CEMEX SAB DE CV
Form 20-F
April 25, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from   to

Commission file number 1-14946

CEMEX, S.A.B. de C.V.

(Exact name of Registrant as specified in its charter)

CEMEX PUBLICLY TRADED STOCK CORPORATION WITH VARIABLE CAPITAL

(Translation of Registrant s name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, San Pedro Garza García,

Nuevo León, 66265, México

(Address of principal executive offices)

Roger Saldaña Madero,

+52 81 8888-8888, +52 81 8888-4399,

Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, San Pedro Garza García,

Nuevo León, 66265, México

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Ordinary Participation Certificates (*Certificados de Participación Ordinarios*), or CPOs, each CPO representing two Series A shares and one Series B share, traded in the form of American Depositary	**New York Stock Exchange**

Shares, or ADSs, each ADS representing ten CPOs.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

14,983,856,154 CPOs

30,002,628,318 Series A shares (including Series A shares underlying CPOs)

15,001,314,159 Series B shares (including Series B shares underlying CPOs)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer	Accelerated filer
Non-accelerated filer	Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Table of Contents

TABLE OF CONTENTS

PART I

Table of Contents

Table of Contents

INTRODUCTION

CEMEX, S.A.B. de C.V. is incorporated as a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of the United Mexican States (Mexico). Except as the context otherwise may require, references in this annual report to CEMEX, we, us or our refer to CEMEX, S.A.B. de C.V. and its consolidated entities. See note 1 to our 2018 audited consolidated financial statements included elsewhere in this annual report.

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The regulations of the United States Securities and Exchange Commission (the SEC) do not require foreign private issuers that prepare their financial statements based on IFRS (as published by the IASB) to reconcile such financial statements to United States Generally Accepted Accounting Principles (U.S. GAAP).

References in this annual report to U.S.$ and Dollars are to U.S. Dollars, references to are to Euros, references to £ Pounds Sterling and Pounds are to British Pounds, and, unless otherwise indicated, references to Ps, Mexican Pesos and Pesos are to Mexican Pesos. References to billion mean one thousand million. References in this annual report to CPOs are to CEMEX, S.A.B. de C.V. s *Certificados de Participación Ordinarios*. References to ADSs are to Amerian Depositary Shares that represent the CPOs. The Dollar amounts provided below, unless otherwise indicated elsewhere in this annual report, are translations of Peso amounts at an exchange rate of Ps19.65 to U.S.$1.00, the CEMEX accounting rate (as defined below) as of December 31, 2018. However, in the case of transactions conducted in Dollars, we have presented the U.S. Dollar amount of the transaction and in most cases, when such amounts are presented in our consolidated financial statements, the corresponding Peso amount is presented in our consolidated financial statements. These translations have been prepared solely for the convenience of the reader and should not be construed as representations that the Mexican Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated.

References in this annual report to total debt plus other financial obligations (which include debt under the 2017 Credit Agreement (as defined below)) do not include debt and other financial obligations of ours held by us. See notes 2.6 and 16.2 to our 2018 audited consolidated financial statements included elsewhere in this annual report for a detailed description of our other financial obligations. Total debt plus other financial obligations differs from the calculation of debt under the 2017 Credit Agreement.

We also refer in various places within this annual report to non-IFRS measures, including Operating EBITDA. Operating EBITDA equals operating earnings before other expenses, net, plus amortization and depreciation expenses, as more fully explained in Item 3 Key Information Selected Consolidated Financial Information. The presentation of these non-IFRS measures is not meant to be considered in isolation or as a substitute for our 2018 audited consolidated financial results prepared in accordance with IFRS as issued by the IASB.

We have approximated certain numbers in this annual report to their closest round numbers or a given number of decimal places. Due to rounding, figures shown as totals in tables may not be arithmetic aggregations of the figures preceding them.

1

Table of Contents

CERTAIN TECHNICAL TERMS

When used in this annual report, the terms set forth below mean the following:

Aggregates are inert granular materials, such as stone, 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.

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.

Gray portland cement, used for construction purposes, is a hydraulic binding agent with a composition by weight of at least approximately 95% clinker and up to 5% of a minor component (usually calcium sulfate) which, when mixed with sand, stone or other aggregates and water, produces either concrete or mortar.

Petroleum coke (pet coke) is a by-product of the oil refining coking process.

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

Tons means metric tons. One metric ton equals 1.102 short tons.

White cement is a specialty cement used primarily for decorative purposes.

Table of Contents

PART I

Item 1 Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2 Offer Statistics and Expected Timetable

Not applicable.

