Leveraging our global network
We leverage our global knowledge and scale to establish best practices and common processes worldwide in order to operate more effectively and achieve the greatest value. We accomplish this by sharing what we know, supporting each other, and eliminating any boundaries that may separate us.

This philosophy is the foundation upon which we built CEMEX Operating Model. We developed the model so that every function—corporate, regional, and country (business unit) level—is united toward a common objective. The model consists of four integrated building blocks:

1. **VALUE CHAIN**
   Through local execution, our business units deliver the greatest value to our customers and achieve the greatest value for CEMEX. The value chain represents the core of our business with P&L responsibility.

2. **GLOBAL NETWORKS**
   Established to maximize value chain performance across business units (BUs)—operating as “One CEMEX”—these networks leverage our worldwide scale to create a competitive advantage. Using a common blueprint, they mobilize the organization to coordinate and launch high priority, global initiatives.

3. **SUPPORT FUNCTIONS**
   Our Strategic, Governance, and Compliance functions, as well as our Centers of Excellence, help enhance value delivery by enabling our business units to focus on value chain execution and achieving our strategic goals. Collectively, they define and enforce global policies, and they provide technical knowledge and specialized tools for continuous improvement.

4. **TRANSACTIONAL FUNCTIONS**
   These functions provide centralized support to improve execution efficiency. Key goals are to maximize standardization of processes and minimize transactional costs of doing business.

**Value Chain**
As the core of our business, our business units are the platform on which our management team executes and delivers value for our stakeholders. Fundamentally, our business units translate our strategy into results throughout the supply chain—from raw materials supply to delivery of our products and solutions. This includes all of our interactions with our customers, suppliers, and communities. Intimately connected through our different Global Networks and guided by our Support and Transactional Functions, our business units (BUs) are grouped into five regions: USA, Mexico, South, Central America and the Caribbean (SCA&C), Europe, and Asia, Middle East and Africa (AMEA).

**Global Networks**
Although each of our regions and businesses are strong, we are even stronger when sharing ideas and working together. Through our Global Networks, we operate as “One CEMEX”—creating value for our stakeholders through global collaboration and integration.

**Customer Centricity**
Customer centricity is one of our top priorities. Through the Customer Centricity Global Network, we strive to create solid relationships with our customers, building the foundations for long-lasting partnerships.

We collaborate to identify practices and processes we can replicate and leverage to better serve our customers. We challenge, push, and support local commercial teams to achieve ambitious goals, and ensure we effectively invest in tools and technologies to improve customer service and productivity.
In order to deliver value for our customers, as well as our business, the Customer Centricity network has built an institutional sales management process to standardize commercial management practices across all of our lines of business. Through this process, we can better drive results by ensuring our strategic and tactical commercial decisions are executed according to high standards of excellence.

2016 Key achievements for Customer Centricity
In 2016, we launched CEMEX Digital Commercial Model (DCM), identifying customer pain points while integrating a 360-degree expertise approach to solution design, development, and deployment. Additionally, we defined our Customer Centricity framework, incorporating our Customer Journey Experience and DCM. We further generated US$339 million in additional EBITDA through our cement Value before Volume track.

Our goal is to run the safest, most efficient cement operations in the world, while offering the best quality, highest value, customer-oriented products and services. Through the Cement Operations Global Network, we strive to build on our long track record of lean operations to create efficiencies and ensure a high level of customer responsiveness. Our employees are engaged, well trained, and fully committed to working in a sustainable way as one CEMEX team worldwide.

With geographically diverse operations, we dispose of waste generated in our production processes in accordance with local regulations. Cement kiln dust represents the greatest amount of waste produced. Accordingly, we often reuse this dust in our cement production and other processes. To realize the financial and environmental benefits of waste, we monitor, minimize, reuse, and recycle all of our wastes, whenever possible.

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<tr>
<th>OPERATIVE EFFICIENCY</th>
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<tr>
<td>Trimed number of kilns not reaching 90% operating efficiency in half, thus achieving benefits of over US$10 million due to additional clinker production and reduced need to transfer/import clinker</td>
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<tr>
<td>Kicked off kiln efficiency task force for the U.S. to define action plans for every kiln not reaching our efficiency objective</td>
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<th>OPERATIONAL EXCELLENCE</th>
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<tr>
<td>Started standard organization project with agreed baseline for benchmark</td>
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<td>Executing cultural change to lean management, with over 3,000 employees trained as “green belts,” while capturing US$6 million from improvement initiatives</td>
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<th>MAINTENANCE</th>
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<td>Globally completed basic reliability centered maintenance (RCM) training</td>
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<td>Deployed outage planning and execution model, resulting in a four-day reduction in global average and US$11 million in variable cost savings</td>
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<th>BEST PRACTICES IMPLEMENTATION</th>
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<td>Successfully deployed fuel optimization initiatives, yielding benefits of over US$75 million mainly from Egypt’s conversion to petcoke</td>
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<tr>
<td>Continued deployment of Electricity and Quality tracks to negotiate prices and optimize raw material mix, capturing US$14 million in variable cost savings</td>
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<th>OPERATIONS MODEL</th>
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<td>Completed initial detailed definitions of standard processes and procedures for maintenance, quality, and plant management</td>
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The network is committed to achieving synergies across all of our operations. Our main focus is on optimizing our fuel mix, electric, and maintenance costs, while maximizing our kilns’ efficiency.

