

SCORT

San Antonio, TX

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Objectives

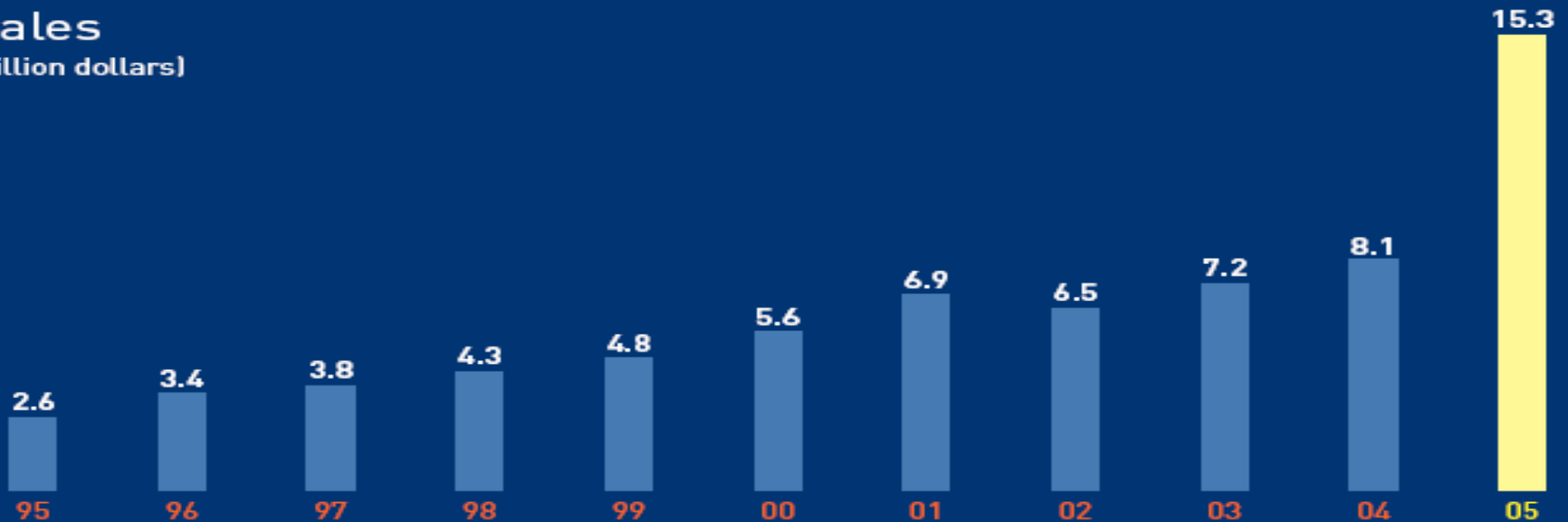
- **Who is CEMEX?**
- **Rail Challenges**
 - + Service Performance
 - + Capacity
 - + Cost
 - + Resource Availability
 - + Regulatory
- **Shipper Response**

Who is CEMEX?

- Leading manufacturer & marketer of construction materials worldwide
- Operations in over 50 countries on 5 continents
- WW HQ in Monterrey MX, US HQ in Houston TX: 50,000+ employees worldwide
- Substantial growth in last 10 years, much thru acquisition
- Celebrating 100 year anniversary in 2006

Sales

(billion dollars)



Global 2005 Industry Rankings

	CEMENT	AGGREGATES	READY-MIX
1	Holcim	Lafarge	CEMEX
2	Lafarge	Vulcan	Lafarge
3	CEMEX	CRH	Holcim
4	Heidelberg	Hanson	Heidelberg
5	Anhui Conch	Martin Marietta	Hanson
6	Italcementi	CEMEX	Italcementi
7	Taiheiyo	Holcim	Rinker
8	Buzzi	Rinker	CRH
9	Eurocement	Colas	Tarmac
10	Votorantim	Heidelberg	Ciments Vicat ⁽¹⁾

(1) Heidelberg holds a 35% stake in Vicat. Therefore, Heidelberg includes Vicat's capacity on a weighted basis.

