



**Report that the Chief Executive Officer of CEMEX, S.A.B. de C.V. presents to the  
Ordinary General Shareholders' Meeting of March 26, 2020**

Ladies and Gentlemen:

Following up on what the Chairman of our Board of Directors has just presented, I would like to present the results we obtained in 2019. All figures are expressed in comparable terms.

**GENERAL RESULTS**

Due to the slowdown that occurred simultaneously last year, the overall demand for our products and services decreased in comparison to the previous year.

Hence, the volumes of cement, concrete and aggregates decreased by 7, 3 and 1 percent, respectively — consequently, our net sales decreased 1 percent, for a total of U.S.\$13,130 million.

Our cement, concrete and aggregates prices registered average increases of 3, 4 and 5 percent, respectively, in some way helping to compensate for the decrease in our volumes and the increase in some of our main input's costs.

Our operating cash flow decreased by 10 percent, for a total of U.S.\$2.378 billion; while the cash flow margin was 18.1 percent, 1.8 percentage points less than last year.

Our free cash flow was reduced to U.S.\$461 million, our working capital optimization, the recurring savings we generated, as well as the effectiveness in the pricing strategy of our products, contributed to convert each dollar of operating cash flow generated into 19 percent in free cash flow.

On the other hand, our plan "A Stronger CEMEX" yielded tangible results that generated a reduction of U.S.\$170 million in costs and operational efficiencies.

Specially, by optimizing our portfolio to focus on markets with a greater potential for long-term growth— last year we made and announced asset divestments for approximately U.S.\$1.6 billion, which means that we have reached the mid-range of our target that we had initially proposed for the year 2020.

As already mentioned, at the end of last year, we launched the second stage of the plan with the specific purpose of immediately increase our operating cash flow.

Among other measures, this has resulted in postponing the execution of non-essential projects, tightening organizational structures, and, in general, reducing our operational and administration costs as much as possible, to achieve a greater flexibility that allows us to invest in our business and grow in a more vigorous way.

As for the divestments, the received resources were mainly used to reduce our debt. Thus, at the end of 2019 we managed to decrease our net debt by more than U.S.\$400 million, to a total of 10,868 million dollars— which represents a decrease of about U.S.\$7 billion compared to the beginning of 2014.

Likewise, to generate greater value for you —our shareholders— last year we repurchased approximately 1 percent of CEMEX shares, with an investment of U.S.\$50 million— simultaneously, paying a cash dividend of U.S.\$150 million.



Due to all of our operational efforts and to the execution of our strategy, I inform you that in 2019 we obtained a net profit of U.S.\$143 million.

## **RESULTS PER COUNTRY AND REGION**

Now, if you allow me, I'll proceed to summarize our result of operations of each of our regions.

### **Mexico**

In Mexico, our cement, concrete and aggregates volumes decreased by 15, 14 and 11 percent, respectively, and our net sales decreased by 12 percent, for a total of U.S.\$2,897 million.

At the same time, our operating cash flow decreased by 20 percent, for a total of U.S.\$966 million.

Also, our cement prices increased by 2%, concrete by 3% and aggregates by 2%, which aimed to partially compensate some of our main costs.

During last year, the demand was affected by the slowdown of public and private investment; the lack of definition in some government programs, particularly those related to housing; and the uncertainty caused by external factors, such as the delay in the approval by the United States of the new North American trade agreement.

However, towards the end of last year the outlook began to change in a positive manner; first, with the announcement of an economic stimulus program of approximately U.S.\$24 billion, of which 10 percent would go to infrastructure projects— and, afterwards, with November's presentation of the National Infrastructure Investment Agreement between the federal government and the private sector, as well as the National Housing Program.

Due to this— as well as other aspects, such as the efforts of local authorities to reactivate the construction industry in Mexico City and other parts of the country— this year we anticipate a slight improvement in demand for construction materials, as well as an improvement of operating cash flow thanks to the measures adopted to increase our operational efficiency.

### **United States**

Regarding the United States, cement volumes decreased 2 per cent, while concrete and aggregates volumes increased 2 and 6 percent, respectively.

As a result, net sales increased 5 percent, for a total of U.S.\$3,780 million, while the operating cash flow decreased by 8 percent, for a total of U.S.\$629 million.

Our cement prices rose by 4 percent, concrete prices rose by 3 percent and aggregates prices rose by 2 percent.

The main impulse of demand continued to come from the infrastructure sector, particularly in the states where we have a greater presence— while a slight improvement at a national level was registered in the residential, industrial and commercial construction sectors.

For this year, we maintain a moderately optimistic outlook, while the reputational value of our brand continues to grow thanks to our participation in major projects— for example, the Brightline intercity train in Florida; the spectacular Chase Center in the city of San Francisco; and the replacement of the iconic Sixth Street viaduct in Los Angeles, which is the largest bridge in the history of that Californian city.

