.41 in 2006. As of December 31, 2007 and 2006, the market price per share of this subsidiary was €1.60 and €2.60, respectively.

FAIR VALUE OF OPTIONS, ACCOUNTING RECOGNITION AND OPTIONS' HEDGING ACTIVITIES

Valuation of options at fair value and accounting recognition

All options of programs that qualify as liability instruments are valued at their estimated fair value as of the financial statements date, recognizing changes in valuations in the income statement. Upon adoption of IFRS 2 in 2005, CEMEX recognized a cost of approximately $1,172 ($1,017 net of IT). Changes in the provision for the executive stock option programs for the years ended December 31, 2007 and 2006 are as follows:

	Restricted programs	Variable programs	Special program	Total
Provision as of December 31, 2005	$ 1,919	372	851	3,142
Net valuation effects in current period results	29	(43)	31	17
Estimated decrease from exercises of options	(93)	(74)	(139)	(306)
Foreign currency translation effect	(129)	(25)	(57)	(211)
Provision as of December 31, 2006	1,726	230	686	2,642
Net valuation effects in current period results	(643)	(75)	(257)	(975)
Estimated decrease from exercises of options	(40)	(19)	(99)	(158)
Foreign currency translation effect	(116)	(16)	(47)	(179)
Provision as of December 31, 2007	$ 927	120	283	1,330

The options' fair values were determined through the binomial option-pricing model. As of December 31, 2007 and 2006, the most significant assumptions used in the valuations are as follows:

Assumptions	2007	2006
Expected dividend yield	3.7%	2.8%
Volatility	35%	35%
Interest rate	3.7%	4.7%
Weighted average remaining tenure	5.8 years	5.9 years

Options hedging activities

From 2001 until September 2005, CEMEX hedged most of its stock option programs through equity forward contracts in its own stock (note 12D), negotiated to guarantee that shares would be available at prices equivalent to those established in the options, without the necessity of issuing new CPOs into the market; therefore, these programs did not increase the number of shares outstanding and consequently did not result in dilution to the stockholders. The equity forward contracts were fully settled during September 2005 through a secondary public offering of shares. Changes in the estimated fair value and cash flows generated through the settlement of the forward contracts related to the stock option plans, generated gains of approximately U.S.$422 ($5,299) in 2005, which were recognized in earnings, offsetting the cost related to stock option programs.

In December 2005, CEMEX negotiated a derivative instrument by means of which, through a prepayment of U.S.$145 ($1,821), CEMEX secured the appreciation rights over 50 million CPOs, sufficient to hedge cash flows from the exercise of options in the short and medium term. For the years ended December 31, 2007, 2006 and 2005, changes in the fair value of this instrument generated a loss of approximately U.S.$39 ($425) and gains of U.S.$10 ($117) and U.S.$3 ($38), respectively, recognized in earnings of the respective period. This instrument was settled in December 2007 and replaced by a forward over approximately 47,050,610 CPOs (note 12D).

18. SELECTED FINANCIAL INFORMATION BY GEOGRAPHIC OPERATING SEGMENT

Operating segments are defined as the components of an entity oriented to the production and sale of goods and services, which are subject to risks and benefits different from those associated with other business segments. CEMEX operates principally in the construction industry segment through the production, distribution, marketing and sale of cement, ready-mix concrete and aggregates.

CEMEX operates geographically on regional basis. Each regional manager supervises and is responsible for all the business activities undergoing in the countries comprising the region. These activities refer to the production, distribution, marketing and sale of cement, ready-mix concrete and aggregates. The country manager, who is one level below the regional manager in the organizational structure, reports to the regional manager the operating results of the country manager's business unit, including all the operating sectors. In consequence, CEMEX's management internally evaluates the results and performance of each country and region for decision-making purposes, following a vertical integration approach. According to this approach, in the daily operations, management allocates economic resources on a country basis rather than on an operating component basis.

The main indicator used by CEMEX's management to evaluate the performance of each country is operating cash flow, which CEMEX defines as operating income plus depreciation and amortization. This indicator, which is presented in the selected financial information by geographic operating segment, is consistent with the information used by CEMEX's management for decision-making purposes.

The accounting policies applied to determine the financial information by geographic operating segment are consistent with those described in note 3. CEMEX recognizes sales and other transactions between related parties based on market values.

For purposes of the following tables, in 2005, the segments "United States" and "Spain" include the operations acquired from RMC for the 10-month period ended December 31, 2005. In 2007, the segment "United States" includes Rinker's operations in that country for the six-month period ended December 31, 2007. For the years reported, the segment "Rest of Europe" refers primarily to operations in Germany, France, Ireland, Czech Republic, Austria, Poland, Croatia, Hungary, Latvia and Italy.

In 2005, the segment "Rest of Central and South America and the Caribbean" includes CEMEX's operations in Costa Rica, Panama, Puerto Rico, the Dominican Republic, Nicaragua and the Caribbean, as well as small ready-mix concrete operations in Jamaica and Argentina and, in 2006, the segment also includes a cement-grinding mill in Guatemala. Likewise, the segment "Rest of Africa and Middle East" includes the operations in the United Arab Emirates and Israel. In 2007, the segment "Australia" includes Rinker's operations in that country for the six-month period ended December 31, 2007. In addition, for the years reported, the segment "Rest of Asia" includes the operations in Thailand, Bangladesh and Malaysia, and in 2007, Rinker's operations in China for the six-month ended December 31, 2007.

Finally, the "Others" segment primarily refers to: 1) cement trade maritime operations, 2) the subsidiary involved in the development of information technology solutions (Neoris, N.V.), 3) the Parent Company and other corporate entities, and 4) other minor subsidiaries with different lines of business.

Selected financial information of the income statement by geographic operating segment for 2007, 2006 and 2005 is as follows:

2007	Net sales (including related parties)	Related parties	Consolidated net sales	Operating income	Operating depreciation and amortization	Operatings cash flow
North America						
Mexico	$ 41,814	(816)	40,998	12,549	1,869	14,418
United States	54,607	–	54,607	5,966	6,848	13,069
Europe						
Spain	23,781	(205)	23,576	6,028	889	6,917
United Kingdom	22,432	(1)	22,431	(446)	1,130	684
Rest of Europe	47,100	(1,344)	45,756	3,281	2,033	5,314
Central and South America and the Caribbean						
Venezuela	7,317	(494)	6,823	1,971	832	2,803
Colombia	6,029	–	6,029	2,037	413	2,450
Rest of Central and South America and the Caribbean	10,722	(727)	9,995	1,975	839	2,814
Africa and Middle East						
Egypt	3,723	–	3,723	1,534	232	1,766
Rest of Africa and Middle East	4,666	–	4,666	(51)	117	66
Asia and Australia						
Australia	8,633	–	8,633	1,177	306	1,483
Philippines	3,173	(405)	2,768	851	304	1,155
Rest of Asia	2,068	–	2,068	33	83	116
Others	17,872	(13,276)	4,596	(4,457)	1,516	(2,941)
Total Consolidated	$ 253,937	(17,268)	236,669	32,448	17,411	50,114

2006	Net sales (including related parties)	Related parties	Consolidated net sales	Operating income	Operating depreciation and amortization	Operating cash flow
North America						
Mexico	$ 42,577	(1,052)	41,525	13,210	1,822	15,032
United States	48,911	(368)	48,543	10,092	3,537	13,629
Europe						
Spain	21,834	(207)	21,627	5,637	864	6,501
United Kingdom	23,854	(18)	23,836	154	1,413	1,567
Rest of Europe	44,691	(894)	43,797	2,220	2,536	4,756
Central and South America and the Caribbean						
Venezuela	6,217	(721)	5,496	1,799	587	2,386
Colombia	4,206	(2)	4,204	1,138	398	1,536
Rest of Central and South America and the Caribbean	9,046	(285)	8,761	1,322	698	2,020
Africa and Middle East						
Egypt	3,577	–	3,577	1,475	225	1,700
Rest of Africa and Middle East	4,794	–	4,794	120	89	209
Asia						
Philippines	2,620	(464)	2,156	726	220	946
Rest of Asia	1,694	–	1,694	(62)	46	(16)
Others	20,134	(16,377)	3,757	(3,326)	1,526	(1,800)
Total Consolidated	$ 234,155	(20,388)	213,767	34,505	13,961	48,466

2005	Net sales (including related parties)	Related parties	Consolidated net sales	Operating income	Operating depreciation and amortization	Operating cash flow
North America						
Mexico	$ 39,886	(1,144)	38,742	12,692	1,956	14,648
United States	51,366	–	51,366	8,449	3,789	12,238
Europe						
Spain	19,035	(130)	18,905	4,516	895	5,411
United Kingdom	19,272	–	19,272	670	1,166	1,836
Rest of Europe	34,267	(546)	33,721	2,136	2,114	4,250
Central and South America and the Caribbean						
Venezuela	5,201	(1,130)	4,071	1,693	663	2,356
Colombia	3,150	–	3,150	427	436	863
Rest of Central and South America and the Caribbean	8,508	(721)	7,787	810	714	1,524
Africa and Middle East						
Egypt	3,318	(174)	3,144	1,235	239	1,474
Rest of Africa and Middle East	3,525	–	3,525	118	116	234
Asia						
Philippines	2,411	(266)	2,145	516	269	785
Rest of Asia	1,205	–	1,205	(21)	81	60
Others	16,555	(11,196)	5,359	(2,014)	1,007	(1,007)
Total Consolidated	$ 207,699	(15,307)	192,392	31,227	13,445	44,672