Note: US short tons were converted with the following factors: metric ton/short ton = 1.10231; cubic meter/cubic yard = 1.30785

Source: 2005 company reports, JP Morgan Building Materials Report Feb 2006, CX analysis

USA 2005 Industry Rankings

	CEMENT	AGGREGATES	READY-MIX
1	CEMEX	Vulcan	CEMEX
2	Lafarge	Martin Marietta	Rinker
3	Holcim	Hanson	Lafarge
4	Heidelberg	Oldcastle	Heidelberg
5	Buzzi	Lafarge	Oldcastle
6	Ash Grove	Rinker	Florida Rock
7	Italcementi	CEMEX	Holcim
8	Taiheiyo	Holcim	Hanson
9	TXI	MDU Resources	US Concrete
10	Rinker	Florida Rock	Thomas Concrete

All numbers refer to sales in the US, unless otherwise indicated

(1) Martin Marietta Agg, Lafarge RM and Heidelberg Agg/RM include Canada

RM & Agg : Holcim (Aggregate Industries), Hanson, Rinker US Concrete, Thomas, RM USA, Oldcastle, Florida Rock, MDU - only US

Vulcan aggregates excludes Mexico (~7.3M shot tons)

Quarry



Key Production Processes



Raw materials:
Limestone, clay,
iron ore, gypsum

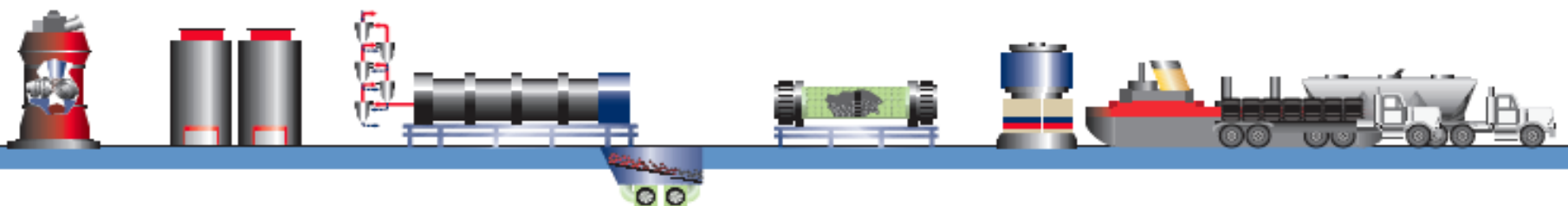
Mining the
raw materials

Transporting the
raw materials

Crushing

Prehomogenization

Raw
material
storage



Dry
powder
mill

Raw meal
homogenization

Calcination

Cement
milling

Cement
packaging

Cement
shipping

Ready-mix concrete production process

Ready-mix raw materials



Water Air Additives Cement Aggregates

Aggregates

Concrete mixing

Concrete delivery

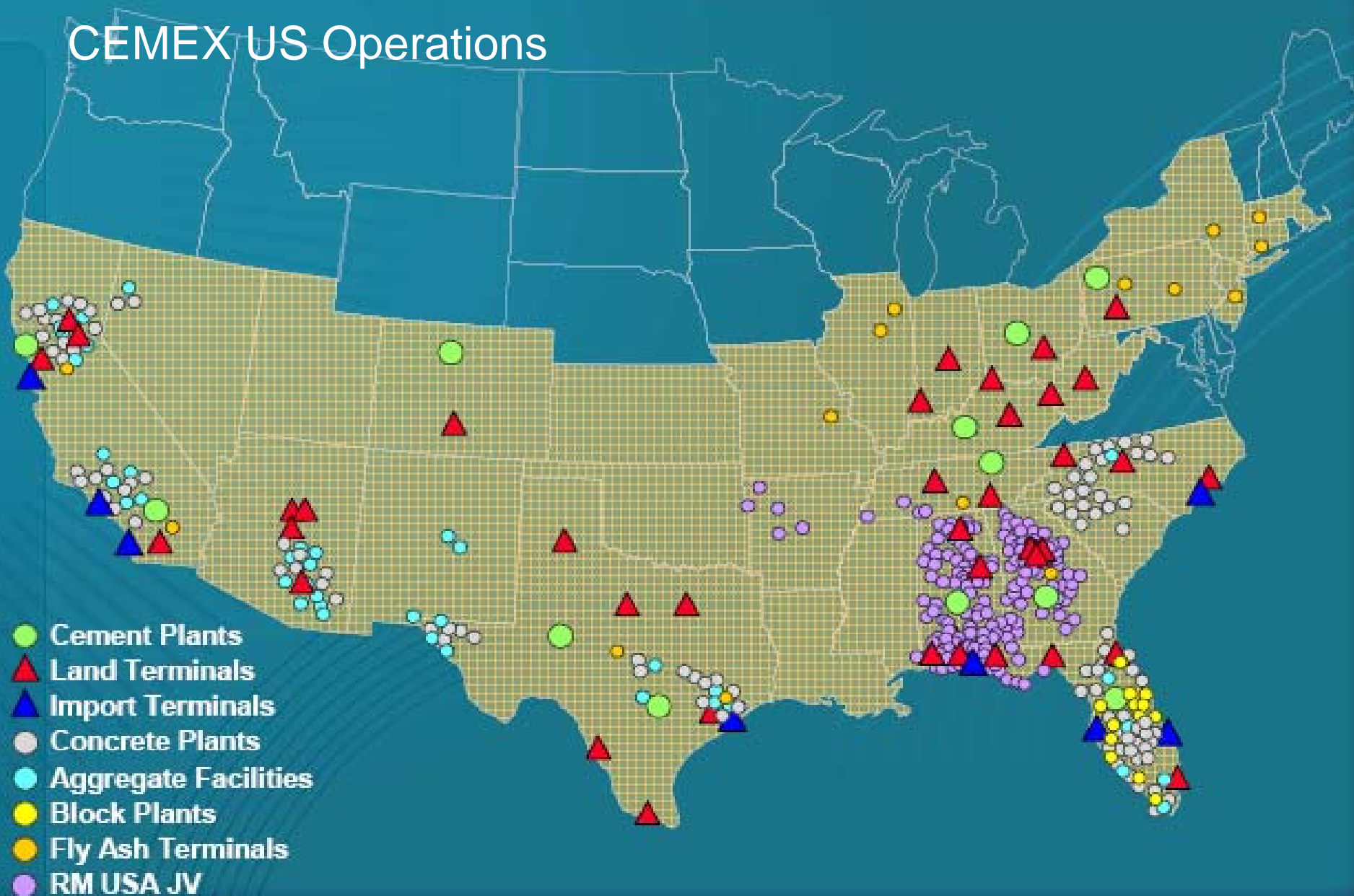
Additives

Raw material
Process stages

Water