2016 Key achievements for Cement Operations
In 2016, we achieved US$120 million in benefits with our reductions in variable and fixed costs. Also, the consolidated operating efficiency of our kilns increased 1 percentage point—reaching 89% for the year.

Our main objective is to develop a superior model that enables our aggregates business to grow sustainably and to create greater value for our customers and other stakeholders. Key elements of the Aggregates Global Network model include strategically managing the depletion and replenishment of our reserves, optimizing our operations, using transportation as a lever of value creation, and offering distinct value propositions by customer segment.

Another primary objective of the network is achieving full cost recovery (FCR), including capital costs measured on a normalized reserve base at current market value on a per-ton basis. We have developed detailed action plans per quarry to ensure consistency and enable us to consider all of the factors that will contribute to our 100% FCR goal—from pricing to lowering our asset base, reducing costs, and increasing efficiency.

We are using a new methodology based on market tiers to guide where to invest and secure replenishment of our aggregates reserves in key markets. Additionally, we set a new stretch inventory optimization target for finished-goods inventory reduction.

2016 key achievements for Aggregates
In 2016, we replenished 115 million tons of our aggregates reserves. We also reduced our inventories by US$18.8 million or 15% compared with the prior year. We further captured income of US$17.4 million from services and surcharges.

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<th>OUR OBJECTIVE IS TO DEVELOP OUR AGGREGATES BUSINESS TO GROW SUSTAINABLY AND TO CREATE GREATER VALUE.</th>
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<tr>
<td><strong>VALUE BEFORE VOLUME</strong>&lt;br&gt;• Conducted FCR workshops in 40 quarries, identifying US$18 million in potential benefits&lt;br&gt;• Approximately 77% of our volume is at FCR&lt;br&gt;• Increased income from Value-Added Aggregates Solutions (VAAS) by 15.4%&lt;br&gt;• Internally launched NEOGEM, umbrella brand for VAAS products</td>
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<td><strong>ASSET MANAGEMENT</strong>&lt;br&gt;• Finished aggregates replenishment as planned for the year&lt;br&gt;• Identified technologies to reduce slow moving inventories&lt;br&gt;• Implemented Aggregates Development Plan</td>
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<td><strong>OPERATIONAL EXCELLENCE</strong>&lt;br&gt;• Executed Standard Organization internal and external benchmarks, opportunities for headcount and maintenance cost savings of US$17.4 million&lt;br&gt;• Progressed on maintenance standards&lt;br&gt;• Identified additional productivity benefits of US$12 million together with FCR workshops</td>
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<td><strong>TALENT MANAGEMENT</strong>&lt;br&gt;• Kicked off new track to ensure talent pipeline&lt;br&gt;• Built core team around three work streams: retention, development, and recruitment&lt;br&gt;• Outlined roadmap for 2017</td>
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4 | Our operating model
OUR GOAL IS TO CAPTURE THE FULL VALUE OF THE READY-MIX CONCRETE PRODUCTS AND SERVICES WE DELIVER TO OUR CUSTOMERS.

We offer a wide range of ready-mix products and services, together with technical support for our different types of ready-mix concrete. Depending on the type of application and jobsite requirements, we can design concrete that is stronger, more fluid, develops strength faster, and retains workability longer. At CEMEX’s Global Center for Technology and Innovation, our researchers further design special concretes that fulfill the construction industry’s increasingly demanding performance requirements.

2016 key achievements for Ready-mix
In 2016, we captured US$186 million of operating cash flow from services and fees, an incremental improvement of US$6 million from 2015. Through the global deployment of our Value-Added Products Commercial framework, we realized incremental benefits of US$15 million compared with the prior year.

| VALUE BEFORE VOLUME | • Progressed in key services and surcharges (i.e., sustainability surcharge, and returned concrete and cancelation fee)  
|                     | • Completed and piloted training program on each of the elements of Value before Volume |
| VALUE-ADDED PRODUCTS | • Global deployment of Value-Added Products Commercial framework |
| SMALL-END CUSTOMERS  | • Improved volume and penetration in this important segment, realizing US$7 million in incremental benefits versus 2015  
|                     | • Replicated different processes across our operations (i.e., Inside Sales Scheme) to enable key business capabilities to better serve this segment  
|                     | • Defined Small-End Customers Business Model and Customer Journeys |
| OPERATIONAL EXCELLENCE | • Executed Standard Organization benchmarks, theoretical opportunities for headcount savings of US$16.1 million  
|                     | • Completed deployment of basic training skills in key operations through Order Management Certification Program |
| ASSET MANAGEMENT    | • Defined Asset Footprint and Real State frameworks |

With operations in more than 50 countries, the primary focus of the Supply Chain Global Network is to create a competitive advantage and deliver more value to our customers by continuously improving our logistics capabilities. By defining the right logistics model, we can develop global benchmarks with common measurement standards, identify best-in-class practices to replicate where applicable, and foster a global culture of best practice sharing and collaboration.