Item 3 Key Information

Financial Evolution Since 2009

As of December 31, 2008, we had Ps258,094 million (U.S.$18,784 million) of total debt, not including Ps41,495 million (U.S.$3,020 million) of Perpetual Debentures (as defined below). Most of our outstanding debt as of December 31, 2008 had been incurred to finance our acquisitions, including the acquisition of Rinker Group Limited (Rinker) in 2007, and our capital expenditure programs. The acquisition of Rinker substantially increased our exposure in the United States, which experienced a sharp downturn in the housing and construction sectors caused by the 2007-2008 financial crisis. This downturn had adverse effects on our United States operations, making it more difficult for us to achieve our goal of decreasing our acquisition-related leverage and, given extremely tight credit markets during the height of the financial crisis, making it increasingly difficult for us to refinance our acquisition-related debt.

On August 14, 2009, we reached a comprehensive financing agreement with our major creditors (as subsequently amended, the 2009 Financing Agreement). The 2009 Financing Agreement extended the maturities of approximately U.S.$15 billion in syndicated and bilateral bank facilities and private placement obligations. As part of the 2009 Financing Agreement, we pledged or transferred to trustees under security trusts substantially all the shares of CEMEX México, S.A. de C.V. (CEMEX México), Cemex Operaciones México, S.A. de C.V. (Cemex Operaciones México), CEMEX TRADEMARKS HOLDING Ltd. (CTH), New Sunward Holding B.V. (New Sunward) and CEMEX España, S.A. (CEMEX España), as collateral (together, the Collateral) and all proceeds of such Collateral, to secure our payment obligations under the 2009 Financing Agreement and under several other financing arrangements for the benefit of the participating creditors and holders of debt and other obligations that benefit from provisions in their instruments requiring that their obligations be equally and ratably secured. These subsidiaries whose shares were pledged or transferred as part of the Collateral collectively own, directly or indirectly, substantially all our operations worldwide.

Since the signing of the 2009 Financing Agreement, we have completed a number of capital markets transactions, debt transactions and asset disposals, the majority of the proceeds of which have been used to reduce the amounts outstanding under the 2009 Financing Agreement, to pay other debt not subject to the 2009 Financing Agreement, to improve our liquidity position and for general corporate purposes.

As of December 31, 2018, we had Ps207,724 million (U.S.$10,571 million) (principal amount Ps209,153 million (U.S.$10,644 million), excluding deferred issuance costs) of total debt plus other financial obligations in our statement of financial position, which does not include Ps8,729 million (U.S.$444 million) of Perpetual Debentures. Of our total debt plus other financial obligations, 7% was short-term (including current maturities of long-term debt) and 93% was long-term. As of December 31, 2018, 64% of our total debt plus other financial obligations was Dollar-denominated, 26% was Euro-denominated, 5% was Pound Sterling-denominated, 2% was Philippine Peso-denominated and immaterial amounts were denominated in other currencies. See notes 16.1, 16.2 and 20.4 to our 2018 audited consolidated financial statements included elsewhere in this annual report.

Table of Contents

In 2018, we embarked on a strategic plan to build A Stronger CEMEX. This transformational plan is designed to fortify CEMEX s position as a leading global heavy building materials company, accelerate our path to investment grade, enhance CEMEX, S.A.B. de C.V. s total shareholder return and generate long-term value for all of our stakeholders. Specifically, we believe that through this strategic plan, we can rebalance and streamline our existing portfolio in order to better position ourselves to deliver higher growth and greater stakeholder value over the mid-to-long-term by divesting between U.S.$1.5 billion and U.S.$2 billion in assets by 2020; achieve recurring operational improvements of U.S.$230 million by 2020; accelerate our path to investment grade by further deleveraging CEMEX by reducing our debt by U.S.$3.5 billion between the launch of the A Stronger CEMEX plan and 2020; and, subject to the approvals of CEMEX, S.A.B. de C.V. s shareholders at each corresponding ordinary general shareholders meeting, to return value to CEMEX, S.A.B. de C.V. s shareholders through dividends and stock repurchase programs.

Risk Factors

We are subject to various risks mainly resulting from changing economic, environmental, political, industry, business, regulatory, financial and climate conditions, as well as risks related to ongoing legal proceedings and investigations. The following risk factors are not the only risks we face, and any of the risk factors described below could significantly and adversely affect our business, liquidity, results of operations or financial condition, as well as, in certain instances, our reputation.

Risks Relating to Our Business

Economic conditions in some of the countries where we operate and in other regions or countries may adversely affect our business, financial condition, liquidity and results of operations.

The economic conditions in some of the countries where we operate have had and may continue to have a material adverse effect on our business, financial condition, liquidity and results of operations. Our results of operations are highly dependent on the results of our operating subsidiaries worldwide, including those in the United States, Mexico, South, Central America and the Caribbean (SCA&C), Europe, Asia, the Middle East and Africa. Accordingly, the economic conditions in some of the countries where we operate have had and may continue to have a material adverse effect on our business, financial condition, liquidity and results of operations worldwide.

As of December 31, 2018, our operations were mostly in Mexico, the United States, certain countries in Europe, SCA&C, Asia, the Middle East and Africa (as described in Item 4 Information on the Company Business Overview).