Cement

CEMEX US Operations



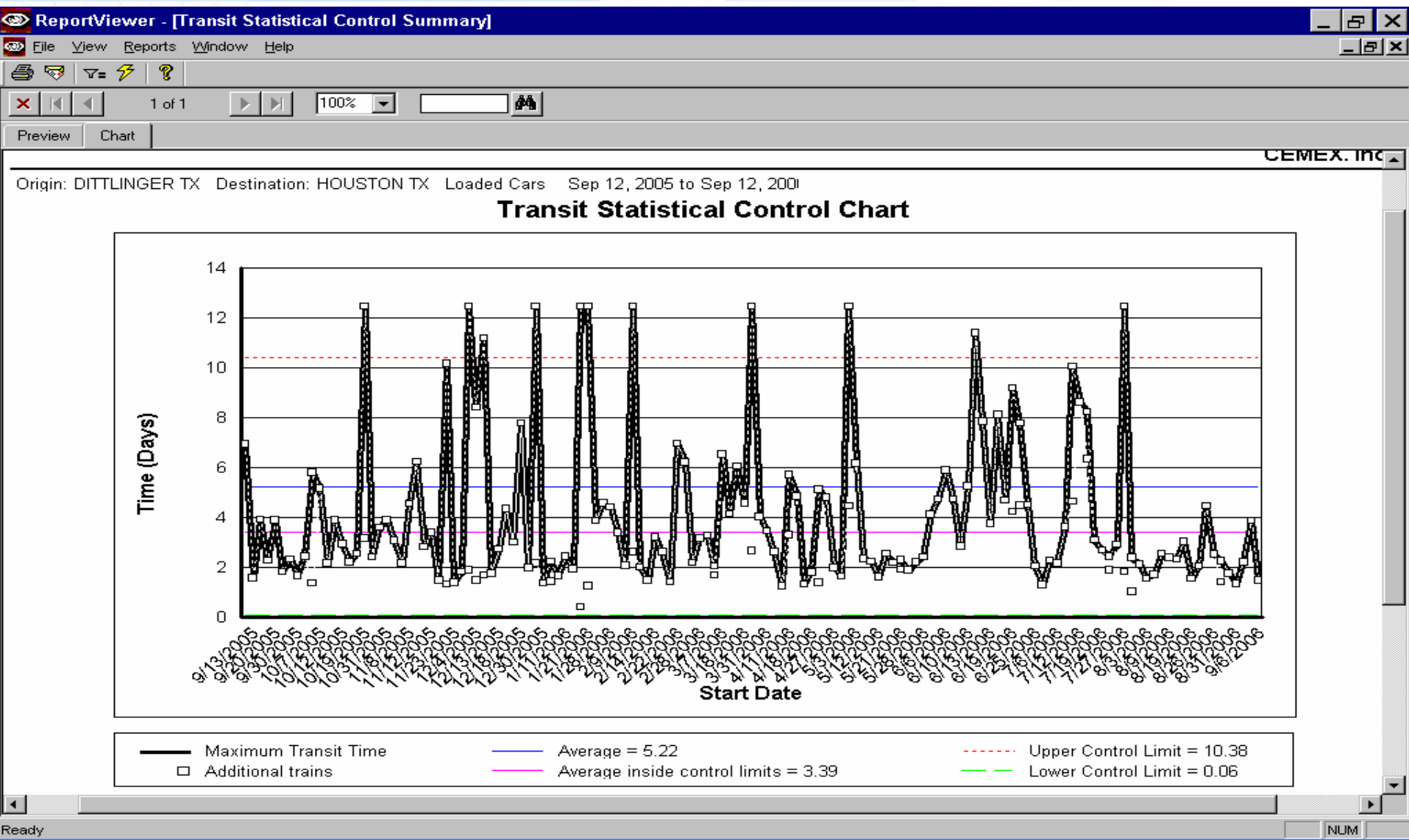
CEMEX USA Evolution

Volumes	1998	2000	2005*
Cement (M ST)	4.2	16.4	19.3
Ready Mix (M CY)	3.2	7.6	23.0
Aggregates (M ST)	16.1	27.9	53.7
Block (M units)	-	35.2	197.3
Sub	23.5	87.1	293.3

Overview of Rail

- **CEMEX ships 65+ K railcars per year: \$60+ M per year**
 - + 13 rail ship points (12 plants, imports, etc.)
 - + > 30 rail-served terminals: cement, limestone, fly ash, coal, raw mat'l.
 - + Avg. shipment < 300 miles
- **Ship on 6 of 9 NA Class I's**
- **Rail performance greatly improved vs 2003-2004**
 - + Capacity increased, especially crews and locomotives
 - + Avg. Transit Times lower, but variability increased
- **Variability consumes capacity**

