CEMEX LATAM HOLDINGS, S.A.

Directors' Report
2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature and activities of the Company

Cemex Latam Holdings, S.A. (hereinafter the "Company" or "Cemex Latam", interchangeably) was incorporated on April 17, 2012 as a public limited liability company ("sociedad anónima"), for an unlimited period. Its registered office is located at Calle Hernández de Tejada, 1, in Madrid.

The Company was incorporated to head a group of companies engaged in the cement business, the parent of which is Cemex S.A.B. de C.V. (hereinafter "Cemex" or the "Cemex Group"), in certain South and Central American countries, including Colombia, Panama, Costa Rica, Nicaragua, Guatemala and El Salvador (hereinafter the "Group" or the "Cemex Latam Group", interchangeably), for the purpose of carrying out an Initial Public Offering on the Colombian Stock Exchange (hereinafter interchangeably referred to as "the Initial Public Offering" or the "IPO"), which was completed on November 15, 2012. The Company's shares, all of the same class, have been traded on the Colombian Stock Exchange ("BVC") since November 16, 2012.

The statutory and principal activities of the Company consist of the management and administration of equity securities of entities not resident in Spain through the organization of material and human resources, as well as the subscription, buy-back, holding, use, management or disposal of securities and stakes in companies, except those subject to specific legislation.

Without prejudice to the foregoing, the Company's statutory activity also includes the following activities:

- Rendering technical assistance, business management and support services to other companies in its group;
- Research and development in the field of construction materials;
- The manufacture, production, purchase, sale, distribution, transportation, marketing, export and import of cement, aggregates, concrete, mortar and any other construction materials, as well as any other product or activity directly or indirectly related to the cement industry and construction materials, and the exploration and operation of mines; and
- Management of all types of by-products and/or waste, in the broadest sense, including the collection, transportation by road, sorting, recovery, marketing, treatment, conversion into fuel or raw materials, and disposal.

At December 31, 2018 the first two activities listed above are carried out directly by the Company, while the activities described in the last two points are conducted through its subsidiaries.

The Company has investments in subsidiaries and associates, and is the parent of a group of companies engaged mainly in the manufacture of cement, concrete and mortar, the extraction of aggregates, and the sale and distribution of the products extracted and manufactured. For the purposes of clarification, (i) the definition provided in this document for the terms "*Group*" and "*Cemex Latam Group*" is not contained in the provisions of Title VII, Chapter VI of Income Tax Law 27/2014 of November 27, 2014 on consolidated tax groups, and (ii) although the Company is the parent of a group of companies as defined under legislation in force, and therefore obliged to file consolidated annual accounts, it does not prepare consolidated annual accounts in Spain because the group of which it is the parent forms part of a higher level Spanish group headed by Cemex España, S.A. (hereinafter "the Cemex España Group" or "Cemex España"), which presents individual and consolidated annual accounts pursuant to article 43.2 of the Spanish Code of Commerce.

Cemex España's registered office is located at Calle Hernández de Tejada, 1, in Madrid. The consolidated annual accounts of Cemex España will be filed at the Madrid Mercantile Registry once they have been approved by the shareholders at the annual general meeting.

The Company is part of the Cemex Group, the ultimate parent of which is Cemex, S.A.B. de C.V., which is domiciled in Monterrey (Mexico) and listed on the Mexican Stock Exchange (BMV) and the New York Stock Exchange (NYSE).

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In the period from January 1, 2018 to December 31, 2018 the Company's revenue mainly consisted of royalties paid by its direct and indirect subsidiaries for use of intangible assets, trademarks and Cemex management services under licensing agreements arranged through the Branch in Switzerland. This revenue forms part of the Company's main business operations and the amount recorded in 2018 is Euros 72,736 thousand.

(2) Business performance of the Cemex Latam Group

Key indicators for 2018 include the following:

- Consolidated volumes of domestic gray cement, concrete and aggregates decreased by 6%, 10% and 10%, respectively, in 2018 compared to 2017.

- When adjusted for exchange rate fluctuations, the prices per ton for domestic gray cement, concrete and aggregates varied as follows: +1%, -2% and -2% respectively, compared to 2017.

- Consolidated net sales were down 8% on 2017, amounting to US Dollars 1,108 million (Euros 940 million), primarily due to the lower volumes.

- Consolidated EBITDA for 2018 dropped 23% with respect to the prior year, from US Dollars 314 million (Euros 277 million) to US Dollars 243 million (Euros 206 million), mainly because of the lower volumes and the increase in fuel prices.

The main performance trends of the Cemex Latam Group's businesses in the South and Central American markets in which it operates are summarized below:

Colombia

Volumes of domestic gray cement, concrete and aggregates decreased by 6%, 11% and 14%, respectively, in 2018 compared to 2017. Domestic gray cement, concrete and aggregates prices in local currency experienced variations of +2%, +0% and +0%, respectively, compared to 2017.

In 2018 EBITDA in Colombia fell by 16% to US Dollars 95 million (Euros 81 million), compared to US Dollars 113 million (Euros 100 million) in 2017, while net sales contracted by 7% to US Dollars 524 million (Euros 445 million) during the same period. In addition to the drop in volumes in 2018, both fuel and shipping costs increased, contributing negatively to EBITDA.

Panama

Our volumes of domestic gray cement, concrete and aggregates dropped by 18%, 15% and 8%, respectively, in 2018 compared to the same period of 2017.

Net sales totaled US Dollars 222 million (Euros 188 million) in 2018, down 17% on the same period in the prior year.

EBITDA dropped 41% to US Dollars 64 million (Euros 54 million) in 2018 with respect to 2017, due mainly to lower volumes in all the businesses derived from a decline in demand in the residential, industrial and commercial sectors, as well as higher fuel costs and impairment of inventories.

