

**BOARD OF DIRECTORS
CEMEX, S.A.B. DE C.V.
ING. ROGELIO ZAMBRANO LOZANO
CHAIRMAN**

Pursuant to article 43 of the Mexican Securities Market Law (*Ley del Mercado de Valores*), we hereby submit through you, for consideration of the Board of Directors of Cemex, S.A.B. de C.V., the following activities report that corresponds to the financial year 2016:

- (i) The Internal Audit program for 2016, which establishes the coverage in the different countries and operations of Cemex, S.A.B. of C.V. and its subsidiaries, and its scope was reviewed.

The Committee reviewed the results of the audits for the financial year 2015.

- (ii) The Committee periodically evaluated the operational risks, their potential economic impact and the deficiencies detected in the audits, as well as their relevance and the measures taken by the Administration to correct them.

The Committee was informed of the implementation of an initiative proposed by the Chief Executive Office in order to analyze and follow up on issues of general interest, such as client portfolio, credit and cash sales, inventories and separation of functions, for a better control.

A report was presented to the Committee regarding the main lawsuits in which Cemex, S.A.B. of C.V. or its subsidiaries are parties to, analyzing the contingencies that they represent.

In an extraordinary session, an evaluation of the irregularities in relation to the implementation of the project for a new plant in the municipality of Maceo in Colombia was carried out, an analysis of the audits practiced was also analyzed, evaluating the possible damages and recommending actions to improve the supervision and control.

- (iii) The Committee was informed of the functioning of the system for filing complaints in an anonymous and confidential manner, verifying that due attention was paid to the complaints submitted.
- (iv) The Committee reviewed the testing of the internal control systems, verifying that these were declared effective pursuant to applicable regulations, except for deficiencies related to the irregularities that have been detected due to various events that took place during the financial year 2016, and that have been disclosed by the Company. This does not imply restatement of financial statements. As of the date of this report, the Company continues to evaluate the materiality of said failures.
- (v) The Committee recommended that the Board of Directors continue the services of the External Audit firm KPMG Cárdenas Dosal S.C.; as well as the fee budget submitted by said firm; verifying that services that are not permitted are not provided; the

independence of the Audit firm, as well as compliance with the rotation of the responsible partner.

- (vi) The external auditors attended the Committee sessions, reporting on their review to the internal control systems, informing the Committee that the US Securities Authorities are implementing guidelines for management to reason the procedure for accounting estimates and aspects that require professional judgment.

The auditors discussed with the Committee the relevant events and their impact on the Financial Statements during the 2016 fiscal year, as well as the main contingencies, the follow-up given during the year, as well as the deficiencies found, which were considered not material.

- (vii) The Financial Statements of the Company and its subsidiaries, audited for fiscal year 2016, as well as those of Cemex, S.A.B. of C.V., authorizing them to be submitted to the Board of Directors and, in due course, to the General Shareholders Meeting.

The most significant aspects during 2016 were: (i) The issuance of notes that allowed, through public offers, to repurchase other issues and to push back debt maturities through April 2026 for U.S.\$1 billion, the net repayment of debt in dollar terms for approximately U.S. \$1,956 million considering resources generated by the operation and obtained from the sale of assets, as well as the renegotiation of the balance remaining for U.S.\$200 million of the notes convertible into shares that expired in March 2016 and extended to 2020 under a mandatory exchange offer negotiated by CEMEX in 2015; (ii) With respect to assets sales, in May 2016, the operations in Bangladesh and Thailand were sold for approximately U.S.\$53 million, in July 2016, the sale of 45% of CEMEX Holdings Philippines for approximately U.S.\$507 million through a public offering, in November 2016, the sale to Grupo Cementos de Chihuahua ("GCC") of a cement plant and two cement terminals in Odessa, Texas and the construction materials business in El Paso, Texas and Las Cruces, New Mexico, for approximately U.S.\$306 million. Likewise, by the end of the year and with the expectation of closing in the first quarter of 2017, the company is committed to sale to Eagle Materials a cement plant and its terminal in Ohio for approximately U.S.\$400 million, the sale to Quickrete Holdings of the concrete pipe business in the United States for approximately U.S.\$500 million, as well as the sale to a subsidiary of Pumping Team S.L.L. of the equipment and concrete pumping business in Mexico for approximately U.S.\$80 million, of which U.S.\$15 million for the sale of the equipment will be received at the closing of the contract and the remaining U.S.\$ 65 during an initial agreed term of up to 10 years. Finally, on January 25, 2017, in relation to CEMEX's investment in 23% of GCC's capital, the Parent Company and GCC announced that they will start offers, in Mexico through the Mexican Stock Exchange and through private placement for investors outside Mexico, for up to 76,483,332 shares of GCC owned by CEMEX at a price range of 95.00 to 115.00 pesos per share (potential resources before placement expenses of between \$7,266 and \$8,796 million pesos). The amount and moment of execution of the offers will depend on the market conditions and other conditions; (iii) In relation with the assets sales, in dollar terms, the balance of goodwill decreased by approximately U.S.\$731 million, in relation to the proportional cancellation considering the equivalent fair values; (iv) In December 2016, through Sierra