Rail Transit Times are highly variable



Challenge: Capacity

- **Capacity constraints now a factor, unlike last 20+ years**
 - + Little choice but ship by rail for low value-to-weight products
 - + Crews and Locomotives improved
 - + Rail terminal and Line Capacity still tight
- **Steps to increase/allocate limited capacity**
 - + Price
 - + Eliminate switching activity on mainline: drive in/drive out
 - + Reduce workload variability in First/Last Mile
 - + 24 x 7 loading and unloading
 - + Managing/reducing variability
- **Train slots are the key >>> unit trains where possible**
- **Railroads predict demand > capacity for 20+ years**

Challenge: Cost

- **Substantial rate increases in last 2 years**
 - + > 5-15 % rate increases, far above inflation (range = 3 - 55%)
- **Public rates**
 - + Volume allowances are history
 - + Visibility to competitors & other railroads
- **Demurrage rate increases & Fuel Surcharge**
- **Market won't support rates as economy cools**
- **Railroads demarketing volume using rates**
 - + Shippers with most attractive traffic win
 - + Efficiency, velocity, fewer cars

Cost

- **Higher freight rates haven't ensured increased capacity**
 - + Captive shippers lose to shippers with competitive options
 - + Long haul intermodal traffic is favored
- **Railroads requiring shippers pay to rehab railroad assets**
 - + Track terminating at only a few shippers
 - + Must rehab rail track for continued shipments
- **Railroads have a cost problem, particularly labor rates**
 - \$ 2M/mile for mainline track construction
 - \$ 90,000 mile/year for track maintenance
 - \$ 83/hour for railcar repairs by RR vs high \$ 40's/hour
- **Railroads continue to shift costs to shippers**

Challenge: Resource Availability

- **Railroads have stopped supplying railcars for some commodities**
- **Fewer component & railcar manufacturers**
 - + Fewer players with each recession: boom/bust cycle
- **Train slots are now the critical resource**
 - + Intermodal is pushing out car load business: \$75 K/train contribution
 - + Shorter haul business is at a disadvantage
- **Disadvantages to Captive Shippers and exempt commodities magnified under tight capacity**
- **Investments & allocation of resources are different, ie non-optimal, with regional monopolies vs free markets**

Challenge: Regulatory

- **Threat: Individual State Initiatives on rail**
 - + Railcar features/standards
 - + Restrictions on commodities/routes
- **Threat: High liability on a small % of shipments**
- **Proposed Legislation**
 - + AAR proposing a 25 % Investment Tax Credit for extra capacity
 - + S-919/HR2074 to increase rail-to-rail competition
 - + HR-3318 Remove Anti-trust waivers for rail mergers
- **STB and Congress are little help to Captive Shippers**
 - + Influence of next jobs and campaign contributions gets in the way

Shipper Responses

- **Adjusting business to match rail capabilities**
 - + Grow where rail allows, rationalize elsewhere
 - + Focus/compete for train slots: make traffic more attractive to railroads
 - + Unit trains, rail infrastructure, buffers
- **Developing tools to better address capacity & variability**
 - + Supply chain simulation, additional buffers, fuel hedges
- **Regulatory or legislative relief**
 - + FSC, Captive Shipper, additional deregulation/competition
- **Buying trucks for private fleets to reduce rail dependency**
- **Collaboration with railroads, eg NITL sub-committees**