For a geographic breakdown of our revenues for the year ended December 31, 2018, see Item 4 Information on the Company Geographic Breakdown of Revenues for the Year Ended December 31, 2018.

While upside and downside risks to the short-term global economic growth outlook seem to be broadly balanced, we believe the scenario is not risk free. We believe that as of the date of this annual report, the possible main downside concerns include risks of slowing global economic growth, particularly due to a shift toward protectionist policies in the context of growing trade tensions between the United States and China; a possibly sharp tightening of financial conditions and its potential impact on the global economy, highly indebted European countries, emerging markets, risk aversion, foreign exchange markets, volatility and financial markets; economic vulnerability of emerging market economies; elections in some Latin American countries and the newly formed governments in some of the countries in which we operate; economic and political uncertainties in Europe; China s economic performance; political uncertainty in the United States; and geopolitical risks in the Middle East and other regions experiencing political turmoil, including the current situation in Syria. The materialization of any of these concerns may have a material adverse effect on our business, financial condition, liquidity and results of operations.

Table of Contents

Furthermore, while a general agreement on trade between the United States and China has not been reached, the cycle of trade restrictions and retaliation between the United States and China has the potential to further weaken global trade and create global economic uncertainty and financial volatility. A worsening of trade conditions resulting from negotiations between the United States and China and the imposition of broader barriers to cross-border trade could not only have a direct impact on trade and investment but also on global economic growth and financial conditions.

The equity market correction in March 2018 following the United States tariff announcement on steel, aluminum and a range of Chinese products, as well as the announcement by China of retaliatory tariffs on imports from the United States, are examples showing that asset prices can correct rapidly and trigger potentially disruptive portfolio adjustments. Financial conditions that exist as of the date of this annual report could tighten sharply and expose vulnerabilities that have accumulated over the years, with potential adverse repercussions for economic growth. High asset valuations, both in emerging and advanced economies, and very compressed term premiums raise the possibility of a financial market correction, which could dampen growth and confidence.

The United States Federal Reserve System has increased short-term interest rates at a measured pace since December 2015. There is a risk that further interest rate hikes could cause Dollar appreciation, a manufacturing slowdown and economic deceleration on the back of slower housing investment. However, a slower than warranted pace of increase in interest rates could result in inflation acceleration and the disanchoring of inflation expectations, possibly leading to swift monetary policy tightening and a potential recession in the United States. The tax code overhaul could further increase the persistent fiscal deficits and unsustainable debt dynamics over the next four years. Also, the current account deficit could increase given the projected impact of the fiscal stimulus on domestic demand in the United States. High fiscal and current account deficits could affect both economic activity and exchange rates. The United States housing sector supply constraints, associated in part with labor shortages, could result in a slower pace of growth in housing starts in the United States.

In the United States, renewed federal budget disputes could lead to lesser than Fast Act-authorization spending levels for highways and streets. Global market volatility and uncertainty surrounding United States trade, such as imposing tariffs on Chinese products coming into the United States, geopolitical concerns and immigration policy, could undermine consumer confidence and investment prospects in the United States. Combined, these uncertainties could have a material adverse impact not only on our financial condition, business and results of operations in the United States, but also on our operations worldwide.

Many emerging market economies have gone through bouts of financial volatility over the past few years. Some large commodity exporters and other stressed economies also weathered substantial exchange rate movements. Though it proved short-lived for most countries, many countries in this group remain vulnerable to sudden shifts in global market sentiment. There is a risk of new episodes of market volatility, increased risk aversion and capital outflows from emerging markets, which could cause emerging markets currencies to further depreciate. The high level of U.S. Dollar denominated corporate indebtedness in emerging markets constitutes an additional source of instability. Also, emerging markets would face higher global risk premiums and substantial capital outflows, putting particular pressure on economies with domestic debt imbalances. The risk of contagion effect across emerging markets could be significant and have an adverse effect on our business and also on our financial condition, liquidity and results of operations.

In February 2019, the Central Bank of Mexico reduced Mexico s 2019 and 2020 economic growth forecast due to a slowing world economy, weakness in domestic demand and a downward trend in the country s oil production. Slower economic growth in Mexico is likely to have an adverse effect on demand for our products. In addition, any deterioration in the growth perspectives of the United States or in the global economic and financial conditions and risk perception could negatively affect Mexico s economy and therefore our results of operations. On November 30, 2018, the United States, Mexico and Canada signed the United States-Mexico-Canada Agreement (the USMCA), which is the result of the renegotiation of the North American Free Trade Agreement (NAFTA). The USMCA is intended to supersede NAFTA, but has not yet been ratified by all

5

signatories and is therefore not in full force and effect. A failure to ratify the USMCA has the potential to erode Mexico s access to the United States domestic market and could negatively affect investment, development, growth and confidence in Mexico, as well as foreign exchange rates. Other risks that could negatively affect Mexico include the inflation rate not decelerating towards the Central Bank of Mexico s target range, continued decline in oil production in Mexico, manufacturing production not reacting positively to a global manufacturing boost, a contraction of the construction industry and larger than expected domestic demand deceleration for products in our industry.

