

RECENT DEVELOPMENTS

Recent Developments Relating to Our Operations

On August 14, 2014, CEMEX Latam Holdings, S.A. (“CEMEX Latam”) announced that it will begin the construction of a cement plant in Colombia. The total investment is expected to reach approximately U.S.\$340 million and to increase CEMEX Latam’s cement production capacity in Colombia from 4.5 million to close to 5.5 million tons per year. The first phase of this project includes the construction of a new grinding mill that is expected to start cement production during the second quarter of 2015. The rest of the plant is expected to be completed during the second half of 2016. The plant will operate using modern and efficient technology to comply with high quality and environmental standards. This facility will be strategically located in the Antioquia department, a region that has enjoyed high levels of economic growth and is expected to further benefit from the construction of infrastructure projects under Colombia’s highway concession program.

Recent Developments Relating to Regulatory Matters and Legal Proceedings

Tax Matters – Colombia

On April 1, 2011, CEMEX Colombia, S.A. (“CEMEX Colombia”) received notice from the Colombian Tax Authority that the Colombian Tax Authority had rejected certain deductions taken by CEMEX Colombia in its 2009 year-end tax return and for which a final determination was issued by the Colombian Tax Authority on December 15, 2011. On July 22, 2014, CEMEX Colombia filed an appeal before the Colombian *Consejo de Estado* against the adverse resolution notified to CEMEX Colombia on July 14, 2014 regarding the appeal filed on May 10, 2013 against the resolution confirming the official liquidation notified by the Colombian Tax Authorities to CEMEX Colombia on January 17, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net sales.

Colombia

Our domestic cement sales volumes from our operations in Colombia increased approximately 20% in the six-month period ended June 30, 2014 compared to the comparable period in 2013, and ready-mix concrete sales volumes increased approximately 17% during the same period. The residential sector was an important driver of demand for our products, mainly supported by construction in connection with the 100 thousand free-home program announced by the government. Infrastructure also remained an important driver for demand of our products with the execution of several ongoing projects that were awarded in past years. Our net sales from our operations in Colombia represented approximately 6% of our total net sales for the six-month period ended June 30, 2014, in Mexican Peso terms, before eliminations resulting from consolidation. Our average sales price of domestic cement from our operations in Colombia decreased approximately 2%, in Colombian Peso terms, in the six-month period ended June 30, 2014 compared to the comparable period in 2013, while the average sales price of our ready-mix concrete increased approximately 1%, in Colombian Peso terms, over the same period. For the six-month period ended June 30, 2014, cement represented approximately 57%, ready-mix concrete approximately 29% and our aggregates and other businesses approximately 14% of our net sales for our operations in Colombia before intra-sector eliminations within the segment and before eliminations from consolidation, as applicable.

As a result of the increases in domestic cement and ready-mix concrete sales volumes and our ready-mix concrete average sales price, partially offset by a decrease in our domestic cement average sales price, net sales of our operations in Colombia, in Colombian Peso terms, increased approximately 19% in the six-month period ended June 30, 2014 compared to the comparable period in 2013.

Operating Earnings Before Other Expenses, Net.

Colombia

Our operating earnings before other expenses, net, from our operations in Colombia decreased approximately 3%, from approximately Ps2.2 billion in the six-month period ended June 30, 2013 to approximately Ps2.1 billion in the comparable period in 2014, in Mexican Peso terms. The decrease resulted primarily from higher maintenance cost in our cement plants.

REGULATORY MATTERS AND LEGAL PROCEEDINGS

Antitrust Proceedings

Antitrust Investigation in Colombia. On September 5, 2013, CEMEX Colombia was notified of Resolution No. 49141 dated August 21, 2013, issued by the Colombian Superintendency of Industry and Commerce (*Superintendencia de Industria y Comercio*), or SIC, pursuant to which the SIC opened an investigation and issued a statement of objections (*pliego de cargos*) against five cement companies and fourteen directors of those companies, including CEMEX Colombia, for alleged anti-competitive practices. On October 7, 2013, CEMEX Colombia answered the statement of objections and submitted evidence.

The investigated parties are accused of allegedly breaching: (i) Article 1 of Law 155 of 1959, which prohibits any kind of practice, procedure or system designed to limit free competition and determining or maintaining unfair prices; (ii) paragraph 1 of Article 47 of Decree 2153 of 1992, which prohibits any agreements designed to directly or indirectly fix prices; and (iii) paragraph 3 of Article 47 of Decree 2153 of 1992, which prohibits any market sharing agreements between producers or between distributors. Additionally, the fourteen executives, including a former legal representative and the current President of CEMEX Colombia, are being investigated for allegedly breaching paragraph 16 of Article 4 of Decree 2153 of 1992, as amended by Article 26 of Law 1340 of 2009, which provides that the SIC may investigate and sanction any individual who collaborates, facilitates, authorizes, executes or tolerates behavior that violates free competition rules.