## Europe

In Europe, cement volumes remained flat, concrete volumes decreased 1 percent, and aggregates volumes increased 1 percent— thereby net sales increased 2 percent, for a total of U.S.\$3,014 million.

Thanks, among other reasons, to the greater efficiency within the framework of our plan “A Stronger CEMEX” to manage our European operations as a single region, our operating cash flow increased by 19 percent, reaching U.S.\$414 million— while our cement prices increased 6 percent, our concrete prices 4 percent, and our aggregates prices 3 percent.

The infrastructure sector continues to be the main impulse of demand, as well as some improvement in the residential construction, and commercial sectors.

In addition, our brands’ global value was also favored by our participation in large construction projects, including the restoration of the historical Augustus bridge in Germany; and the renovation of the so-called “*Túnel de la Risa*” in Madrid, the railway tunnel with the greatest circulation of the Spanish network, just to name a few.

This year, we anticipate a relatively better business outlook in Europe, due to greater clarity regarding Brexit and to a lower global macroeconomic volatility.

## Central America, South and the Caribbean

As for South, Central America and the Caribbean, the cement, concrete and aggregates volumes decreased by 2, 7 and 11 percent, respectively.

Net sales decreased by 2 percent, for a total of U.S.\$1,666 million, while the operating cash flow decreased by 4 percent to U.S.\$385 million.

Also, the prices of cement and aggregates increased 2 and 3 percent, respectively, while the prices of concrete remained flat.

In Columbia, demand came especially from infrastructure projects, and in the Dominican Republic, from touristic and residential construction sectors.

This year, we anticipate a challenging business environment in the region due to, among other reasons, a complex competitive scenario, a political dynamic in some countries of the region, as well as adverse macroeconomic situations.

## Asia, Middle East and Africa

In Asia, Middle East and Africa, the regional volumes of cement, concrete and aggregates decreased by 11, 2 and 5 percent, respectively.

Thus, our net sales decreased by 4 percent, for a total of U.S.\$1,403 million, and the operating cash flow decreased by 5 percent, to reach U.S.\$216 million.

On the other hand, cement, concrete and aggregates prices increased by 5, 2 and 6 percent, respectively.

In the Philippines, demand decreased due to the delay in the execution of several infrastructure projects. However, this was partially offset by the increase of sales in Israel and the United Arab Emirates.



The commercial and industrial construction sectors mainly boosted demand, and this year we anticipate a higher regional expenditure on infrastructure projects and in the residential construction sector.

### **International commercialization**

Regarding our international commercialization, in 2019 we had operations in 102 countries, with an approximate volume of 10.9 million metric tons, of which 9.2 million corresponded to cement and clinker.

### **2019 ADVANCES**

2019 was undoubtedly a particularly challenging year— we had significant progress in many of the key areas and functions for our organization.

I want to be very clear— and I want to be very emphatic. At CEMEX— we keep moving forward.

Each day we strive to improve our performance, to innovate— and to be recognized, within our industry, as the leader company in customer satisfaction.

We are building a stronger, more competitive and more successful CEMEX.

We are all very proud to be part of this great company, and we are all firmly committed to continue to strengthen it to generate better results— and greater value for you.

### **Our People**

The engine of this generation of value is our people— which is our most valuable asset. Aware of this, we listen closely and constantly to our employees and continue to boost their development and commitment, strengthening the culture through our ethical principles and values.

### **Health and Safety**

Our main value and our highest priority continues to be achieving our Zero Accidents goal throughout all of our operations.

Last year, in addition to further reducing the number of disabling incidents of contractors, we maintained an index of 0.5 disabling incidents in employees— with which we hope to maintain for the fifth consecutive year the best record in our industry. We are proud to say that we are the safest global company in the heavy construction materials industry!

We are carrying out intensive awareness campaigns about road safety in 63 cities around the world, with clearly visible captions in more than 200 trucks that transport our products, with the objective of sensitizing pedestrians about road safety. With efforts like this around the world, we hope to avoid incidents on the roads that involve pedestrians, cyclists or motorcyclists.

### **Superior Customer Experience**

All capability of our people and our organization is focused on getting CEMEX to be recognized as the construction materials and services company that offers the best experience to its customers.

This means that, through various channels, any client can interact with CEMEX and to achieve in all of them a superior experience to the one they would find with the competition.



To this end, for a couple of years now, we are measuring with objective criteria, our clients' satisfaction through our Net Promoter Score, also known as NPS, and thus achieve substantial improvements, which translate in our customers' lasting loyalty to our brand and our services. I am pleased to report that our NPS worldwide has improved by 15 percent compared to last year's.

We make these efforts through our global office of customer experience— while we continue to strengthen programs of the sales force through our Commercial Academy, where, to date, more than 4,000 employees have been trained.