The selected financial information of balance sheet by geographic operating segments includes the elimination of balances between related parties. As of December 31, 2007 and 2006, the information is as follows:

December 31, 2007	Investments in associates	Other segment assets	Total assets	Total liabilities	Net assets by segment	Capital expenditures
North America						
Mexico	$ 426	60,850	61,276	14,293	46,983	4,347
United States	642	245,941	246,583	46,330	200,253	5,411
Europe						
Spain	25	43,297	43,322	19,722	23,600	2,323
United Kingdom	473	28,149	28,622	10,680	17,942	1,451
Rest of Europe	837	49,164	50,001	15,404	34,597	4,212
Central and South America and the Caribbean						
Venezuela	231	11,284	11,515	2,542	8,973	515
Colombia	–	9,799	9,799	3,126	6,673	163
Rest of Central and South America and the Caribbean	22	15,863	15,885	3,085	12,800	1,178
Africa and Middle East						
Egypt	–	6,705	6,705	1,715	4,990	298
Rest of Africa and Middle East	302	5,043	5,345	1,545	3,800	684
Asia and Australia						
Australia	1,648	24,076	25,724	2,929	22,795	336
Philippines	–	8,034	8,034	1,902	6,132	165
Rest of Asia	–	2,217	2,217	246	1,971	113
Corporate	4,070	8,286	12,356	201,719	(189,363)	–
Others	1,923	13,007	14,930	12,923	2,007	1,093
Total Consolidated	$ 10,599	531,715	542,314	338,161	204,153	22,289

December 31, 2006	Investments in associates	Other segment assets	Total assets	Total liabilities	Net assets by segment	Capital expenditures
North America						
Mexico	$ 439	62,553	62,992	14,971	48,021	4,239
United States	498	80,356	80,854	15,950	64,904	4,148
Europe						
Spain	25	35,631	35,656	20,118	15,538	1,941
United Kingdom	593	27,961	28,554	12,054	16,500	1,201
Rest of Europe	946	44,346	45,292	15,023	30,269	2,438
Central and South America and the Caribbean						
Venezuela	223	10,716	10,939	1,108	9,831	490
Colombia	–	9,261	9,261	2,402	6,859	372
Rest of Central and South America and the Caribbean	17	16,247	16,264	2,741	13,523	1,091
Africa and Middle East						
Egypt	–	6,420	6,420	1,387	5,033	190
Rest of Africa and Middle East	338	4,592	4,930	1,304	3,626	297
Asia						
Philippines	–	7,207	7,207	1,362	5,845	125
Rest of Asia	–	2,155	2,155	362	1,793	77
Corporate	3,849	8,304	12,153	77,573	(65,420)	–
Others	1,784	26,622	28,406	11,617	16,789	1,435
Total Consolidated	$ 8,712	342,371	351,083	177,972	173,111	18,044

Total consolidated liabilities include debt of $216,911 in 2007 and $88,331 in 2006. Of such debt, approximately 34% in 2007 and 42% in 2006 was in the Parent Company, 47% and 33% in the Spanish subsidiary, 9% in both periods in finance Dutch subsidiaries, 4% and 11% in finance companies in the United States, and 6% and 5% in other countries, respectively.

The information of net sales by sector for the years ended December 31, 2007, 2006 and 2005 is as follows:

2007	Cement	Concrete	Aggregates	Others	Eliminations	Net sales
North America						
Mexico	$ 29,223	13,617	1,126	6,746	(9,714)	40,998
United States	20,477	22,675	10,674	12,230	(11,449)	54,607
Europe						
Spain	16,006	6,873	1,561	6,379	(7,243)	23,576
United Kingdom	4,366	9,289	7,503	8,695	(7,422)	22,431
Rest of Europe	12,531	25,663	9,499	6,695	(8,632)	45,756
Central and South America and the Caribbean						
Venezuela	5,106	2,179	246	321	(1,029)	6,823
Colombia	4,312	2,223	385	1,209	(2,100)	6,029
Rest of Central and South America and the Caribbean	8,551	2,674	139	506	(1,875)	9,995
Africa and Middle East						
Egypt	3,430	294	–	32	(33)	3,723
Rest of Africa and Middle East	–	4,142	–	774	(250)	4,666
Asia and Australia						
Australia	–	5,282	3,395	1,581	(1,625)	8,633
Philippines	3,173	–	–	–	(405)	2,768
Rest of Asia	721	1,026	151	247	(77)	2,068
Others	–	–	–	17,872	(13,276)	4,596
Total Consolidated	$ 107,896	95,937	34,679	63,287	(65,130)	236,669

2006	Cement	Concrete	Aggregates	Others	Eliminations	Net sales
North America						
Mexico	$ 30,080	12,972	670	7,381	(9,578)	41,525
United States	22,441	21,118	6,252	6,539	(7,807)	48,543
Europe						
Spain	14,802	6,407	1,359	5,556	(6,497)	21,627
United Kingdom	3,850	9,652	7,567	10,518	(7,751)	23,836
Rest of Europe	10,567	24,217	8,830	8,914	(8,731)	43,797
Central and South America and the Caribbean						
Venezuela	4,739	1,620	167	236	(1,266)	5,496
Colombia	2,991	1,544	267	735	(1,333)	4,204
Rest of Central and South America and the Caribbean	7,130	2,232	87	388	(1,076)	8,761
Africa and Middle East						
Egypt	3,336	234	–	33	(26)	3,577
Rest of Africa and Middle East	–	3,959	–	5,712	(4,877)	4,794
Asia						
Philippines	2,619	–	–	1	(464)	2,156
Rest of Asia	742	703	139	192	(82)	1,694
Others	–	–	–	20,134	(16,377)	3,757
Total Consolidated	$ 103,297	84,658	25,338	66,339	(65,865)	213,767

2005	Cement	Concrete	Aggregates	Others	Eliminations	Net sales
North America						
Mexico	$ 29,146	11,097	461	6,017	(7,979)	38,742
United States	21,646	23,334	5,832	5,125	(4,571)	51,366
Europe						
Spain	12,086	6,063	1,336	3,041	(3,621)	18,905
United Kingdom	2,953	7,560	5,463	8,888	(5,592)	19,272
Rest of Europe	7,676	18,880	7,057	6,842	(6,734)	33,721
Central and South America and the Caribbean						
Venezuela	4,344	1,197	80	91	(1,641)	4,071
Colombia	2,193	1,385	227	175	(830)	3,150
Rest of Central and South America and the Caribbean	6,533	1,830	62	283	(921)	7,787
Africa and Middle East						
Egypt	3,133	198	–	10	(197)	3,144
Rest of Africa and Middle East	–	3,221	–	304	–	3,525
Asia						
Philippines	2,411	–	1	1	(268)	2,145
Rest of Asia	347	613	127	121	(3)	1,205
Others	–	–	–	16,555	(11,196)	5,359
Total Consolidated	$ 92,468	75,378	20,646	47,453	(43,553)	192,392

19. EARNINGS PER SHARE

The amounts considered for calculations are the following:

		2007	2006	2005
Numerator				
Majority interest net income	$	26,108	27,855	26,519
Denominator (thousands of shares)				
Weighted average number of shares outstanding		22,297,264	21,552,250	20,757,180
Effect of dilutive instruments – executives' stock options		11,698	12,500	20,372
Effect of dilutive instruments – equity forwards on CEMEX's CPOs		–	2,379	44,224
Potentially dilutive shares		11,698	14,879	64,596
Weighted average number of shares outstanding – diluted		22,308,962	21,567,129	20,821,776
Basic earnings per share ("Basic EPS")	$	1.17	1.29	1.28
Diluted earnings per share ("Diluted EPS")	$	1.17	1.29	1.27

Basic earnings per share are calculated by dividing majority interest net income for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the effects of any transactions carried out by CEMEX which have a potentially dilutive effect on the weighted average number of common shares outstanding. The numbers of shares considered for calculation include the effects of the stock splits of July 2005 and July 2006.

The difference between the basic and diluted average number of shares in 2007, 2006 and 2005 is attributable to the additional shares to be issued under the fixed stock option program (note 17A). In addition, CEMEX includes the dilutive effect of the number of shares resulting from equity forward contracts in CEMEX's own stock, determined under the inverse treasury method.

20. COMMITMENTS

A) GUARANTEES

As of December 31, 2007 and 2006, CEMEX, S.A.B. de C.V. had guaranteed loans of certain subsidiaries for approximately U.S.$513 and U.S.$735, respectively.

B) COMMITMENTS

As of December 31, 2007 and 2006, CEMEX had commitments for the purchase of raw materials for an approximate amount of U.S.$264 and U.S.$225, respectively.