The End

Thank You

CEMEX US Operations

Cement Production

- ✓ 12 Cement Plants – 13 M ST
- ✓ 1 Grinding Plant – 0.2 M ST

Cement Imports

- ✓ 8 Marine terminals – 4.7 M ST
- ✓ 41 Land terminals – 1.4 M ST

Concrete

- ✓ 238 Ready-mix plants – 23 M Cy
- ✓ 63 Block plants – 197 M Units

Aggregates

- ✓ 50 Quarries – 54 M ST

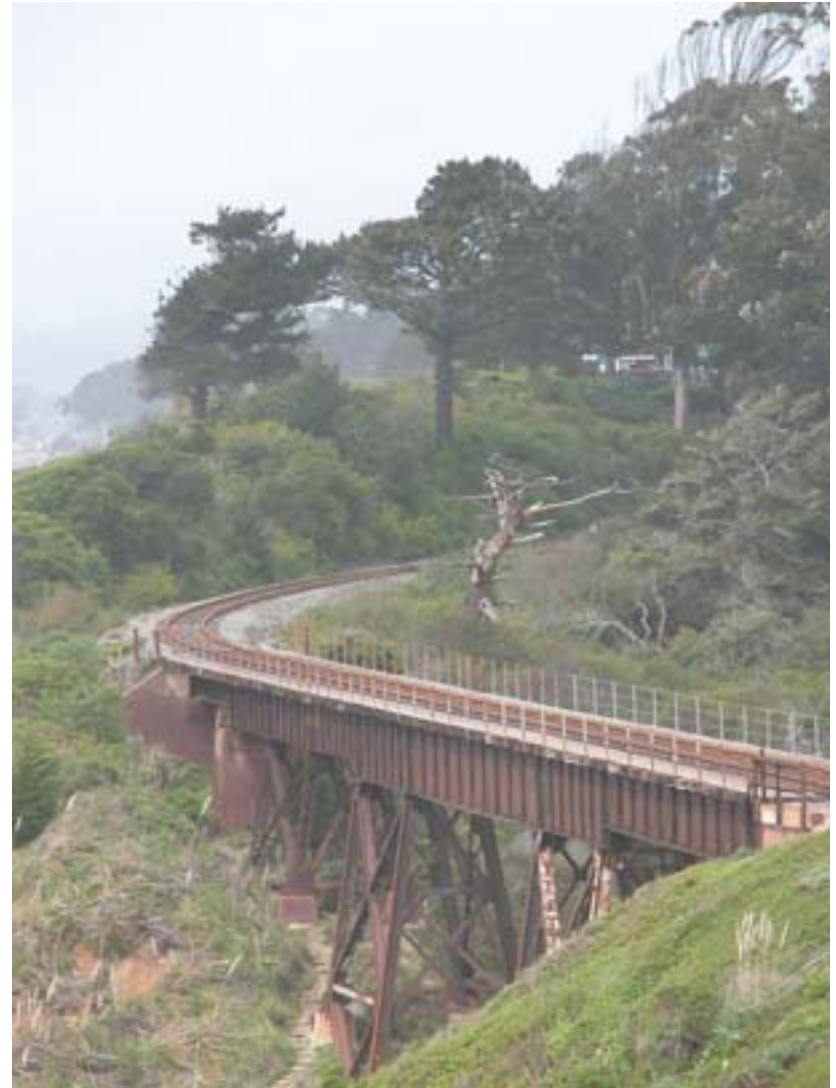
Fly Ash –

- ✓ 28 Fly Ash Terminals

- 
- Cement Plants
 - ▲ Land Terminals
 - ▲ Import Terminals
 - Concrete Plants
 - Aggregate Facilities
 - Block Plants
 - Fly Ash Terminals
 - RM USA JV

La Selva Rail Bridge

Bridge near La Selva in the southern-middle of the county, one of 6 major bridges with structural problems (38 trestle/bridges on Branch Line)



Deteriorating Bridge Condition



CEMEX started operations in the US in 1986

- 1986** CEMEX enters the cement distribution business through joint ventures in Texas and California
- 1989** CEMEX acquires ready mix and aggregates assets in Texas and Arizona
- 1994** Purchase of the Balcones, TX, cement plant. CEMEX becomes a domestic manufacturer of cement in the US
- 2000** Operations expanded as a result of our largest acquisition at that time: Southdown (\$2.9 billion)
- 2005** CEMEX purchases RMC, one of the best known building materials companies and a world leader in the production of ready mix and aggregates.
- 2006** CEMEX announces a plan to construct a second cement kiln at Balcones and increase capacity by 100%. Total investment estimated in \$200 Million