A fraction of our business is dependent on the unobstructed flow of raw materials, products and equipment between the United States and Mexico. The current United States administration has indicated its intention to enhance control at the border between the United States and Mexico. To the extent implemented, such measures may result in reduction or deterioration of road, rail, air and water services between the two countries, which could increase costs and impact the quality of the services we offer to our clients, thus having an adverse effect on our business and also on our financial condition, liquidity and results of operations.

As a result of a general election in Mexico that took place in 2018, a new federal government and chambers of the Mexican National Congress have been installed. As is the case with most changes in administration, there is uncertainty regarding the impact of this new government s economic and public policies and the impact any policies could have on the economy of Mexico, including on the Mexican Peso, on the foreign exchange markets and in attracting or maintaining foreign investment in Mexico, which could affect our financial condition, business, liquidity and results of operations, particularly in Mexico.

In China, the reliance on stimulus measures to maintain high rates of growth continues. External triggers, such as a shift toward protectionism in advanced economies or domestic shocks, could lead to a broader tightening of financial conditions in China, possibly exacerbated by capital outflow pressures, with an adverse impact on demand and output. Regulators in China have also taken important measures to reduce shadow banking and bring financial activity back onto bank balance sheets. However, when taking into consideration that total credit growth, particularly in the private sector, remains high, efforts to reform the financial sector are likely to stagnate until trade disputes are resolved. The consequences for emerging market economies of weaker economic performance and increased policy uncertainty in China could be significant and could affect our financial condition, business, liquidity and results of operations.

In Colombia, the correction of macroeconomic imbalances, such as inflation, is making progress, but still needs to advance further and could be pressured by recent minimum wage increases. Consumer and producer expectations are gradually recovering. Supported by increased oil prices, economic activity is expected to improve slightly from the low levels seen in recent years. However, a reduction may affect future growth, which in turn could affect our results of operations in Colombia. Civil works investment, mainly with private financing, could be lower than anticipated, especially if additional sources of financing are not secured. The new government has also passed a fiscal reform plan that is expected to reduce the fiscal deficit. However, this too could be affected if oil prices fall. Migrant inflows coming from Venezuela are also likely to present challenges for the government. If any of these risks materialize, it could affect our financial condition, business, liquidity and results of operations, particularly in Colombia.

In Nicaragua, what started as protests against social security reform in April 2018 has turned into calls for President Daniel Ortega s ousting. Continued anti-government protests have resulted in regular outbreaks of violence, which have had and may continue to have a major negative impact on the economic activity of Nicaragua. In December of 2018, the President of the United States signed the Nicaragua Investment Conditionality Act (NICA), which could place conditions on foreign aid and financing to Nicaragua. In the same month, the Organization of American States (the OAS) activated a legal proceeding that may lead to sanctions being imposed on Nicaragua or Nicaragua being suspended from the OAS. Prolonged social instability and political crisis in Nicaragua could cause a severe economic downturn, which could negatively affect our operations and results of operations in Nicaragua.

Table of Contents

In Europe, the environment of negative deposit rates is distorting financial markets and creating uncertain consequences for the banking sector. There is a risk that negative rates would erode bank profitability and curb lending across Eurozone borders, creating other systemic risks to European economies. The economic activity in the Eurozone is expected to continue decelerating after its peak in 2017. There is a risk that the European Central Bank (the ECB) will finish its easing policy too early. Uncertainty about the Euro s performance remains, which could affect our operations in European Union (EU) member states, which could adversely affect our results of operations, liquidity and financial position, particularly in Europe.

The Eurozone s economic growth and European integration are challenged by a number of uncertainties, including, but not limited to, delays in implementing the needed structural reforms in some European countries; uncertainty regarding the profitability of the European banking system in general and the Italian banking sector in particular; the process of United Kingdom s exit from the EU; and Poland s conflict with EU institutions due to its judicial reform. Further, the renewed popularity of nationalistic policies in Europe is another aftereffect of the financial crisis and its prolonged aftermath. All these factors could impact market confidence and could limit the benefit of the economic tailwinds and monetary policy stimulus for Europe and possibly worldwide, which in turn could adversely affect our results of operations, business, liquidity and financial position, particularly in Europe.