During 1999, CEMEX entered into agreements with an international partnership, which built and operated an electrical energy generating plant in Mexico called Termoeléctrica del Golfo ("TEG"). During 2007, another international company replaced the original operator. According to the original agreements, CEMEX was required to purchase starting from the beginning of operations of the plant, all the energy generated for a term of not less than 20 years. The electrical energy generating plant started operations on April 29, 2004. Likewise, CEMEX committed to supply the electrical energy plant with all fuel necessary for its operations, a commitment that has been hedged through a 20-year agreement entered into by CEMEX with *Petróleos Mexicanos* ("PEMEX"). These agreements were reestablished under the same conditions in 2007 with the new operator; however, the term was extended until 2027. Nevertheless, the agreement with PEMEX was not modified and terminates in 2024. Consequently, for the last 3 years of the TEG fuel supply contract, CEMEX intends to purchase the required fuel in the market in order to provide the fuel as committed. Through these arrangements CEMEX expects to decrease its energy costs. CEMEX is not required to make any capital expenditure in the project. For the years ended December 31 2007, 2006 and 2005, TEG delivered energy to CEMEX Mexico's 15 cement plants, supplying 59.7%, 57.1% and 57.5%, respectively, of such year's needs.

CEMEX Ostzement GMBH ("COZ"), CEMEX's subsidiary in Germany, has entered into a long-term energy supply contract with *Vattenfall Europe New Energy* ("VENE"), by means of which VENE committed to supply energy to Rüdersdorf plant for a period of 15 years starting on January 1, 2008. Based on the contract, each year, COZ has the option to fix in advance the volume of energy in terms of megawatts ("MW") that it will acquire from VENE, and to adjust the purchase amount once on a monthly and quarterly basis. According to the contract, COZ will acquire 28 MW under the contract in 2008 and 2009, and 23 MW per year until 2013. The contract, which establishes a price mechanism for the energy acquired, based on the price of energy future contracts quoted on the European Energy Exchange, does not require initial investments, and will be liquidated at a future date. Based on its characteristics, this contract qualifies as a financial instrument under MFRS. Nonetheless, considering that this contract is for own use and CEMEX sells any energy surplus as soon as actual energy requirements are known, regardless of changes in prices; thereby avoiding any intention of trading in energy, such contract is not recognized at its fair value. The percentage of energy sold, which is not significant, is approximately 4%.

In connection with CEMEX's strategic alliance with Ready Mix USA (note 11), after the third year of the strategic alliance, starting on June 30, 2008, and for an approximate 22-year period, Ready Mix USA will have the right, but not the obligation, to sell to CEMEX its interest in both entities at a predetermined price based on the greater of: a) eight times the operating cashflow of the trailing twelve months, b) the average of the 36 previous months, or c) the net book value. As of December 31, 2007, CEMEX has not recognized a liability, considering that were the option to be exercised on the nearest exercise date of June 30, 2008, the fair value of the assets would exceed the cost of the option.

C) PLEDGED ASSETS

As of December 31, 2007 and 2006, there were liabilities amounting to U.S.$46 and U.S.$62, respectively, secured by property, machinery and equipment.

D) CONTRACTUAL OBLIGATIONS

As of December 31, 2007 and 2006, the approximate cash flows that will be required by CEMEX to meet its material contractual obligations are summarized as follows:

(U.S. dollars millions)		Payments per period					
		2007					2006
Contractual Obligations		Less than 1 year	1-3 Years	3-5 Years	More than 5 Years	Total	Total
Long-term debt	U.S.$	1,578	8,037	6,430	2,055	18,100	6,537
Capital lease obligations		30	19	2	–	51	68
Total debt 1		1,608	8,056	6,432	2,055	18,151	6,605
Operating leases 2		194	294	185	168	841	653
Interest payments on debt 3		843	1,044	480	257	2,624	1,418
Estimated cash flows under interest rate derivatives 4		97	170	91	49	407	311
Planned funding of pension plans and other postretirement benefits 5		187	367	372	999	1,925	1,773
Total contractual obligations	U.S.$	2,929	9,931	7,560	3,528	23,948	10,760
	$	31,985	108,447	82,555	38,526	261,513	126,039

1 The scheduling of debt payments, which includes current maturities, does not consider the effect of any refinancing that may occur of debt during the following years. CEMEX has replaced in the past its long-term obligations for others of similar nature.

2 The amounts of operating leases have been determined on the basis of nominal cash flows. CEMEX has operating leases, primarily for operating facilities, cement storage and distribution facilities and certain transportation and other equipment, under which annual rental payments are required plus the payment of certain operating expenses. Rental expense was U.S.$195 ($2,129), U.S.$178 ($2,085) and U.S.$152 ($1,909) in 2007, 2006 and 2005, respectively. Of the total U.S.$841 future minimum rental payments as of December 31, 2007, approximately U.S.$32 was attributable to the acquisition of Rinker.

3 In the determination of the future estimated interest payments on the floating rate denominated debt, CEMEX used the interest rates in effect as of December 31, 2007 and 2006.

4 The estimated cash flows under interest rate derivatives include the approximate cash flows under CEMEX's interest rate swaps and cross currency swap contracts, and represent the net amount between the rate CEMEX pays and the rate received under such contracts. In the determination of the future estimated cash flows, CEMEX used the interest rates applicable under such contracts as of December 31, 2007 and 2006.

5 Amounts relating to planned funding of pensions and other postretirement benefits represent estimated annual payments under these benefits for the next 10 years, determined in local currency and translated into U.S. dollars at the exchange rates as of December 31, 2007 and 2006, and include the estimate of new retirees during such future years.

21. CONTINGENCIES

A) TAX ASSESSMENTS

On April 3, 2007, the Mexican tax authority issued a decree providing for a tax amnesty program, which allows for the settlement of previously issued tax assessments. CEMEX decided to take advantage of the benefits of this program, resulting in the settlement of a significant portion of the existing fiscal tax assessments of prior years. As a result of the program, as of December 31, 2007, CEMEX's total existing tax assessments amount to $145. CEMEX, S.A.B. de C.V. and some of its subsidiaries in Mexico have been notified by the Mexican tax authority of several additional tax assessments related to different tax periods. Tax assessments are based primarily on investments made in entities incorporated in foreign countries with preferential tax regimes. CEMEX has appealed these tax assessments before the Mexican federal tax court, and the appeals are pending resolution.

Pursuant to amendments to the Mexican income tax law, 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, are required to pay taxes in Mexico on income derived from such foreign entities, provided that the income is not derived from entrepreneurial activities in such countries. In those applicable cases, the tax payable by Mexican companies pursuant to these amendments would be effective beginning in respect of the 2005 tax year, which results were due upon filing their annual tax returns in 2006. CEMEX believes these amendments are contrary to Mexican constitutional principles; consequently, on August 8, 2005, CEMEX filed a motion in the Mexican federal courts challenging the constitutionality of the amendments. On December 23, 2005, CEMEX obtained a favorable ruling from the Mexican federal court that the amendments were unconsitutional; however, the Mexican tax authority has appealed this ruling, and it is pending resolution. In March 2006, CEMEX filed another motion in the Mexican federal courts challenging the constitutionality of the amendments. On June 29, 2006, CEMEX obtained a favorable ruling from the Mexican federal court stating that the amendments were unconstitutional. The Mexican tax authority has appealed this ruling, and it is pending for resolution.

As of December 31, 2007, the Philippine Bureau of Internal Revenue assessed CEMEX's subsidiaries in the Philippines, for deficiencies in the amount of income tax paid in prior tax years. Tax assessments amount to approximately 2,515 million Philippine pesos (approximately U.S.$61 or $665). These tax assessments result primarily from: (i) disallowed determination of certain tax benefits from 1999 to 2001, and, (ii) deficiencies in the determination of national taxes. The affected companies have appealed and, in some cases, some assessments are pending resolution or have been disregarded by the Philippine tax authorities as the subsidiaries continue to present evidence to dispute their findings. The subsidiaries involved in these procedures are evaluating their eligibility to join a Philippine tax amnesty program for tax credits related to the tax year 2005 and prior years.

In addition to the assessments mentioned in the previous paragraphs, as of the balance sheet date, the tax returns submitted by some subsidiaries of CEMEX located in several countries are under ordinary review by the respective tax authorities. CEMEX cannot anticipate if such reviews will originate new tax assessments, which, should any exist, would be appropriately disclosed and/or recognized in the financial statements.

B) ANTI-DUMPING DUTIES

In 1990, the United States Department of Commerce ("DOC") imposed an anti-dumping duty order on imports of gray Portland cement and clinker from Mexico. As a result, since that year and until April 3, 2006, CEMEX paid anti-dumping duties for cement and clinker exports to the United States at rates that fluctuated between 37.49% and 80.75% over the transaction amount, and beginning in August 2003, anti-dumping duties had been paid at a fixed rate of approximately U.S.$52.4 per ton, which decreased to U.S.$32.9 per ton starting in December 2004 and to U.S.$26.3 per ton in 2005. Through these years, CEMEX has used all available legal resources to revoke the order from the United States International Trade Commission.

In January 2006, officials from the Mexican and the United States governments announced that they had reached an agreement that brought to an end the longstanding 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, allowing cement from Mexico to enter the U.S. without duties or other limits on volumes. During the transition period, Mexican cement imports into the U.S. will be subject to volume limitations of three million tons per year. This amount may be increased in response to market conditions during the second and third year of the transition period, subject to a maximum increase per year of 4.5%. The amount increased 2.7% in the second year. Quota allocations to companies that import Mexican cement into the U.S. will be made on a regional basis. The transitional anti-dumping duty was lowered to 3 dollars per ton from the previous amount of approximately 26.3 dollars per ton as of December 31, 2005. As a result of this agreement, CEMEX received a cash refund from the U.S. government associated with the pre-January 2006 anti-dumping duties of approximately U.S.$111 ($1,299) and eliminated a provision of approximately U.S.$65, both of which were recognized in 2006 within "Other expenses, net".