If the alleged infringements investigated by the SIC are substantiated, aside from any measures that could be ordered to stop the alleged anti-competitive practices, the following penalties may be imposed against CEMEX Colombia pursuant to Law 1340 of 2009: (i) up to 100,000 times the legal monthly minimum wage, which equals approximately 58,950 million Colombian Pesos (approximately U.S.\$31.34 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00) for each violation and to each company being declared in breach of the competition rules, and (ii) up to 2,000 times the legal monthly minimum wage, which equals approximately 1,179 million Colombian Pesos (approximately U.S.\$626,730.95 as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00) against those individuals found responsible of collaborating, facilitating, authorizing, executing or tolerating behavior that violates free competition rules. At this stage of the investigations, as of June 30, 2014, we do not expect this matter to have a material adverse impact on our results of operations, liquidity and financial condition.

Tax Matters

Colombia. On November 10, 2010, the Colombian Tax Authority (*Dirección de Impuestos*) notified CEMEX Colombia of a proceeding (*requerimiento especial*) in which the Colombian Tax Authority rejected certain tax losses taken by CEMEX Colombia in its 2008 year-end tax return. In addition, the Colombian Tax Authority assessed an increase in taxes to be paid by CEMEX Colombia in the amount of approximately 43 billion Colombian Pesos (approximately U.S.\$22.86 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00) and imposed a penalty in the amount of approximately 69 billion Colombian Pesos (approximately U.S.\$36.68 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00). The Colombian Tax Authority argued that CEMEX Colombia was limited in its use of prior year tax losses to 25% of such losses per subsequent year. We believed that the tax provision that limited the use of prior year tax losses did not apply in the case of CEMEX Colombia because the applicable tax law was repealed in 2006. Furthermore, we believed that the Colombian Tax Authority was no longer able to review the 2008 tax return because the time to review such returns had already expired pursuant to Colombian law. In February 2011, CEMEX Colombia presented its arguments to the Colombian Tax Authority. On July 27, 2011, the Colombian Tax Authority issued its final determination, which confirmed the information in the November 10, 2010 proceeding notice. The official assessment was appealed by CEMEX Colombia on September 27, 2011. On July 31, 2012, the Colombian Tax Authority notified CEMEX Colombia of the resolution confirming the official liquidation. CEMEX Colombia filed a lawsuit on November 16, 2012; however, during the second quarter of 2013, CEMEX Colombia reached a settlement with the Colombian Tax Authority regarding the 2008, and also its 2007, year-end tax returns. The aggregate amount paid in connection with the settlement regarding the 2008 and 2007 year-end tax returns was approximately 47 billion Colombian Pesos (approximately U.S.\$25.04 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00). On August 26, 2013 and September 16, 2013, CEMEX

Colombia received the final resolutions regarding the 2007 and 2008 year-end tax returns, respectively, effectively concluding both processes.

On April 1, 2011, the Colombian Tax Authority notified CEMEX Colombia of a proceeding notice in which the Colombian Tax Authority rejected certain deductions taken by CEMEX Colombia in its 2009 year-end tax return. The Colombian Tax Authority assessed an increase in taxes to be paid by CEMEX Colombia in the amount of approximately 90 billion Colombian Pesos (approximately U.S.\$47.84 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00) and imposed a penalty in the amount of approximately 144 billion Colombian Pesos (approximately U.S.\$76.55 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00). The Colombian Tax Authority argues that certain expenses are not deductible for fiscal purposes because they are not linked to direct revenues recorded in the same fiscal year, without taking into consideration that future revenue will be taxed with income tax in Colombia. CEMEX Colombia responded to the proceeding notice on June 25, 2011. On December 15, 2011, the Colombian Tax Authority issued its final determination, which confirmed the information in the special proceeding. CEMEX Colombia appealed the final determination on February 15, 2012. On January 17, 2013, the Colombian Tax Authority notified CEMEX Colombia of the resolution confirming the official liquidation. CEMEX Colombia appealed the final determination on May 10, 2013 which was admitted on June 21, 2013. On July 3, 2013, the appeal was notified to the Colombian Tax Authority, and hearings took place on February 18, 2014 and March 11, 2014. At this stage of the proceeding, as of June 30, 2014, we are not able to assess the likelihood of an adverse result in this special proceeding, but if adversely resolved, they could have a material adverse impact on our results of operations, liquidity and financial condition.