The result of the June 2016 referendum in the United Kingdom to exit the European Union (Brexit), and the subsequent commencement of the official withdrawal process by the government of the United Kingdom, has created a certain level of uncertainty regarding the final terms of that withdrawal and the future of the relationship between the EU and the United Kingdom. Brexit is already having an impact on economic activity and financial conditions. At the end of 2018, declines in business investment, consumer confidence and fixed investment growth signaled investor pessimism. On April 11, 2019, with no withdrawal agreement in place, the EU granted the United Kingdom a further extension to the Brexit date until October 31, 2019, subject to certain conditions. It is unclear how and in what timeframe Brexit withdrawal negotiations will proceed and what the potential consequences may be. If there are no negotiated terms of withdrawal reached by the parties, barrier-free access between the United Kingdom, the European Union and the rest of the world could be diminished or eliminated. These border and customs controls could increase costs of materials imported into the United Kingdom and finished goods exported from the United Kingdom. In addition, it is possible that logistical delays created by those controls could delay shipments of materials and supplies. A United Kingdom departure from the EU without a clear agreement governing their economic relationship not only has the potential to significantly disrupt trade relations and border management but also to affect the operations of broad sectors of the United Kingdom economy, such as financial services companies, manufacturing and supply chains and aviation. The overall economic impact of the process surrounding the United Kingdom s departure from the EU, including, if it occurs, a no-deal Brexit, may contribute to greater instability in the global financial markets and could reduce consumer spending in the United Kingdom and the EU, which could result in decreased demand for our products and has the potential to have a material adverse effect on our financial condition, business, liquidity and results of operations, particularly with regards to our operations in the United Kingdom.

In Spain, the Catalan region conflict resulted in social unrest, and although it seems to have a transitory impact on the local economy, an escalation of the conflict could affect the Spanish economy and performance of the construction sector. Given that the Spanish national government is led by a minority in the parliament, depending on smaller parties, policy stagnation is likely to continue until the next election is held. Early elections, however, cannot be ruled out. These factors could adversely affect our operations and results of operations in Spain.

Significant trade links with Western Europe render some of the Eastern European countries susceptible to economic and political pressures from Western Europe. Labor shortages in Central European countries are expected to become more acute, which could undercut competitiveness in the region. Additionally, Central European countries might experience a reduction in the proceeds they receive from the EU s structural funds over the coming years, which could hinder infrastructure investment in such countries and adversely affect our financial condition, business, liquidity and results of operations, particularly with regards to our operations in Europe.

In the Middle East, political risk could impact economic growth and adversely affect construction investments. The United States recognition of Jerusalem as Israel s capital has increased tensions between Israelis and Palestinians. The conflict between Israel and Palestine continues to generate instability and the overall situation in Syria could worsen. Any escalation of this conflict or social unrest in this region may affect our financial condition, business, liquidity and results of operations, particularly in this region.

In Egypt, we cannot be certain if the new government that was elected in 2018 will continue to successfully implement the reforms needed to bring political and economic stability to the country. Any premature easing of monetary policy before inflation expectations are fully anchored, or opposition to reforms by vested interests, could undermine stabilization efforts in Egypt. External risks relate to a worsening of the security situation that could slow the recovery of tourism, a sustained rise of global oil prices, lower growth in Egypt s main trading partners and unexpected tightening of global financial conditions. If any of these risks materialize, it could adversely affect our operations and results of operations in Egypt.

In the Philippines, factors such as increased inflation over the past year, interest rate increases and a potential worsening of the security situation in Mindanao, could adversely affect the country s economy. The current government s foreign policy and the potential change in the constitution towards federalism could have a negative political effect on the country. Such a change could jeopardize the country s infrastructure development plan and eventually affect its economic growth, which would adversely affect our financial condition, business, liquidity and results of operations, particularly with regards to our operations in the Philippines.

In general, demand for our products and services is strongly related to construction levels and depends, in large part, on residential and commercial construction activity, as well as private and public infrastructure spending in almost all of the countries where we operate. Public and private infrastructure spending in countries dependent on revenue generated by the energy sector is exposed to decreases in energy prices. Therefore, decreases in energy prices could affect public and private infrastructure spending which, in turn, could affect the construction industry. This could ultimately affect our financial condition, business, liquidity and results of operations.

Declines in the construction industry are usually correlated with declines in general economic conditions. As a result, deterioration of economic conditions in the countries where we operate could have a material adverse effect on our business, financial condition, liquidity and results of operations. In addition, we cannot assure you that growth in the gross domestic product of the countries where we operate will translate into a correlated increase in demand for our products.

We are subject to effects of general global economic and market conditions that are beyond our control. If these conditions remain challenging or deteriorate, our business, financial condition, liquidity and results of operations could be adversely affected. Possible consequences from macroeconomic global challenges could have an adverse impact on our business, financial condition, liquidity and results of operations.

Political and social events and possible changes in governmental policies in some of the countries where we operate could have a material adverse effect on our business, financial condition, liquidity and results of operations.

In recent years, some of the governments in the countries where we operate, such as the United States, have implemented and may continue to implement significant changes in laws, public policy or regulations that could affect the political, economic and social conditions in the countries where we operate, as well as in other countries. Any such changes may have a material adverse effect on our business, financial condition, liquidity and results of operations.