Trading, CEMEX launched a public offer for the purchase of up to 74.9% of the share capital of Trinidad Cement Limited ("TCL"), considering that Sierra held 39.5% of TCL's capital, the Offer represented an initial price of up to U.S.\$89 million. On January 9, 2017, Sierra improved the price per share which represented a price of up to U.S.\$101 million. On January 24, 2017, Sierra reported that after having fulfilled the terms and conditions of the tender offer, the tender offer was declared unconditional and that TCL shares had been deposited and that those together with Sierra's current participation represented approximately 67.39% of the capital stock of TCL, Sierra is the new controlling entity and will begin the financial consolidation of TCL starting on February 2017; (v) Considering the shutting down of plants and/or the reduction of operations in cement and concrete plants to adjust supply to current demand conditions, the transfer of installed capacity to more efficient plants, as well as the recoverability of certain investments in process in Colombia as described below, in 2016, CEMEX recognized impairment losses on property, machinery and equipment totaling approximately U.S.\$96 million, of which approximately U.S.\$52 million came from the closure of the Puerto Rico plant and U.S.\$26 million comes from the projected closing of assets in Colombia and losses in the Maceo project; and (vi) During 2016, in connection with the Maceo project, CEMEX Latam Holdings ("CLH") received reports through its anonymous complaint line about possible deficiencies in the process of purchasing the land where the cement plant is located. CLH immediately initiated an internal audit in accordance with its corporate governance policies and its code of ethics, confirming the irregularities. As a result of this process, on September 23, 2016, CLH immediately decided to terminate the employment relationship with the Vice President of Planning of CLH and CEMEX Colombia; and with the Legal Counsel of CLH and CEMEX Colombia. In addition, effective as of September 23, 2016, the Chief Executive Officer of CLH and President of CEMEX Colombia resigned in order to facilitate the investigations. CEMEX and CLH informed the authorities in Colombia of these findings. On October 4, 2016, in order to strengthen levels of leadership, management and corporate governance practices, the Board of Directors of CLH resolved to split the roles of Chairman of the Board of Directors of CLH, Chief Executive Officer of CLH and Director of CEMEX Colombia. Consequently, the appointment of the new Chairman of the Board of Directors of CLH, new Chief Executive Officer of CLH, new Director of CEMEX Colombia and new Vice President of Planning of CLH and CEMEX Colombia were immediately agreed. Regarding the internal audit mentioned above, and considering the available findings and legal opinions, in the fourth quarter of 2016, CEMEX determined: a) there is low probability of recover resources delivered under different memorandums of understanding for the purchase of the assets related to the project for an amount of approximately U.S.\$19, which were recognized as part of investments in progress, have been considered as contingent assets recognizing an impairment loss for such amount against other expenses, net; b) certain purchases of equipment installed in the plant were considered exempt for VAT purposes under the benefits of the free trade zone, however, as those assets were actually installed outside of the free trade zone's area, they lack of such benefits, therefore, CEMEX increased investments in progress against VAT accounts payable for approximately U.S.\$11; and c) the cancellation of the balance payable to CI Calizas under the MOU in connection with the acquisition of the assets for approximately U.S.\$9 against a reduction in investments in progress. Likewise, CEMEX decided to postpone the start-up of the plant until the

acquisition and formalization of the quarry's operating licenses and the free trade zone were not resolved.

The main critical accounting policies during the year considering the type of operations were: taxes on income (current and deferred), valuation of assets for sale and proportional distribution of goodwill, recognition of income, impairment of assets Long life and accounting estimates, mainly based on provisions and contingencies on ongoing legal proceedings.

- (viii) As to compliance with the provisions of the securities authorities of the United States:
- (i) The review of compliance with the securities markets laws to which the company is bound was made, analyzing the suggestions and comments made by the U.S. Securities and Exchange Commission, making sure that these were duly replied to.
 - (ii) As of the date of this report, the Company and the external auditors are in process of finalizing the internal control's tests, mainly in relation to the year's closing controls and certain controls at the entity level. Likewise, the materiality of deficiencies in internal controls related to the aforementioned cases is being evaluated for possible disclosure in the annual report that will be reported to the U.S. Securities and Exchange Commission.

The Committee made sure that Management properly followed the recommendations and corrective actions suggested by the external auditors with no irregularities or material flaws thereto, and issued their opinion on the various matters within its scope which were submitted to the Board of Directors, the compliance with the resolutions related to Shareholders' Meetings and Board of Directors' Meetings was also reviewed.

The opinion of the external auditors on the company's financial statements both individual and consolidated, is that they reasonably reflect the financial situation and results of the Company and its subsidiaries, that material events have been properly revealed, and that application of the accounting principles and policies has been consistent and adequate.

Monterrey, N.L. on February 2, 2017

By the Audit Committee

Signed by C.P. José Manuel Rincón Gallardo
C.P. José Manuel Rincón Gallardo
Chairman

Signed by Lic. Ramiro G. Villarreal Morales
Lic. Ramiro G. Villarreal Morales
Secretary