Other Legal Proceedings

Colombian Construction Claims. On August 5, 2005, the Urban Development Institute (*Instituto de Desarrollo Urbano*), or UDI, and an individual filed a lawsuit in the Fourth Anti-Corruption Court of Bogotá (*Fiscalía Cuarta Anticorrupción de Bogotá*) 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, an association formed by the ready-mix concrete producers in Colombia, for the premature distress of the concrete slabs of the *Autopista Norte* trunk line of the TransMilenio bus rapid transit system of Bogotá in which ready-mix concrete and flowable fill supplied by CEMEX Colombia and other ASOCRETO members was used. The plaintiffs alleged 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 were seeking the repair of the concrete slabs in a manner which guarantees their service during the 20-year period for which they were originally designed, and estimate that the cost of such repair could have been approximately 100 billion Colombian Pesos (approximately U.S.\$53.16 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00). The lawsuit was filed within the context of a criminal investigation against a former director and two officers of the UDI, the contractor, the inspector and two ASOCRETO officers. On January 21, 2008, a court issued an order, sequestering the El Tunjuelo quarry, as security for payment of a possible future money judgment against CEMEX Colombia. The court determined that in order to lift this attachment and prevent further attachments, CEMEX Colombia was required to deposit 337.8 billion Colombian Pesos (approximately U.S.\$179.57 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00) in cash instead of posting an insurance policy to secure such recovery. CEMEX Colombia appealed this decision and the Superior Court of Bogotá (*Tribunal Superior de Bogotá*) allowed CEMEX to present an insurance policy in the amount of 20 billion Colombian Pesos (approximately U.S.\$10.63 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00). CEMEX gave the aforementioned security and, on July 27, 2009, the court lifted the attachment on the quarry.

On October 10, 2012 the court issued a first instance judgment pursuant to which the accusation made against the ASOCRETO officers was nullified. The judgment also convicted a former UDI director, the contractor's legal representatives and the inspector to a prison term of 85 months and a fine of 32 million Colombian Pesos (approximately U.S.\$17,010.51 as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00). As a consequence of the nullification, the judge ordered a restart of the proceeding against the ASOCRETO officers. The UDI and other parties to the legal proceeding appealed the first instance judgment and on August 30, 2013 the Superior Court of Bogotá resolved to reduce the prison term imposed to the former UDI

director and the UDI officers to 60 months and imposed a fine equivalent to 8.8 million Colombian Pesos (approximately U.S.\$4,677.90 as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00). Additionally, the UDI officers were sentenced to severally pay the amount of 108,000 million Colombian Pesos (approximately U.S.\$57.41 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00) for the purported damages in the concrete slabs of the TransMilenio bus rapid transit system. Additionally, the Superior Court of Bogotá overturned the penalty imposed to the contractor's legal representatives and inspector because the criminal action against them was time barred. Furthermore, the Superior Court of Bogotá revoked the annulment in favor of the ASOCRETO officers and ordered the first instance judge to render a judgment regarding the ASOCRETO officers' liability or lack thereof. On June 25, 2014, the Supreme Court of Colombia's Penal Cassation Chamber (*Sala de Casación Penal de la Corte Suprema de Justicia de Colombia*) dismissed the cassation claim filed by the former UDI director and the UDI officers against the Superior Court of Bogotá's judgment. Dismissal of the cassation claim has no effect on CEMEX Colombia's or the ASOCRETO officers' interests in these proceedings. At this stage of the proceedings, as of June 30, 2014, we are not able to assess the likelihood of an adverse result or, due to the number of defendants, the potential damages which could be borne by CEMEX Colombia.

In addition, six legal actions related to the premature distress of the concrete slabs of the Autopista Norte trunk line of the TransMilenio bus rapid transit system were brought against CEMEX Colombia. The Cundinamarca Administrative Court (*Tribunal Administrativo de Cundinamarca*) nullified five of these actions and currently, only one remains outstanding. In addition, the UDI filed another action alleging that CEMEX Colombia made misleading advertisements on the characteristics of the flowable fill used in the construction of the concrete slabs. CEMEX Colombia participated in this project solely and exclusively as supplier of the ready-mix concrete and flowable fill, which were delivered and received to the satisfaction of the contractor, complying with all the required technical specifications. CEMEX Colombia neither participated in nor had any responsibility on the design, sourcing of materials or their corresponding technical specifications or construction. At this stage of the proceedings, as of June 30, 2014, we are not able to assess the likelihood of an adverse result, but if adversely resolved, it could have a material adverse impact on our results of operations, liquidity and financial condition.