Through our end-to-end supply chain model, we plan and coordinate activities along the value chain, including:
- Sales forecasting and operations planning
- Freight management
- Network optimization

The network provides a variety of benefits, including:
- Improved customer service
- Reduced order cycle times
- Better forecasting (MAPE)
- Lower distribution expenses
- Less inventory

2016 Key Achievements for Supply Chain
In 2016, we launched our Sales and Operations (S&OP) processes and tools in six countries/regions, realizing production and distribution cost benefits of US$8 million. Moreover, we implemented our freight management process for cement and aggregates in 13 countries, capturing US$14 million in benefits for the year.
Our operating model

With more than one million people added to the urban population each week, the world faces incredible infrastructure and housing challenges. At CEMEX, the Grow the Pie Global Network is focused on increasing the market penetration of our products. We seek to make concrete the material of choice for infrastructure, energy-efficient buildings, and low-income housing in all of our markets.

We create more value for our customers by offering them a wide array of innovative construction solutions that help them increase their productivity and profitability, reduce construction cycles, and build more resilient infrastructure and resource-efficient residential, commercial, and industrial buildings. Through the network, we help meet today’s challenges by delivering a range of concrete-based solutions, such as:

- Providing resilient and low-impact infrastructure
- Contributing to the construction of affordable housing
- Integrating and promoting innovative solutions for energy-efficient buildings.

2016 Key Achievements for Grow the Pie

Globally, we paved an area equal to 271 million m² with our concrete- and cement-based solutions, generating integrated operating cash flow of US$115 million in 2016. We also constructed an area of almost 11 million m² with our concrete-based building solutions, generating integrated operating cash flow of US$36 million for the year.
OUR OPERATING MODEL

WE COLLECTIVELY MANAGE OUR BUSINESS AS ONE EFFICIENT GLOBAL ENTERPRISE. IN SHORT, WE ASPIRE TO BE A LEAN, EFFICIENT OPERATOR.

Through our One Single Model initiative, our Global Service Organization is creating value throughout our company by generating cost savings, capturing economies of scale, and improving overall administrative effectiveness and process efficiency. As a result of this initiative, we achieved annual savings of US$14 million for the year.

Among our accomplishments in the U.S., we centralized and consolidated our organizational structure under one single Operational Support Area. We standardized our commercial administrative support processes, services, and organizational model. We are also aligning our cement and aggregates material valuation and costing process with our global model. Additionally, in Europe, we established a multilingual Expertise Service Center in the Czech Republic, designed to offer qualified accounting and finance support to our regional operations.

Key processes include management of accounts payable and receivable, human resources, and payroll, as well as controllership and financial reporting. The portfolio of services has evolved from mainly transactional services to now incorporate a wide range of knowledge-based services and analytics for decision-making.

The goal of these separate areas is to ensure the highest level of service and optimal control, while achieving economies of scale and minimizing transactional costs. Service Level Agreements are used to measure service performance and ensure reliable information.

PAVING

- Sold 4.4 million m³ of concrete and 619,000 tons of cement through Grow the Pie (GTP) solutions
- Successfully expanded Roller Compacted Concrete (RCC) in Mexico, Egypt, the U.S., the UAE, and the UK
- Reduced the number of turnkey projects by 15% and increased the number of projects through third-parties by 9%

BUILDING SOLUTIONS

- Successfully expanded Insulated Concrete Forms (ICF) in the UK, Germany, and France
- Increased penetration of concrete bricks in the UK, while introducing them in France
- Received very successful reception for Cast-in-Place formworks from housing industry forums in the Philippines

Through our Global Networks, we collectively manage our business as one efficient global enterprise—ensuring that CEMEX is much more than the sum of its parts. In short, we aspire to be a lean, efficient operator.

During 2016, we delivered on our cost and expense reduction target of US$150 million. We reduced our cost of sales and operating expenses as a share of sales by 1.8 and 0.3 percentage points, respectively, leading to a 1.7 percentage point expansion in our operating EBITDA margin to 20.5% for the year. While that’s good by industry standards, we know we can do even better.

Support functions

Support functions are responsible for the design, institutionalization, and audit of our global policies and processes. They also coordinate and support our Global Networks and their local counterparts to define solutions required by the BU’s. These functions further ensure local needs are considered and incorporated into the solutions deployed and determine performance metrics, as well as targets for key local positions and processes. Support functions include human resources, planning, sustainability, energy, and finance, among others.

Transaction functions

These functions comprise our centralized areas that perform high frequency, standardized activities conducted daily, enabling other CEMEX areas to evolve and deliver additional value. CEMEX’s transactional functions include our distinct Global Service Organization and Vendor Management Office.