Table of Contents

Furthermore, presidential, legislative, state and local elections have taken place, or are scheduled to take place, in 2019 in several of the countries where we operate, including El Salvador, Panama, the Philippines, Guatemala, Israel and Poland, as well as the elections for the European Parliament. For these countries, as is usually the case when there is a change in governments, a change in federal government and the political party in control of the legislature could result in sharp changes to the countries economic, political or social conditions, and in changes to laws, regulations and public policies, which may contribute to economic uncertainty and could also materially impact our business, financial condition, liquidity and results of operations. Similarly, if no political party wins a clear majority in the legislative bodies of these countries, legislative gridlock and political and economic uncertainty may result.

We cannot assure you that political or social developments in the countries where we operate or elsewhere, such as the election of new administrations, changes in laws, public policy or regulations, political disagreements, civil disturbances and the rise in violence and perception of violence, is not expected to have a material adverse effect on global financial markets, or on our business, financial condition, liquidity and results of operations.

Difficulties in relationships with local communities may adversely affect our business, reputation, liquidity, and results of operations.

Although we make significant efforts to maintain good long-term relationships and continuous communication with local and neighboring communities where we operate, there can be no assurance that such communities may have or may develop interests or objectives which are different from or even in conflict with our objectives, which could result in legal or administrative proceedings, civil unrest, protests, negative media coverage, direct action or campaigns, including, but not limited to, requests for the government to revoke or deny our concessions, licenses or other permits. Any such occurrences could cause delays or disruptions in our operations or result in operational restrictions, which could materially and adversely affect our business, reputation, liquidity and results of operations.

The 2017 Credit Agreement contains several restrictions and covenants. Our failure to comply with such restrictions and covenants could have a material adverse effect on our business and financial conditions.

The 2017 Credit Agreement requires us to comply with several financial ratios and tests, including (i) a minimum consolidated coverage ratio of EBITDA to interest expense (including interest accrued on Perpetual Debentures and cash payments on preferred stock) and (ii) a maximum consolidated leverage ratio of net debt (including Perpetual Debentures, guarantees and certain leases, excluding convertible/exchangeable obligations, the principal amount of subordinated optional convertible securities and plus or minus the mark-to-market amount of derivative financial instruments, among other adjustments) to EBITDA (in each case, as described in the 2017 Credit Agreement). The calculation and formulation of EBITDA, interest expense, net debt, the consolidated coverage ratio and the consolidated leverage ratio are set out in the 2017 Credit Agreement and may differ from the calculation and/or formulation of analogous terms in this annual report. Our ability to comply with these ratios may be affected by our results of operations, economic conditions and volatility in foreign exchange rates, by overall conditions in the financial and capital markets and the construction sector, and by any monetary penalties or fines we may have to pay as a result of any administrative or legal proceedings to which we may be exposed to. See Item 4 Information on the Company Regulatory Matters and Legal Proceedings for more information on our regulatory matters and legal proceedings.

The 2017 Credit Agreement requires us to comply with a minimum consolidated coverage ratio of EBITDA to interest expense (including interest accrued on Perpetual Debentures and cash payments on preferred stock), for the following periods, measured quarterly, of not less than (i) 2.50:1 for each 12-month period ending on December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 and (ii) 2.75:1 for the 12-month period ending on June 30, 2020 and on each subsequent quarterly date. In addition, the 2017 Credit

Agreement requires us to comply with a maximum consolidated leverage ratio of net debt (including Perpetual Debentures, guarantees and certain leases, excluding convertible/exchangeable obligations, the principal amount of subordinated optional convertible securities and plus or minus the fair value of derivative financial instruments, among other adjustments) to EBITDA for the following periods, measured quarterly, not to exceed (i) 4.75:1 for each 12-month period ending December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020, (ii) 4.50:1 for each 12-month period ending June 30, 2020, September 30, 2020, December 31, 2020 and March 31, 2021 and (iii) 4.25:1 for the 12-month period ending June 30, 2021 and on each subsequent quarterly date. For the period ended December 31, 2018, we reported to the lenders under the 2017 Credit Agreement a consolidated coverage ratio of 4.41 and a consolidated leverage ratio of 3.84, each as calculated pursuant to the 2017 Credit Agreement based on the definitions prior to the 2019 Credit Agreement Amendments (as defined below). See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Our Indebtedness.

Pursuant to the 2017 Credit Agreement, we are restricted when it comes to making aggregate annual capital expenditures in excess of U.S.$1.5 billion in any financial year (excluding certain capital expenditures, joint venture investments and acquisitions to be made by each of CEMEX Latam Holdings, S.A. (CLH) and/or CEMEX Holdings Philippines, Inc. (CHP) and their respective subsidiaries, and those funded by Relevant Proceeds (as defined in the 2017 Credit Agreement)), which capital expenditures, joint venture investments and acquisitions at any time then incurred are subject to a separate aggregate limit of (i) U.S.$500 million (or its equivalent) for CLH and its subsidiaries and (ii) U.S. $500 million (or its equivalent) for CHP and its subsidiaries. In addition, in each case, the amounts of which we and our subsidiaries are allowed for permitted acquisitions and investments in joint ventures cannot exceed certain thresholds as set out in the 2017 Credit Agreement.