During 2001, the Ministry of Finance ("MOF") of Taiwan, in response to the claim of five Taiwanese cement producers, initiated a formal anti-dumping investigation involving imported gray Portland cement and clinker from the Philippines and South Korea. In July 2002, the MOF gave notice of a cement and clinker import duty, from imports on South Korea and the Philippines, beginning on July 19, 2002. The imposed tariff was 42% on imports from APO and Solid. In September 2002, these entities appealed the anti-dumping duty before the Taipei High Administrative Council ("THAC"). In August 2004, CEMEX received an adverse response to its requests from the THAC. CEMEX did not appeal this resolution, which became final. The anti-dumping duty order is subject to review by the government after five years following its imposition to verify if conditions of harm to the local industry have changed and, if applicable, the government may revoke the anti-dumping duty. As a result of a request from CEMEX's subsidiaries in April 2007, the MOF initiated an investigation to evaluate if the order shall continue or be revoked at the end of the fifth year. A resolution is expected in March 2008.

C) OTHER LEGAL PROCEEDINGS AND CONTINGENCIES

On July 13, 2007, the Australian Takeovers Panel published a declaration of unacceptable circumstances, which mentioned that CEMEX's May 2007 announcement that stated it would allow Rinker stockholders to retain the final dividend of 0.25 Australian dollar per share constituted a departure from CEMEX's announcement on April 10, 2007 which said that its offer of U.S.$15.85 per share was its "best and final offer". The Panel ordered CEMEX to pay compensation of 0.25 dollar per share to Rinker stockholders 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 announcement made on April 10, 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's decision. On July 20, 2007, the Review Panel has made an interim order staying the operation of the order until further notice. Although there is insufficient information about the exact amount, CEMEX estimates that the maximum amount it would have to pay if the Panel's order were affirmed is approximately 29 million Australian dollars (U.S.$25 or $273).

On January 2, 2007, the Polish Competition and Consumers Protection Office ("Protection Office") notified CEMEX Polska, a subsidiary in Poland, about the formal initiation of an antitrust proceeding against all cement producers in the country, which include CEMEX's subsidiaries CEMEX Polska and Cementownia Chelm. The Protection Office assumed in the notification that there was an agreement between all cement producers in Poland by means of which such cement producers agreed on market quotas in terms of production and sales, establishment of prices and other sale conditions and the exchange of information, 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 had committed the practices listed by the Protection Office in the notification. Cemex Polska has also included in the response various formal comments and objections gathered during the proceeding, as well as facts supporting its position and demonstrating that its activities were in line with competition law. The Protection Office extended the date of the completion of the antitrust proceeding until March 2008 and CEMEX expects further extension. According to the Polish competition law, the maximum fine could reach 10% of the total revenues of the fined company for the calendar year preceding the imposition of the fine. The theoretical estimated penalty applicable to the Polish subsidiaries would amount to approximately 110 million Polish zloty (U.S.$45 or $489). As of December 31, 2007, CEMEX considers there are not justified factual grounds to expect fines to be imposed on its subsidiaries; nevertheless, at this stage of the proceeding it is not possible for CEMEX to predict that there would not be an adverse result in the investigation.

In December 2006, the union of employees in Assiut plant, CEMEX's Egyptian subsidiary, filed a lawsuit against this company, claiming 10% employees' profit sharing for the fiscal years 2004 and 2005 in the amount of approximately U.S.$12 ($131). A resolution from the court is expected in February 2008.

A third party has sued CEMEX's subsidiary in Australia, claiming the reimbursement of approximately 22 million Australian dollars (U.S.$19 or $211) of the price it paid in 2006 for the subsidiary's half interest in an asphalt and road surfacing business. The parties have agreed first to litigate the dispute over the calculation of the final adjustment to the price. The case has been listed for hearings in May 2008.

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, CEMEX's subsidiary in Croatia, by the Government of Croatia in September 2005. In May 2006, CEMEX filed several lawsuits in different courts seeking a declaration of its rights and demanding the prohibition of the implementation of the Master Plans. The municipal courts in Kastela and Solin have issued first instance judgements dismissing the possessory actions presented by CEMEX. These resolutions have been appealed. It is difficult to determine the impact on CEMEX for the resolutions in 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.

Rinker Materials, one of CEMEX's subsidiaries in the United States, is the beneficiary of two of ten federal quarrying permits granted for the Lake Belt area in South Florida, which cover one of CEMEX's largest aggregate quarries in that region. On March 22, 2006, a judge of the U.S. District Court for the Southern District of Florida issued a ruling 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. Such review, may conclude until May 2008, based on the March 2007 court filing by the government agencies. The judge also conducted further proceedings to determine the activities to be followed during the remand period. The judge determined to leave in place CEMEX's Lake Belt permits in operations until the government agencies conclude their review. The appellate court set an expedited schedule for the appeal, with a hearing that was held in November 2007. If the Lake Belt permits were ultimately set aside or quarrying operations under them restricted, CEMEX would need to source aggregates, to the extent available, from other locations in Florida or import aggregates. This could adversely affect CEMEX's operating results in the United States.

In 2005, through the acquisition of RMC, CEMEX assumed environmental remediation liabilities in the United Kingdom, for which as of December 31, 2007, CEMEX has generated a provision of approximately £122 (U.S.$242 or $2,646). The costs have been assessed on a net present value basis. These environmental remediation liabilities refer to closed and current landfill sites for the confinement of waste, and expenditure has been assessed and quantified over the period in which the sites have the potential to cause environmental harm, which has been accepted by the regulator as being 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.

In August 2005, Cartel Damages Claims, S.A. ("CDC"), filed a lawsuit in the District Court in Düsseldorf, Germany against CEMEX Deutschland AG, CEMEX's German subsidiary, and other German cement companies. By means of this lawsuit, CDC is seeking approximately €102 (U.S.$149 or $1,625) in respect of damage claims by 28 entities relating to alleged price and quota fixing by German cement companies between 1993 and 2002. CDC is a Belgian company established 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 purpose of purchasing potential damage claims from cement consumers and pursuing those claims against the cartel participants. During 2006 new petitioners assigned alleged claims to CDC, and the amount of damages being sought by CDC increased to €114 (U.S.$166 or $1,808) plus interest. In February 2007, the District Court in Düsseldorf allowed this procedure. All defendants appealed the resolution. The next hearing on the appeal will take place in March 2008. As of December 31, 2007, CEMEX Deutschland AG has accrued liabilities related to this lawsuit for approximately €20 (U.S.$29 or $319).

In August 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 in 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 and estimate that the cost of such repair will be approximately U.S.$45 ($491). In December 2006, two ASOCRETO officers were formally accused as participants (determiners) in the execution of a state contract without fulfilling all legal requirements thereof. In November 2007, a judge dismissed an annulment petition filed by ASOCRETO's officers. This decision was appealed. At this stage in the proceedings, it is not possible to assess the likelihood of an adverse result or the potential damages that could be borne by CEMEX Colombia.

As of December 31, 2007, CEMEX's subsidiaries in the United States have accrued liabilities specifically relating to environmental matters in the aggregate amount of approximately U.S.$48 ($524). The environmental matters relate to: a) in the past, in accordance with industry practices, disposing of various materials, which might be currently categorized as hazardous substances or wastes, and b) the cleanup of sites used or operated by CEMEX, including discontinued operations, regarding the disposal of hazardous substances or wastes, either individually or jointly with other parties. Most of the proceedings remain in the preliminary stage, and a final resolution might take several years. For purposes of recording the provision, CEMEX's subsidiaries consider 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 the information developed to date, the subsidiaries do not believe they will be required to spend significant sums on these matters in excess of the amounts previously recorded. Until all environmental studies, investigations, remediation work and negotiations with or litigation against potential sources of recovery have been completed, the ultimate cost that might be incurred to resolve these environmental issues cannot be assured.

During 2001, three CEMEX's subsidiaries in Colombia received a civil liability suit from 42 transporters, contending 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 approximately 127,242 million Colombian pesos (U.S.$63 or $690). In February 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.

During 1999, several companies filed a civil lawsuit against two subsidiaries of CEMEX in Colombia, alleging that the Ibagué plants were causing damage to their lands due to the pollution they generate. In January 2004, CEMEX Colombia, S.A. was notified of the court's judgment against CEMEX Colombia, which awarded damages to the plaintiffs in the amount of approximately 21,114 million Colombian pesos (U.S.$10 or $114). CEMEX Colombia appealed the judgment. The appeal was accepted and the case was sent to the *Tribunal Superior de Ibagué*. The case is currently under review by the appellate court. CEMEX expects this proceeding to continue for several years before its final resolution.

In addition to the above, as of December 31, 2007, CEMEX is involved in various legal proceedings that have arisen in the ordinary course of business. These proceedings involve: 1) product warranty claims; 2) claims for environmental damages; 3) indemnification claims relating to acquisitions; 4) claims to revoke licenses and/or concessions; and 5) other diverse civil actions. In connection with these proceedings, CEMEX considers that in those instances in which obligations had been incurred, CEMEX has accrued adequate provisions to cover the related risks. CEMEX believes that these matters will be resolved without any significant effect on its business.