## **CEMEX Go**

One of the key elements in getting customers to have the best experience has been the advancement of our digital transformation— starting by the consolidation of our CEMEX Go integrated platform as an increasingly useful and even essential tool for them.

We feel very excited for the acceptance that CEMEX Go has had, which is currently available in 21 countries, and— most importantly— 90 percent of our recurring customers of cement, concrete and aggregates already use it, with which more than 45 percent of our sales are being processed through this digital platform.

This gives customers great confidence in dealing with our company, because this allows them to control the entire process directly and be much more productive— while, for us, it is a very important data source which is allowing us to refine processes and find a growing number of areas of opportunity in the business.

## **CEMEX Ventures**

Likewise, CEMEX Ventures— our open innovation and venture capital unit— has maintained a very solid progress.

While the entire construction industry has been advancing in the field of digital economy, the prospects of growth in its various phases are still very large— especially with regard to the modular management of the project itself.

Therefore, in 2019 we carried out select investments through CEMEX Ventures in 3 startups, integrating an already very attractive portfolio within the construction ecosystem— currently made up by 10 innovative companies.

## **Sustainability and Climate Change**

Now, I would like to refer to our commitment to sustainability as one of the fundamental pillars of our business strategy— because we are convinced that it is essential to generate lasting value.

Climate change mitigation has been a priority for our company for many years and today, it represents one of the biggest challenges on our planet. With this in mind, we continue our efforts to reduce emissions across our operations.

As a result of this effort, in 2019 we managed to reduce our CO<sub>2</sub> emissions in approximately 22.5 percent compared to our 1990 baseline— this reduction is equivalent to the emissions generated by energy consumption of all the houses in a city like Los Angeles in one year. Along these same lines, we recently expanded our emissions target to reduce 35% of CO<sub>2</sub> by 2030 and announced our intention to achieve zero net CO<sub>2</sub> emissions in our concrete business by 2050.

As a result of our efforts to migrate to cleaner energy sources, in 2019, 26 percent of our total energy consumption of our cement operations came from renewable sources.



During 2019, we again showed a clear advance in our processes to use alternative fuels that are more environmentally friendly rather than those of fossil origin by reaching a replacement rate of 28 percent— thereby achieving savings of more than U.S.\$165 million, including the cost of avoiding CO2 emissions in some countries where we operate.

Thus, in 2019 we used more than 10 million tons of waste as fuel and alternative raw materials for our cement production— that otherwise would have been destined for municipal landfills. To put it in context, this amount would be equivalent to three Aztec stadiums full of garbage.

Likewise, we continue to actively promote the use of concrete as a quintessential material for sustainable construction by participating as founding members of the Global Cement and Concrete Association. Together with other 36 affiliated companies, we form a single voice in favor of the cement and concrete industry to achieve responsible leadership in the industry.

## **Social Responsibility**

In the same sense, we continue implementing our responsible business strategy to contribute to social development of the communities and cities where we operate.

Our community plans continue to build long-term relationships, while reducing risks in operational continuity. To date, 100 percent of our cement plants have established these plans in their communities, and this year we will add our aggregate and concrete operations.

As leaders of the United Nations Global Compact, we promoted and integrated the 10 principles in the business community in Mexico, in alliance with the Federal Government and the Business Coordinating Council.

The youth development initiatives in which CEMEX participates, such as the NEO program, have supported almost 44 thousand people since 2014. This young people receive training in employability and entrepreneurial skills.

We unified our volunteering efforts and to date 26 percent of our employees have participated, approaching our 30 percent goal by 2020.

To date, through our various responsible business initiatives, we have achieved a positive impact on more than 17 million people around the world, which generate shared value and contribute to the UN's Sustainable Development Goals, particularly in the five priorities for CEMEX.

## **PERSPECTIVES**

Ladies and gentlemen:

For this year, we anticipate a relatively more favorable business outlook.

Regardless of the external macroeconomic conditions, we are dedicated to generating even greater savings, derived from the second phase of our “A Stronger CEMEX” plan, and all our other efforts to increase our operational efficiency, as well as achieve greater sales through our commercial offer, supported by our digital platforms.

As mentioned, we are making adjustments in our strategy aimed at increasing our operating cash flow— including an optimization of our assets portfolio with a strategic criteria that, above all, allows us to be able to take better advantage of the demand of the metropolis.



Our key business continues to be the production and commercialization of cement, concrete and aggregates, but related businesses in the construction industry, where we are looking to participate more, represent a huge opportunity window for us— and I assure you that we will take full advantage of it.

Finally, I want to reiterate that all our decisions and actions will continue to be based on generating full satisfaction of our customers, finding in us a superior experience than the one being offered by our competitors.

I thank you again for the opportunity you give us and your confidence in CEMEX.

Thank you very much for your attention.

Monterrey, N.L., March 26, 2020

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Fernando Angel Gonzalez Olivieri  
Chief Executive Officer