We are also subject to a number of negative covenants under the 2017 Credit Agreement that, among other things, restrict or limit (subject to certain exceptions) our ability and the ability of each obligor (as defined in the 2017 Credit Agreement) to: (i) create liens, (ii) incur additional debt, (iii) change our business or the business of any obligor (as defined in the 2017 Credit Agreement, taken as a whole), (iv) enter into mergers, (v) enter into agreements that restrict our subsidiaries ability to pay dividends or repay intercompany debt, (vi) acquire certain assets, (vii) enter into or invest in joint venture agreements, (viii) dispose of certain assets, (ix) grant additional guarantees or indemnities, (x) declare or pay cash dividends or make share redemptions, and (xi) enter into certain derivatives transactions.

The 2017 Credit Agreement also contains a number of affirmative covenants that, among other things, require us to provide periodic financial information to our creditors. Pursuant to the 2017 Credit Agreement, a number of covenants and restrictions will, if CEMEX so elects, cease to apply (including the capital expenditure limitations mentioned above) or become less restrictive if (i) our consolidated leverage ratio for the two most recently completed quarterly testing periods is less than 3.75:1; or, for the three most recently completed quarterly testing periods, our consolidated leverage ratio for the first and third of those quarterly testing periods is 3.75:1 or less and in the second quarterly testing period would have been 3.75:1 or less but for the proceeds of certain permitted financial indebtedness being included in the calculation of debt and (ii) no default under the 2017 Credit Agreement is continuing. At that point, the existing consolidated coverage ratio and consolidated leverage ratio tests will be replaced by a requirement that the consolidated leverage ratio must not exceed 4.25:1 and the consolidated coverage ratio must not be less than 2.75:1. However, we cannot assure you that we will be able to meet the conditions for these restrictions to cease to apply prior to the final maturity date under the 2017 Credit Agreement.

The 2017 Credit Agreement contains events of default, some of which may occur and are outside of our control. Such events of default include but are not limited to defaults (subject to certain exceptions) and grace periods, based on (i) non-payment, (ii) material inaccuracy of representations and warranties, (iii) breach of covenants, (iv) bankruptcy (*quiebra*) or insolvency (*concurso mercantil*) of CEMEX, S.A.B. de C.V., any other obligor under the 2017 Credit Agreement or any other of our material subsidiaries (as defined in the 2017 Credit Agreement), (v) inability to pay debts as they fall due or by reason of actual financial difficulties, suspension or threatened suspension of payments on debts exceeding U.S.$50 million or commencement of negotiations to reschedule debt exceeding U.S.$50 million, (vi) a cross-default in relation to financial indebtedness in excess of U.S.$50 million, (vii) certain changes to the ownership of any of the obligors under the 2017 Credit Agreement,

(viii) enforcement of any security against an obligor or material subsidiary, (ix) any attachment, distress or execution affects any asset of an obligor or material subsidiary which is reasonably likely to cause a material adverse effect, (x) expropriation and sequestratrion of assets of certain of our subsisiaries that causes a material adverse effect, (xi) restrictions not in effect on July 19, 2017 are imposed that limit the ability of obligors to transfer foreign exchange for purposes of performing material obligations under the 2017 Credit Agreement, (xii) any material adverse change arising in the financial condition of CEMEX, which creditors representing two thirds or more of the total commitments under the 2017 Credit Agreement determine would result in our failure, taken as a whole, to perform payment obligations under the 2017 Credit Agreement, and (xiii) it becomes unlawful for us to comply with our obligations under the 2017 Credit Agreement where non-performance is reasonably likely to cause a material adverse effect. If an event of default occurs and is continuing, upon the authorization of creditors representing two thirds or more of the total commitments under the 2017 Credit Agreement, the 2017 Credit Agreement s agent has the ability to accelerate all outstanding amounts due under the 2017 Credit Agreement. Acceleration is automatic in the case of insolvency.

We cannot assure you that in the future we will be able to comply with the restrictive covenants and limitations contained in the 2017 Credit Agreement. Our failure to comply with such covenants and limitations could result in an event of default, which could materially and adversely affect our business, financial condition, liquidity and results of operations.

Changes to, or replacement of the LIBOR Benchmark Interest Rate, could adversely affect our business, financial condition, liquidity and results of operations.