22. RELATED PARTIES

All significant balances and transactions between the entities that constitute the CEMEX group have been eliminated in the preparation of the consolidated financial statements. These balances with related parties result primarily from: (i) the sale and purchase of cement, clinker and other raw materials to and from group entities; (ii) the sale and/or acquisition of subsidiaries' shares within the CEMEX group; (iii) the invoicing of administrative services, rentals, trademarks and commercial name rights, royalties and other services rendered between group entities; and (iv) loans between related parties. Transactions between group entities are conducted on arm's length terms based on market prices and conditions.

The definition of related parties includes entities or individuals outside the CEMEX group, which, pursuant to their relationship with CEMEX, may take advantage from being in a privileged situation. Likewise, this applies to cases in which CEMEX may take advantage of such relationships and obtain benefits in its financial position or operating results. CEMEX's transactions with related parties are executed under market conditions. CEMEX has identified the following transactions between related parties:

- Mr. Bernardo Quintana Isaac, a member of the board of directors at CEMEX, S.A.B. de C.V., is the current chairman of the board of directors of Empresas ICA, S.A.B. de C.V. ("Empresas ICA"), and was its chief executive officer until December 31, 2006. Empresas ICA is one of the most important engineering and construction companies in Mexico. In the ordinary course of business, CEMEX extends financing to Empresas ICA in connection with the purchase of CEMEX's products, on the same credit conditions that CEMEX awards to other customers.
- In the past, CEMEX extended loans of varying amounts and interest rates to its board members and top management executives. As of December 31, 2005, the maximum aggregate amount of loans to such persons was approximately $11. In 2006, these loans were fully paid. As of December 31, 2007 and 2006, there are no loans between CEMEX and board members or top management executives.
- For the years ended December 31, 2007 and 2006, the aggregate amount of compensation paid by CEMEX, S.A.B. de C.V. and subsidiaries to its board of directors, including alternate directors, and top management executives was approximately U.S.$31 ($339) and U.S.$41 ($480), respectively. Of these amounts, approximately U.S.$14 ($153) in 2007 and U.S.$14 ($164) in 2006 were paid as base compensation plus performance bonuses, while approximately U.S.$17 ($186) in 2007 and U.S.$27 ($316) in 2006 corresponded to payments under the long-term incentive program for the purchase of restricted CPOs.

23. SUBSEQUENT EVENTS

On January 11, 2008, in connection with the strategic alliance with Ready Mix USA (note 11), CEMEX contributed assets valued at approximately U.S.$260 ($2,839) to Ready Mix USA, LLC and sold additional assets to this entity for approximately U.S.$120 ($1,310) in cash. As part of the transaction, Ready Mix USA made a U.S.$125 ($1,365) cash contribution to its subsidiary Ready Mix USA, LLC, which in turn, borrowed U.S.$135 ($1,474) from banks, and made a special cash distribution to CEMEX of U.S.$135 ($1,474). Ready Mix USA will manage all the newly acquired assets. Following this transaction, Ready Mix USA, LLC continues to be 50.01% owned by Ready Mix USA and 49.99% by CEMEX.

24. MAIN SUBSIDIARIES

The main subsidiaries as of December 31, 2007 and 2006 are as follows:

Subsidiary	Country	% interest 2007	% interest 2006
CEMEX México, S.A. de C.V. 1	Mexico	100.0	100.0
CEMEX España, S.A. 2	Spain	99.8	99.7
CEMEX Venezuela, S.A.C.A. 3	Venezuela	75.7	75.7
CEMEX, Inc. 4	United States of America	100.0	100.0
CEMEX (Costa Rica), S.A.	Costa Rica	99.1	99.1
Assiut Cement Company	Egypt	95.8	95.8
CEMEX Colombia S.A.	Colombia	99.7	99.7
Cement Bayano, S.A.	Panama	99.5	99.3
CEMEX Dominicana, S.A.	Dominican Republic	99.9	99.9
CEMEX de Puerto Rico Inc.	Puerto Rico	100.0	100.0
CEMEX France Gestion (S.A.S.)	France	100.0	100.0
CEMEX Australia Pty. Ltd. 4	Australia	100.0	–
CEMEX Asia Holdings Ltd. 5	Singapore	100.0	100.0
Solid Cement Corporation 5	Philippines	100.0	100.0
APO Cement Corporation 5	Philippines	100.0	100.0
CEMEX (Thailand) Co., Ltd. 5	Thailand	100.0	100.0
CEMEX U.K.	United Kingdom	100.0	100.0
CEMEX Investments Limited	United Kingdom	100.0	100.0
CEMEX Deutschland, AG.	Germany	100.0	100.0
CEMEX Austria plc.	Austria	100.0	100.0
Dalmacijacement d.d.	Croatia	99.2	99.2
CEMEX Czech Operations, s.r.o.	Czech Republic	100.0	100.0
CEMEX Polska sp. Z.o.o.	Poland	100.0	100.0
Danubiusbeton Betonkészítő Kft.	Hungary	100.0	100.0
Readymix PLC. 3	Ireland	61.7	61.7
CEMEX Holdings (Israel) Ltd.	Israel	100.0	100.0
SIA CEMEX	Latvia	100.0	100.0
CEMEX Topmix LLC, Gulf Quarries LLC, CEMEX Supermix LLC and CEMEX Falcon LLC 6	United Arab Emirates	100.0	100.0

1 CEMEX México, S.A. de C.V. is the indirect holding company of CEMEX España, S.A. and subsidiaries.

2 CEMEX España, S.A. is the indirect holding company of all CEMEX's international operations.

3 Companies listed in the stock exchange of their respective countries.

4 CEMEX Inc. is the indirect holding company of 100% of the common stock of Rinker Materials LLC's equity, while CEMEX Australia Pty. Ltd. is the holding company of 100% of the common stock of Rinker Group Pty Ltd.

5 Represents CEMEX's indirect interest in the economic benefits of these entities.

6 CEMEX owns 49% of the common stock and obtains 100% of the economic benefits of the operating subsidiaries in that country, through agreements with other stockholders.

25. NOTES TO THE PARENT COMPANY-ONLY FINANCIAL STATEMENTS

A. DESCRIPTION OF BUSINESS

CEMEX, S.A.B. de C.V. is a Mexican corporation, a holding company (parent) of entities whose main activities are oriented to the construction industry, through the production, marketing, distribution and sale of cement, ready-mix concrete, aggregates and other construction materials. CEMEX is a public stock corporation with variable capital (S.A.B. de C.V.) organized under the laws of the United Mexican States, or Mexico.

CEMEX, S.A.B. de C.V. 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. In 2002 this period was extended to the year 2100. The shares of CEMEX, S.A.B. de C.V. are listed on the Mexican Stock Exchange as Ordinary Participation Certificates ("CPOs"). Each CPO represents two series "A" shares and one series "B" share of common stock of CEMEX, S.A.B. de C.V.. In addition, CEMEX, S.A.B. de C.V. shares are listed on the New York Stock Exchange ("NYSE") as American Depositary Shares or "ADSs" under the symbol "CX". Each ADS represents ten CPOs.

On July 17, 2006, a two-for-one stock split became effective, by means of which each of the existing series "A" shares was surrendered in exchange for two new series "A" shares, and each of the existing series "B" shares was surrendered in exchange for two new series "B" shares. The proportional equity interest participation of existing stockholders did not change as a result of the stock split (note 16). Unless otherwise indicated, all amounts in CPOs, shares and prices per share for 2005 included in these notes to the financial statements have been adjusted to give retroactive effect to this stock split.

The terms "CEMEX, S.A.B. de C.V." or the "Parent Company" used in these accompanying notes to the financial statements refer to CEMEX, S.A.B. de C.V. without its consolidated subsidiaries. The terms the "Company" or "CEMEX" refer to CEMEX, S.A.B. de C.V. together with its consolidated subsidiaries. The consolidated and Parent Company-only financial statements were authorized for their issuance by the Company's management on January 25, 2008.

B. SIGNIFICANT ACCOUNTING POLICIES

B.1 BASIS OF PRESENTATION AND DISCLOSURE

The Parent Company's balance sheet as of December 31, 2007, as well as the statement of income and the statement of changes in financial position for the year ended December 31, 2007, include the presentation, caption by caption, of amounts denominated in dollars under the column "Convenience translation". These amounts in dollars have been presented solely for the convenience of the reader at the rate of $10.92 pesos per dollar, 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.

Beginning in 2006, the financial statements are prepared in accordance with Mexican Financial Reporting Standards ("MFRS") issued by the Mexican Board for Research and Development of Financial Reporting Standards ("CINIF"). The MFRS, which replaced the Generally Accepted Accounting Principles in Mexico ("Mexican GAAP") issued by the Mexican Institute of Public Accountants, have recognized the effects of inflation on the financial information. The regulatory framework of the MFRS applicable beginning in 2006 initially adopted in their entirety the former Mexican GAAP effective until 2005; therefore, there were no effects in the Parent Company's financial statements resulting from the adoption of the MFRS.

New MFRS B-3, "Income Statement", effective beginning January 1, 2007, establishes presentation and disclosure requirements for the captions that are included in the income statement. The Parent Company's income statements for the years ended December 31, 2006 and 2005 were reclassified to comply with the presentation rules required in 2007.