Costa Rica

Volumes of domestic gray cement, concrete and aggregates rose by 1%, 6% and 9%, respectively, in 2018 compared to 2017. The second half of 2018 saw a decline in our volumes due to a new competitor bringing a cement mill into service.

Net sales were down 7% on the previous year, to US Dollars 139 (Euros 118 million). Domestic gray cement and concrete prices in local currency rose by 3% and 5%, respectively, while prices of aggregates in local currency dropped by 11%, compared to 2017.

EBITDA totaled US Dollars 45 million (Euros 38 million) during the year, down 15% on the same period in the prior year due to lower net sales and higher provisions for bad debts and shipping costs.

Other Cemex Latam Group countries

In the "Rest of CLH" region, which includes our operations in Nicaragua, Guatemala and El Salvador, volumes of domestic gray cement, concrete and aggregates in 2018 dropped by 2%, 1% and 23%, respectively, compared to 2017.

The economic uncertainty in Nicaragua during 2018 has halted private investment and restricted credit. Our volumes of cement contracted 14% over the year. Conversely, in Guatemala, cement volumes rose by 7% in the year as a greater number of retail customers were won through our distribution network.

Net sales in 2018 totaled US Dollars 239 million (Euros 203 million), down 4% on 2017. EBITDA for the year amounted to US Dollars 74 million (Euros 63 million), which is 15% less than in the same period of the prior year.

In addition, on September 27, 2018, with the approval of the pertinent authorities, the Company and its subsidiary CCL sold their operations in Brazil through the sale of the Brazilian company Cimento Vencemos Do Amazonas, Ltda., as part of the binding agreements entered into with Votorantim Cimentos N/NE S.A., for approximately US Dollars 31 million.

(3) Outlook for the Cemex Latam Group

In 2019, cement, concrete and aggregates volumes are expected to be in line with those reported for 2018. Investments in property, plant and equipment for maintenance and strategic purposes are forecast to total US Dollars 35 million and US Dollars 5 million (Euros 31 million and Euros 4 million), respectively.

(4) Risks and uncertainties

The Company's activities are exposed to various financial risks, primarily liquidity risk, cash flow interest rate risk and capital risk. The Company's global risk management program focuses on uncertainties in its sector of operations and in financial markets, and aims to minimize the potentially adverse effects on the Company's financial performance.

The Company's Finance and Management departments ("Comptroller, Internal Control and Internal Audit") work in coordination to jointly oversee the management of the Company's risks based on the policies, procedures and systems ("the Policies and Systems") in place and/or adopted specifically by the Company and other Cemex Latam Group companies. The strategic planning, tax and legal areas are also involved in the process. These departments identify, measure and manage the operating and financial risks to which the Company is exposed, in close collaboration with other Group areas and always under the supervision of the Company's senior management.

The Audit Committee is responsible for supervising the effectiveness of the Company's internal control and for managing corporate risks directly, in line with the duties expressly conferred on it in the Regulations of the Board of Directors. The Audit Committee is assisted in this task by the Company's Internal Audit area, which reports to the Committee. The Board of Directors is ultimately responsible for the appropriate management of the Company's risks, approving and defining suitable guidelines and policies, subject to a prior report by the Audit Committee.

The main risks and uncertainties identified are:

(a) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash, as well as sufficient financing through credit facilities. One of the objectives of the Company's and the Cemex Group's Treasury department is to maintain flexible financing through drawdowns on credit facilities arranged with Cemex Group companies. In addition, the parent of the Group to which the Company belongs has expressed in writing its commitment to provide any financial support required in the short term (see note 3 (e)).

(b) Cash flow interest rate risk

The Company is exposed to interest rate risk from borrowings (loans and credit facilities) vis-à-vis Cemex Group companies. Fixed-rate loans are exposed to fair value interest rate risk, and are subject to review by the Cemex Group to confirm whether market interest rates are being used.

(c) Capital risk

At December 31, 2018 and 2017 the Company has no financial instruments or transactions involving treasury shares or shares of Cemex S.A.B. de C.V. or third parties, except the share-based payment plans granted to executives. As such, the Company does not expect any changes in forecast cash flows due to variations in share prices.

(5) Research and development activities (R&D)

Through its Branch in Switzerland, the Company has developed Cemex Group industrial property aimed at and adapted for Latin American countries.

As a result, the Branch now adapts the Cemex Group's intangible assets to meet the specific needs of the Latin American markets in which the Cemex Latam Group operates.

Cemex Latam Holdings, S.A. (Swiss Branch) has therefore signed agreements to provide services and to manage and develop industrial property, sublicensing the use of this industrial property to the Latin American countries in question. It has also signed licensing agreements with the Cemex Group.

(6) Treasury shares

At December 31, 2018 the Company held 21,199,113 treasury shares. These shares were bought back on December 12, 2012 when the put option granted to the underwriters in the aforementioned Initial Public Offering was exercised.

In 2018 and 2017, a total of 622,145 and 544,714 treasury shares, respectively, were blocked due to the implementation of the long-term incentive scheme approved by the Board of Directors at its meeting held on January 16, 2013, with effect from January 1, 2013, following receipt of a report from the Appointments and Remuneration Committee approving the initiative. This scheme is an annual remuneration program for certain Cemex Latam Group executives based on Company shares, which are delivered fully paid-in in four 25% blocks per year under each of the annual programs.

In 2018, 258,511 shares were delivered to certain executives, corresponding to the portion accrued under the program for the prior year.

(7) Average supplier payment period

The average supplier payment period is 31 days, which lies within the legal payment period.

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(8) Events after the reporting period

No significant events have occurred between December 31, 2018 and the date of authorization for issue of these annual accounts.