In July 2017, the United Kingdom s Financial Conduct Authority (FCA), a regulator of financial services firms and financial markets in the United Kingdom, stated that they will plan for a phase out of regulatory oversight of the London InterBank Offered Rate (LIBOR) interest rate indices. The FCA has indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate. LIBOR indices, in particular the U.S. Dollar LIBOR, are commonly used as a benchmark for our financing agreements and derivatives, which systematically catalogue relevant LIBOR provisions, including uniform trigger provisions intended to identify a test for when LIBOR no longer governs the agreement and/or uniform fallback provisions intended to identify an alternative reference rate, or there may be vast, or slight, differences in those provisions. It is uncertain at this time whether LIBOR will change or cease to exist or the extent to which those entering into financial agreements will transition to any other particular benchmark. Other benchmarks may perform differently than LIBOR or have other consequences that cannot currently be anticipated. As of December 31, 2018, 37% of our foreign currency-denominated long-term debt bears floating rates at a weighted average interest rate of LIBOR plus 241 basis points. A transition away from and/or changes to the LIBOR benchmark interest rate could adversely affect our business, financial condition, liquidity and results of operations.

We pledged the capital stock of some of our subsidiaries that represent substantially all of our business as collateral to secure our payment obligations under the 2017 Credit Agreement, the indentures governing our outstanding Senior Secured Notes and other financing arrangements.

In connection with the 2017 Credit Agreement, we pledged or transferred to trustees under a security trust, the Collateral and all proceeds of the Collateral, to secure our obligations under the 2017 Credit Agreement, our Senior Secured Notes (as defined below) and under a number of other financing arrangements for the benefit of the creditors and holders of debt and other obligations that benefit from provisions in their agreements or instruments requiring that their obligations be equally and ratably secured.

As of December 31, 2018, the Collateral and all proceeds of such Collateral secured were (i) Ps172,617 million (U.S.$8,785 million) (principal amount Ps173,948 million (U.S.$8,852 million)) aggregate principal amount of debt under the 2017 Credit Agreement, our Senior Secured Notes and other financing arrangements and (ii) Ps8,729 million (U.S.$444 million) aggregate principal amount of Perpetual Debentures. The subsidiaries whose shares are part of the Collateral collectively own, directly or indirectly, substantially all of our operations worldwide. Provided that no default has occurred which is continuing under the 2017 Credit Agreement, the Collateral will be released automatically if we meet specified financial covenant targets in accordance with the terms of the Intercreditor Agreement (as defined below).

Table of Contents

We have a substantial amount of debt and other financial obligations maturing in the next several years. If we are unable to secure refinancing on favorable terms or at all, we may not be able to comply with our upcoming payment obligations. Our ability to comply with our principal maturities and financial covenants may depend on us implementing certain initiatives, which may include making asset sales, and there is no assurance that we will be able to implement any such initiatives or execute such sales, if needed, on terms favorable to us or at all.

As of December 31, 2018, which does not give effect to the 2019 Credit Agreement Amendments, our total debt plus other financial obligations were Ps207,724 million (U.S.$10,571 million) (principal amount Ps209,153 million (U.S.$10,644 million)), which does not include Ps8,729 million (U.S.$444 million), which represents the nominal amount of Perpetual Debentures. Of such total debt plus other financial obligations amount, Ps13,622 million (U.S.$693 million) (principal amount Ps13,605 million (U.S.$692 million)) matures during 2019; Ps22,530 million (U.S.$1,147 million) (principal amount Ps22,672 million (U.S.$1,154 million)) matures during 2020; Ps24,254 million (U.S.$1,234 million) (principal amount Ps24,254 million (U.S.$1,234 million)) matures during 2021; Ps30,524 million (U.S.$1,553 million) (principal amount Ps31,104 million (U.S.$1,583 million)) matures during 2022; and Ps116,794 million (U.S.$5,944 million) (principal amount Ps117,518 million (U.S.$5,981 million)) matures after 2022. As a result of the 2019 Credit Agreement Amendments, U.S.$530 million and U.S.$530 million, payable under the 2017 Credit Agreement in July 2020 and January 2021, respectively, will now mature in July 2023 and January 2024, respectively, and U.S.$48 million and U.S.$48 million remains payable under the 2017 Credit Agreement in July 2020 and January 2021, respectively.

If we are unable to comply with our principal maturities under certain of our indebtedness, or refinance or extend maturities of certain of our indebtedness, substantially all of our debt could be accelerated. Acceleration of our debt would have a material adverse effect on our business, financial condition, liquidity and results of operations. As a result of the restrictions under the 2017 Credit Agreement, the indentures that govern our outstanding Senior Secured Notes and other debt instruments, the current global economic environment and uncertain market conditions, we may not be able to, if we need to do so to repay our indebtedness, complete asset sales on terms that we find economically attractive or at all. Volatility in the credit and capital markets could significantly affect us due to its effect on the availability of funds to potential acquiring parties, including industry peers. In addition, high levels of consolidation in our industry in some jurisdictions may further limit potential assets sales to interested parties due to antitrust considerations. If we need to sell assets to repay our indebtedness but are unable to complete asset sales and our cash flow or capital resources prove inadequate, we could face liquidity problems and may not be able to comply with financial covenants and payment obligations under our indebtedness, which would have a