When reference is made to "pesos" or "$", it means Mexican pesos. Except when specific references are made to "earnings per share" and "prices per share", the amounts in these notes are stated in millions of constant Mexican pesos as of the latest balance sheet date. When reference is made to "U.S.$" or dollars, it means dollars of the United States of America ("United States" or "U.S.A."). When reference is made to "£" or pounds, it means British pounds sterling. When reference is made to "€" or euros, it means the currency in circulation in a significant number of the European Union countries. Except for per share data and as otherwise noted, all amounts in such currencies are stated in millions.

The same accounting policies listed in note 3 to CEMEX's consolidated financial statements were applied, as applicable, in the preparation of the Parent Company's financial statements. In addition, note 25 includes references to other notes to the consolidated financial statements, in those cases in which the information also refers to the Parent Company.

B.2 RESTATEMENT OF COMPARATIVE FINANCIAL STATEMENTS

The restatement factors for the Parent Company's information of prior periods were calculated using Mexican inflation.

	Mexican inflation restatement factor
2006 to 2007	1.0398
2005 to 2006	1.0408
2004 to 2005	1.0300

C. OTHER ACCOUNTS RECEIVABLE

As of December 31, 2007 and 2006, other short-term accounts receivable of the Parent Company consist of:

	2007	2006
Non-trade accounts receivable	$ 6	243
Current portion for valuation of derivative instruments	908	324
Other refundable taxes	858	211
	$ 1,772	778

D. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

As of December 31, 2007 and 2006, investments of the Parent Company in subsidiaries and associates, which are accounted for by the equity method, are as follows:

	2007	2006
Book value at acquisition date	$ 112,054	82,056
Revaluation by equity method	120,429	103,302
	$ 232,483	185,358

In December 2007, the Parent Company made a capital contribution to its subsidiary CEMEX México, S.A. de C.V. for an amount of $30,000 (nominal amount), through the subscription of 6,792,247,781 ordinary shares without nominal value, considering a book value per share of $4.42 pesos (nominal amount).

E. LAND AND BUILDINGS

As of December 31, 2007 and 2006, the Parent Company's land and buildings are summarized as follows:

	2007	2006
Land	$ 1,819	1,830
Buildings	470	470
Accumulated depreciation	(294)	(288)
Total land and buildings	$ 1,995	2,012

F. GOODWILL AND DEFERRED CHARGES

As of December 31, 2007 and 2006, goodwill and deferred charges consist of:

	2007	2006
Intangible assets of indefinite useful life:		
Goodwill, net	$ 1,894	1,969
Deferred Charges:		
Deferred financing costs	85	156
Deferred income taxes (note 25J)	1,336	2,383
Others	64	452
Accumulated amortization	(75)	(446)
Total deferred charges	$ 1,410	2,545
Total goodwill and deferred charges	$ 3,304	4,514

G. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Other accounts payable and accrued expenses of the Parent Company as of December 31, 2007 and 2006 consist of:

	2007	2006
Other accounts payable, accrued expenses and interest payable	$ 1	202
Tax payable	748	922
Dividends payable	5	5
Valuation of derivative instruments	278	72
	$ 1,032	1,201

H. SHORT-TERM AND LONG-TERM DEBT

The breakdown of the Parent Company's short-term and long-term debt as of December 31, 2007 and 2006 by interest rate and currency type is presented below:

	Carrying amount		Effective rate 1	
	2007	2006	2007	2006
Short-term				
Floating rate	$ 18,772	2,474	5.9%	5.5%
Fixed rate	1,700	2,086	4.8%	2.2%
	20,472	4,560		
Long-term				
Floating rate	46,468	16,038	5.3%	5.0%
Fixed rate	6,782	14,737	4.2%	4.3%
	53,250	30,775		
	$ 73,722	35,335		

	2007				2006			
	Short-term	Long-term	Total	Effective rate 1	Short-term	Long-term	Total	Effective rate 1
Dollars	$ 14,633	28,518	43,151	5.7%	$ 230	5,856	6,086	5.1%
Pesos	5,839	24,732	30,571	5.0%	4,330	20,721	25,051	4.9%
Euros	–	–	–		–	4,198	4,198	3.9%
	$ 20,472	53,250	73,722		$ 4,560	30,775	35,335	

1 Represents the weighted average effective interest rate and includes the effects of interest rate swaps and derivative instruments that exchange interest rates and currencies.

As of December 31, 2007 and 2006, the Parent Company's short-term debt includes $16,943 and $3,100, respectively, representing current maturities of long-term debt.

The maturities of the Parent Company's long-term debt as of December 31, 2007 are as follows:

	Parent Company
2009	$ 7,323
2010	15,771
2011	19,248
2012	10,450
2013 and thereafter	458
	$ 53,250

In the Parent Company's balance sheet as of December 31, 2007 and 2006, there were short-term debt obligations amounting to U.S.$520 ($5,678) and U.S.$110 ($1,235), respectively, classified as long-term considering that the Parent Company has, according to the terms of the contracts, the ability and the intention to defer to long-term the payments under such obligations.

I. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2007 and 2006, the Parent Company's main accounts receivable and payable with related parties are as follows:

	Assets		Liabilities	
2007	Short-term	Long-term	Short-term	Long-term
CEMEX México, S.A. de C.V.	$ –	18,647	408	–
CEMEX International Finance Co	–	–	18,172	–
Profesionales en Logística de México, S.A. de C.V.	–	–	1,153	–
Servicios CEMEX México, S.A. de C.V.	–	–	353	–
CEMEX Deutschland AG	–	–	158	–
CEMEX Venezuela, S.A.C.A.	50	–	–	–
TEG Energía, S.A. de C.V.	–	–	–	155
Others	14	–	251	–
	$ 64	18,647	20,495	155

	Assets		Liabilities	
2006	Short-term	Long-term	Short-term	Long-term
CEMEX México, S.A. de C.V.	$ 6,648	–	–	558
CEMEX International Finance Co	–	–	48	9,445
CEMEX Irish Investments Company Limited	–	–	46	3,940
CEMEX Venezuela, S.A.C.A.	42	–	–	–
CEMEX Concreto, S.A. de C.V.	–	–	217	–
Others	10	–	3	–
	$ 6,700	–	314	13,943

The main operations with related parties are summarized as follows:

Parent Company	2007	2006	2005
Rental income	$ 278	287	295
License fees	1,177	957	784
Financial expense	(433)	(2,871)	(2,147)
Management service expenses	(1,322)	(804)	(906)
Financial income	690	1,824	1,717
Other expenses	$ (21)	(24)	–

Balances and transactions of the Parent Company with related parties result primarily from: (i) the sale and/or acquisition of subsidiaries' shares within the CEMEX group; (ii) the invoicing of administrative services, rentals, trademarks and commercial name rights, royalties and other services rendered between group entities; and (iii) loans between related parties. Transactions between group entities are conducted on arm's length terms based on market prices and conditions.

The long-term account receivable with CEMEX Mexico is related to a loan bearing TIIE rate plus 129 basis points. The account payable to TEG Energía corresponds to the valuation of an interest rate swap related to energy projects negotiated between CEMEX and TEG Energía for a notional amount of U.S.$15, with maturity in September 2022.

The definition of related parties includes entities or individuals outside the CEMEX group, which, pursuant to their relationship with CEMEX, may take advantage from being in a privileged situation. Likewise, this applies to cases in which CEMEX may take advantage of such relationships and obtain benefits in its financial position or operating results. CEMEX's transactions with related parties are executed under market conditions. The Parent Company has identified the following transactions between related parties.

- Mr. Bernardo Quintana Isaac, a member of the board of directors at CEMEX, S.A.B. de C.V., is the current chairman of the board of directors of Empresas ICA, S.A.B. de C.V. ("Empresas ICA"), and was its chief executive officer until December 31, 2006. Empresas ICA is one of the most important engineering and construction companies in Mexico. In the ordinary course of business, CEMEX extends financing to Empresas ICA in connection with the purchase of CEMEX's products, on the same credit conditions that CEMEX awards to other customers.

J. CURRENT AND DEFERRED INCOME TAXES

INCOME TAX AND BUSINESS ASSET TAX FOR THE PERIOD

CEMEX and its Mexican subsidiaries generate income tax ("IT") and business assets tax ("BAT") on a consolidated basis; therefore, the amounts of these items included in the Parent Company's financial statements represent the consolidated result of these taxes.

Beginning in 1999, the determination of the consolidated IT for the Mexican companies considers a maximum of 60% of the taxable income or loss of each of the subsidiaries. When the subsidiaries determine taxable income and have tax loss carryforwards generated before 1999, such taxable income will be considered by the Parent Company according to its equity ownership. Beginning in 2002, in the determination of consolidated IT, 60% of the taxable result of the controlling entity should be considered, unless it obtains taxable income, in which case 100% should be considered, until the restated balances of the individual tax loss carryforwards before 2001 are amortized. According to 2004 reforms to the income tax law, the tax rate for 2005 was established at 30%, 29% in 2006 and 28% starting in 2007. In addition, beginning in 2005, the maximum of 60% for tax consolidation factor was eliminated, except in those situations when the subsidiaries would have generated tax loss carryforwards in the period from 1999 to 2004, or the Parent Company in the period from 2002 to 2004. In those cases, the 60% factor still prevails in the IT consolidation, until the tax loss carryforwards are extinguished in each company.