Panamanian Height Restriction Litigation. On July 30, 2008, the Panamanian Authority of Civil Aeronautics (*Autoridad de Aeronáutica Civil*), or AAC, denied a request from our subsidiary Cemento Bayano to erect structures above the permitted height restriction applicable to certain areas surrounding the Calzada Larga Airport. This height restriction was set according to applicable legal regulations and reaches the construction area of our cement plant's second line. Cemento Bayano has formally requested the above-mentioned authority to reconsider its denial. On October 14, 2008, the AAC granted permission for the construction of the tallest building of the second line, under the following conditions: that (a) Cemento Bayano assumes any liability arising from any incident or accident caused by the construction of such building; and (b) there would be no further permission for additional structures. Cemento Bayano filed an appeal with respect to both conditions considering that the construction involved building 12 additional structures. On March 13, 2009, the AAC issued an explanatory note stating that (a) should an accident occur in the Calzada Larga Airport's perimeter, an investigation shall be conducted in order to determine the cause and further responsibility; and (b) there will be no further permission for additional structures of the same height as the tallest structure was already authorized. Therefore, additional permits may be obtained as long as the structures are lower than the tallest building, on a case-by-case analysis to be conducted by the authority. Cemento Bayano filed an authorization request for the construction of the project's 12 remaining structures. On June 11, 2009, the AAC issued a resolution authorizing 3 of the 12 remaining structures and denying permits for 9 additional structures above the permitted height restriction applicable to certain areas surrounding Calzada Larga Airport. On June 16, 2009, Cemento Bayano requested the above-mentioned authority to reconsider its denial. On May 20, 2010, the ACC issued a report stating that all vertical structures erected by Cemento Bayano complied with the applicable signaling and lighting requirements in order to receive the respective authorization, nonetheless, as of June 30, 2014, the AAC had not yet issued a ruling pursuant to our request for reconsideration for the 9 remaining structures and, therefore, we continue to monitor our request. At this stage, we are not able to determine if the AAC will issue a favorable decision to our request for reconsideration or if such denial would have a material adverse impact on our results of operations, liquidity and financial condition. We are also not able to assess the likelihood of any incident or accident occurring as a result of the construction of the second line of our cement plant and the responsibility, if any, that would be allocated to Cemento Bayano, but if any major incident or accident were to occur and if Cemento Bayano were to be held liable, any responsibility that is formally allocated to Cemento Bayano could have a material adverse impact on our results of operations, liquidity and financial condition.

Colombian Water Use Litigation. On June 5, 2010, the District of Bogotá's Environmental Secretary (*Secretaría Distrital de Ambiente de Bogotá*), or the Environmental Secretary, issued a temporary injunction suspending all mining activities at CEMEX Colombia's El Tunjuelo quarry, located in Bogotá, Colombia. As part of the temporary injunction, Holcim Colombia and Fundación San Antonio (local aggregates producers which also have mining activities located in the same area as the El Tunjuelo quarry) were ordered to suspend mining activities in that area. The Environmental Secretary alleged that during the past 60 years, CEMEX Colombia and the other companies illegally changed the course of the Tunjuelo River, used the percolating waters without permission and improperly used the edge of the river for mining activities. In connection with the temporary injunction, on June 5, 2010, CEMEX Colombia received a formal notification from the Environmental Secretary informing it of the initiation of proceedings to impose fines against CEMEX Colombia. CEMEX Colombia has requested that the temporary injunction be revoked, arguing that its mining activities are supported by all authorizations required pursuant to the applicable environmental laws and that all the environmental impact statements submitted by CEMEX Colombia have been reviewed and authorized by the Ministry of Environment and Sustainable Development (*Ministerio de Ambiente y Desarrollo Sostenible*). On June 11, 2010, the local authorities in Bogotá, in compliance with the Environmental Secretary's decision, sealed off the mine to machinery and prohibited the extraction of our aggregates inventory. Although there is not an official quantification of the possible fine, the District of Bogotá's environmental secretary has publicly declared that the fine could be as much as 300 billion Colombian Pesos (approximately U.S.\$159.47 million as of June 30, 2014, based on an exchange rate of 1,881.19 Colombian Pesos to U.S.\$1.00). The temporary injunction does not currently compromise the production and supply of ready-mix concrete to any of our clients in Colombia. At this stage, as of June 30, 2014, we are not able to assess the likelihood of an adverse result, but if adversely resolved, it could have a material adverse impact on our results of operations, liquidity and financial condition.