On January 1, 2008, a new law became effective in Mexico denominated Minimum Corporate Tax (*Impuesto Empresarial Tasa Única* or "IETU"), which superseded the BAT law. IETU is calculated based on cash flows, and the rate will be 16.5% for 2008, 17% in 2009 and 17.5% in 2010 and thereafter. Entities subject to IETU should also continue to determine IT and pay the greater amount between them.

In broad terms, taxable revenues for IETU purposes are those generated through the sale of goods, the rendering of professional services, as well as rental revenue. There are certain exceptions, and it is allowed to consider as deductible items for IETU calculations, the expenses incurred to conduct the activities previously described. Capital expenditures are fully deductible for IETU. Each entity should calculate IETU on a stand-alone basis, tax consolidation is not permitted. Unlike BAT, IETU is a definitive tax and, unlike IT, the taxable income is greater since some deductions are not permitted, which in some cases may be compensated by the lower IETU rate than IT rate.

CEMEX considers that at least for the first two years, in most of its Mexican operations, the Company will continue to incurre IT.

The income tax law in Mexico provides that companies must pay the greater of IT or BAT, both of which recognize the effects of inflation, although in a manner different from MFRS. Income tax benefit presented in the Parent Company's income statement consists of:

	2007	2006	2005
Received from subsidiaries	$ 1,922	2,125	1,792
Current income tax	(1,122)	–	–
Deferred income tax	(957)	1,335	(1,105)
	$ (157)	3,460	687

The Parent Company has accumulated consolidated tax loss carryforwards for its Mexican operations which, restated for inflation, can be amortized against taxable income in the succeeding ten years according to income tax law as established in the Mexican Income Tax Law. Tax loss carryforwards as of December 31, 2007 are as follows:

Year in which tax loss occurred	Amount of carryforwards	Year of expiration
2002	2,245	2012
2003	643	2013
2006	3,342	2016
	$ 6,230	

Until December 2006, the BAT Law in Mexico establishes a 1.8% tax levy on assets, restated for inflation in the case of inventory and fixed assets, and deducting certain liabilities. BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT incurred exceeds BAT in such period. The Parent Company generates income tax on a consolidated basis; consequently, it calculates and presents consolidated BAT for the period.

The recoverable BAT as of December 31, 2007 is as follows:

Recoverable BAT	Amount of carryforwards	Year of expiration
1997	45	2007
2006	136	2016
2007	550	2017
	$ 731	

Starting on January 1, 2007, due to amendments approved to the BAT law, the tax levy on assets decreased to 1.25%, but entities will no longer be allowed to deduct their liabilities from the taxable base; therefore, the new law appreciably increases the BAT payable.

DEFERRED INCOME TAX

The valuation method for deferred income taxes is detailed in note 3(O). Deferred IT for the period represents the difference in nominal pesos between the deferred IT initial balance and the year-end balance. All items charged or credited directly in stockholders' equity are recognized net of their deferred income tax effects. Deferred IT assets and liabilities of the Parent Company have been offset. As of December 31, 2007 and 2006, the IT effects of the main temporary differences that generate deferred IT assets and liabilities of CEMEX, S.A.B. de C.V. are presented below:

	2007	2006
Deferred tax assets:		
Tax loss and tax credits carryforwards	$ 5,492	5,250
Recoverable BAT	731	181
Advances	149	373
Derivative financial instruments	470	321
Gross deferred tax assets	6,842	6,125
Less – valuation allowance	(4,478)	(2,744)
Total deferred tax asset	2,364	3,381
Deferred tax liabilities:		
Land and buildings	(499)	(502)
Derivative financial instruments	(529)	(496)
Total deferred tax liabilities	(1,028)	(998)
Net deferred tax position – asset	1,336	2,383
Less – Total effect of deferred IT in stockholders' equity at beginning of year	2,383	1,092
Restatement effect of beginning balance	90	44
Change in deferred IT for the period	$ (957)	1,335

The Parent Company's management considers that sufficient taxable income will be generated as to realize the tax benefits associated with the deferred income tax assets, and the tax loss carryforwards, prior to their expiration. In the event that present conditions change, and it is determined that future operations would not generate enough taxable income, or that tax strategies are no longer viable, the valuation allowance would be increased and reflected in the income statement.

The Parent Company does not recognize a deferred tax liability for the undistributed earnings generated by its subsidiaries and associates, recognized under the equity method, considering that such undistributed earnings are expected to be reinvested, not generating income tax in the foreseeable future. Likewise, the Parent Company does not recognize a deferred income tax liability related to its investments in subsidiaries and associates considering that the Parent Company controls the reversal of the temporary differences arising from these investments.

RECONCILIATION OF EFFECTIVE TAX RATE

The effects of inflation are recognized differently for IT and for accounting purposes. This situation, and other differences between the financial reporting and the corresponding tax basis of assets and liabilities, give rise to permanent differences between the approximate statutory tax rate and the effective tax rate presented in the Parent Company's income statements, which in 2007, 2006 and 2005 are as follows:

	2007	2006	2005
	%	%	%
Approximate Parent Company statutory tax rate	28.0	29.0	30.0
Equity in income of subsidiaries and associates	(30.8)	(31.8)	(32.3)
Valuation allowance for tax carryforwards	6.6	(2.5)	4.7
Benefit for tax consolidation	(5.0)	(8.7)	(6.9)
Others [1]	1.8	(0.1)	1.9
Parent Company's effective tax rate	0.6	(14.1)	(2.6)

1 Includes the effects for the decrease in the income tax rates in Mexico.

K. STOCKHOLDERS' EQUITY

The consolidated majority interest stockholders' equity is the same as the Parent Company's stockholders' equity. Therefore, stockholders' equity information detailed in note 16A to the consolidated financial statements also refers to the Parent Company, except for minority interest and the cumulative initial effect of deferred taxes.

L. EXECUTIVE STOCK OPTION PROGRAMS

Of the different stock option programs disclosed in note 17 to the consolidated financial statements, only the "fixed program" was issued by the Parent Company. Entities obligated under the other programs are part of the consolidated group.

M. EARNINGS PER SHARE

The calculations of earnings per share included in note 19 to the consolidated financial statements, is the same for the Parent Company.

N. CONTINGENCIES AND COMMITMENTS

N.1 GUARANTEES

As of December 31, 2007 and 2006, CEMEX, S.A.B. de C.V. guaranteed loans made to certain subsidiaries for approximately U.S.$513 and U.S.$735, respectively.

N.2 CONTRACTUAL OBLIGATIONS

December 31, 2007 and 2006, the approximate cash flows that will be required by the Parent Company to meet its material contractual obligations are summarized as follows:

	Payments per period						
(U.S. dollars millions)				2007			2006
Obligations		Less than 1 year	1-3 Years	3-5 Years	More than 5 years	Total	Total
Long-term debt 1	U.S.$	1,552	2,115	2,720	41	6,428	3,017
Interest payments on debt 2		354	487	202	57	1,100	679
Estimated cash flows under interest rate derivatives 3		97	170	91	49	407	218
Total contractual obligations	U.S.$	2,003	2,772	3,013	147	7,935	3,914
	$	21,873	30,270	32,902	1,605	86,650	43,953

1 The scheduling of debt payments, which includes current maturities, does not consider the effect of any refinancing that may occur of debt during the following years. CEMEX, S.A.B. de C.V. has been successful in the past replacing its long-term obligations with others of similar nature.

2 In the determination of future estimated interest payments on the floating rate denominated debt, the Parent Company used the floating interest rates in effect as of December 31, 2007 and 2006.

3 The estimated cash flows under interest rate derivatives include the approximate cash flows under the Parent Company's interest rate swaps and cross currency swap contracts, and represent the net amount between the rate the Parent Company pays and the rate received under such contracts. In the determination of future estimated cash flows, the Parent Company used the interest rates applicable under such contracts as of December 31, 2007 and 2006.

O. TAX ASSESSMENTS AND LEGAL PROCEEDINGS

On April 3, 2007, the Mexican tax authority issued a decree providing for a tax amnesty program, which allows for the settlement of previously issued tax assessments. The Parent Company decided to take advantage of the benefits of this program, resulting in the settlement of a significant portion of the existing fiscal tax assessments of prior years. As a result of the program, as of December 31, 2007, the most significant tax credits of CEMEX, S.A.B. de C.V. have been liquidated.

Pursuant to amendments to the Mexican income tax law, 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, are required to pay taxes in Mexico on income derived from such foreign entities, provided that the income is not derived from entrepreneurial activities in such countries. In those applicable cases, the tax payable by Mexican companies pursuant to these amendments would be effective beginning in respect of the 2005 tax year, which results were due upon filing their annual tax returns in 2006. The Parent Company believes these amendments are contrary to Mexican constitutional principles; consequently, on August 8, 2005, the Parent Company filed a motion in the Mexican federal courts challenging the constitutionality of the amendments. On December 23, 2005, the Parent Company obtained a favorable ruling from the Mexican federal court that the amendments were unconsitutional; however, the Mexican tax authority has appealed this ruling, and it is pending for resolution. In March 2006, the Parent Company filed another motion in the Mexican federal courts challenging the constitutionality of the amendments. On June 29, 2006, CEMEX, S.A.B. de C.V. obtained a favorable ruling from the Mexican federal court stating that the amendments were unconstitutional. The Mexican tax authority has appealed this ruling, and it is pending for resolution.

BOARD OF directors

DIRECTORS

Lorenzo H. Zambrano	Chairman of the Board
Lorenzo Milmo Zambrano	
Armando J. García Segovia	
Rodolfo García Muriel	
Rogelio Zambrano Lozano	
Tomás Milmo Santos	
Roberto Zambrano Villarreal	Independent member
Bernardo Quintana Isaac	Independent member
Dionisio Garza Medina	Independent member
Alfonso Romo Garza	Independent member
Mauricio Zambrano Villarreal	Independent member
Tomás Brittingham Longoria	Independent member
José Manuel Rincón Gallardo	Independent member

ALTERNATE DIRECTORS

Jorge García Segovia	
Eduardo Brittingham Sumner	Independent member
Luis Santos de la Garza	Independent member
Fernando Ruiz Arredondo	Independent member

SECRETARY

Ramiro Villarreal Morales	(not a member of the board)

AUDIT COMMITTEE

Roberto Zambrano Villarreal	President
José Manuel Rincón Gallardo	
Tomás Brittingham Longoria	
Alfonso Romo Garza	
Mauricio Zambrano Villarreal	

MANAGEMENT team

LORENZO H. ZAMBRANO (63)
Chairman of the Board and Chief Executive Officer
Mr. Zambrano joined CEMEX in 1968. He was named CEO in 1985 and has served as Chairman of the Board since 1995. He holds a B.S. degree in mechanical engineering from Tecnológico de Monterrey and an M.B.A. from Stanford University. He is a member of the IBM Board of Directors, the Citigroup International Advisory Board, and the boards of Alfa, Grupo Financiero Banamex, FEMSA, and Televisa. Mr. Zambrano is also Chairman of the Board of Tecnológico de Monterrey.

HÉCTOR MEDINA (57)
Executive Vice President of Planning and Finance
Mr. Medina, who joined CEMEX in 1988, has a degree in chemical engineering from Tecnológico de Monterrey. He received an M.Sc. degree in management from the University of Bradford Management Center in the United Kingdom and an M.S. Diploma from the Escuela de Organización Industrial in Madrid, Spain. Mr. Medina is responsible for CEMEX's worldwide strategic planning and finance.

ARMANDO J. GARCÍA (55)
Executive Vice President of Development
Mr. García, who originally joined CEMEX in 1975 and rejoined the company in 1985, holds a degree in mechanical engineering and business administration from Tecnológico de Monterrey and an M.B.A. from the University of Texas. He is responsible for leading CEMEX's operations technology, human resources, energy, business processes and IT, and sustainability on a worldwide basis.

VÍCTOR M. ROMO (49)
Executive Vice President of Administration
Mr. Romo joined CEMEX in 1985. He earned his bachelor's degree in accounting and his M.S. degree in administration from Tecnológico de Monterrey. Before assuming his current position, Mr. Romo served as President of the South America and Caribbean Region. He is now responsible for the areas of comptrollership, procurement, taxation, security, risk management, and administrative services, processes, and projects.

FRANCISCO GARZA (52)
President of the North America Region & Trading
Mr. Garza is a graduate of Tecnológico de Monterrey and has an M.B.A. from Cornell University's Johnson Graduate School of Management. Since he joined CEMEX in 1988, he has occupied several senior management positions in the company including President of CEMEX USA, President of CEMEX Venezuela, President of CEMEX Panama, and President of CEMEX Mexico. Today, Mr. Garza is directly responsible for CEMEX's interests and operations in Mexico, the United States, Guatemala and the company's Trading unit.

FERNANDO A. GONZÁLEZ (53)
President of the Europe, Middle East, Africa, Asia & Australia Region
Mr. González earned his B.A. and M.B.A. from Tecnológico de Monterrey. Since he joined CEMEX in 1989, he has held several senior management positions, including Corporate Vice President of Strategic Planning, President of CEMEX Venezuela, President of CEMEX Asia, President of CEMEX South America and Caribbean Region, and President of CEMEX Europe. Mr. González is currently responsible for CEMEX Europe, Middle East, Africa, Asia, and Australia.

JUAN ROMERO (50)
President of the South America & Caribbean Region
Mr. Romero graduated from Universidad de Comillas, Spain, where he studied Law and Economic and Enterprise Sciences. He joined CEMEX in 1989 and has occupied several senior management positions, including the responsibility for the company's operations in Colombia and Mexico. Currently, he is directly responsible for CEMEX's operations and interests in the South America and Caribbean region.

RODRIGO TREVIÑO (51)
Chief Financial Officer
Mr. Treviño, who joined CEMEX in 1997, received his B.S. and M.S. degrees in industrial engineering from Stanford University. He is responsible for the company's finance, capital markets, treasury, and investor relations.

GLOSSARY:

terms we use

American Depositary Shares (ADS) are a means for non-US based corporations to list their ordinary equity on an American stock exchange. Denominated in US dollars, they confer full rights of ownership to the corporation's underlying shares, which are held on deposit by a custodian bank in the company's home country or territory. In CEMEX, each ADS represents 10 CPOs.

EBITDA is operating income plus depreciation and amortization. Amortization of goodwill is not included in operating income but is instead recorded in other income (expense) below the operating line. EBITDA does not include certain extraordinary income and expenses that are not included in operating income under Mexican GAAP. EBITDA is not a GAAP measure.

Expansion capital expenditures consist of expansion spending on our cement, ready-mix concrete, and other core businesses in existing markets.

Free cash flow equals EBITDA minus net interest expense, maintenance and expansion capital expenditures, change in working capital, taxes paid, and other cash items (net other expenses less proceeds from the disposal of obsolete and/or substantially depleted operating fixed assets that are no longer in operation and coupon payments on our perpetual notes).

Interest coverage equals EBITDA divided by financial expenses.

Maintenance capital expenditures consist of maintenance spending on our cement, ready-mix concrete, and other core businesses in existing markets.

Net debt equals total debt minus the fair value of cross-currency swaps associated with debt minus cash and cash equivalents.

Net debt to EBITDA is calculated by dividing net debt by EBITDA for the last 12 months.

Net working capital equals operating accounts receivable (including other current assets received as payment in kind) plus historical inventories minus operating payables.

Ordinary Participation Certificates (CPOs) represent two of CEMEX's series A shares and one of CEMEX's series B shares. This instrument is listed on the Mexican Stock Exchange.

Return on capital employed (ROCE) equals operating income minus taxes and profit sharing, divided by the sum of average net debt and consolidated stockholders' equity.

Aggregates are sand and gravel, which are mined from quarries. They give ready-mix concrete its necessary volume and add to its overall strength. Under normal circumstances, one cubic meter of fresh concrete contains two metric tons of gravel and sand.

Clean Development Mechanism (CDM) is a mechanism under the Kyoto Protocol that allows Annex I countries to recognize greenhouse gas emission reductions from projects developed in Non-Annex I countries.

Clinker is an intermediate cement product made by sintering limestone, clay, and iron oxide in a kiln at around 1,450 degrees Celsius. One metric ton of clinker is used to make approximately 1.1 metric tons of gray Portland cement.

Fly ash is a combustion residue from power plants that can be used as a non-clinker cementitious material.

Gray Portland cement is a hydraulic binding agent with a composition by weight of at least 95% clinker and 0–5% of a minor component (usually calcium sulfate). It can set and harden underwater and, when mixed with aggregates and water, produces concrete or mortar.

Installed capacity is the theoretical annual production capacity of a plant, whereas effective capacity is a plant's actual optimal annual production capacity, which can be 10–20% less than installed capacity.

Metric ton is the equivalent of 1.102 short tons.

Petroleum coke (petcoke) is a byproduct of the oil refining coking process.

Pozzolana is a fine, sandy volcanic ash.

Ready-mix concrete is a mixture of cement, aggregates, and water.

Slag is the byproduct of smelting ore to purify metals.

● Financial terms ● Industry terms

INVESTOR AND MEDIA

information

EXCHANGE LISTINGS
Bolsa Mexicana de Valores (BMV)
Mexico
New York Stock Exchange (NYSE)
United States

SHARE SERIES
CPO (representing two A shares and one B share)
ADR (representing ten CPOs)

BMV TICKER SYMBOL
CEMEX CPO

NYSE TICKER SYMBOL
CX

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The information presented herein contains certain forward-looking statements and information relating to CEMEX, S.A.B. de C.V. and its subsidiaries (collectively, "CEMEX") that are based on the beliefs of its management as well as assumptions made by and information currently available to CEMEX. Such statements reflect the current views of CEMEX with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance, or achievements of CEMEX to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic, political, governmental, and business conditions globally and in the countries in which CEMEX does business; changes in interest rates; changes in inflation rates; changes in exchange rates; the level of construction generally; changes in cement demand and prices; changes in raw material and energy prices; changes in business strategy; and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. CEMEX does not intend, and does not assume any obligation, to update these forward-looking statements. In addition, certain information presented herein was extracted from information published by various official sources. This information includes statistical information relating to the cement industry, certain reported rates of inflation, exchange rates, and information relating to the countries in which CEMEX operates. CEMEX has not participated in the preparation or compilation of any of such information and accepts no responsibility therefor.

design: www.signi.com.mx | photo: H. Herrera - M. Green | printing: Wetmore

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