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, 2000

OR

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

For the transition period from ______________________________ to _________________________

Commission file number 1-14946

CEMEX, S.A. de C.V.
(Exact name of the registrant as specified in its charter)

CEMEX MÉXICO, S.A. de C.V.
EMPRESAS TOLTECA DE MÉXICO, S.A. de C.V.
(Exact names of co-registrants and guarantors as specified in their respective charters)

CEMEX CORPORATION
(Translation of registrant's name into English)

CEMEX MEXICO CORPORATION
EMPRESAS TOLTECA DE MEXICO CORPORATION
(Translation of co-registrants' and guarantors' names into English)

United Mexican States
(Jurisdiction of incorporation or organization)

Av. Constitución 444 Pte. Monterrey, Nuevo León, México
(Address of principal executive offices)

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
American Depositary Shares ("ADSs"), each ADS representing five Ordinary Participation Certificates (Certificados de Participación Ordinarios) ("CPOs"), each CPO representing two Series A shares and one Series B share.	New York Stock Exchange
American Depositary Warrants ("ADWs"), each ADW representing five Appreciation Warrants (Títulos Opcionales) ("Appreciation Warrants")	New York Stock Exchange

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

Not applicable
(Title of Class)

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

Title of each class	Name of each exchange on which registered
9.625% Notes due 2009 guaranteed by CEMEX México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V.	Not applicable
Guarantees of the 9.625% Notes due 2009 by CEMEX México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V.	Not applicable

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.

1,420,838,443 CPOs
3,074,913,688 Series A shares (including Series A shares underlying CPOs)
1,537,456,844 Series B shares (including Series B shares underlying CPOs)

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 which financial statement item the registrant has elected to follow.

Item 17____ Item 18 ✓

TABLE OF CONTENTS

Page

PART I

PART II

PART III

INTRODUCTION

CEMEX, S.A. de C.V. is incorporated as a stock corporation with variable capital organized under the laws of the United Mexican States. As used in this annual report and except as the context otherwise may require, "CEMEX" refers to CEMEX, S.A. de C.V., its consolidated subsidiaries and, except for accounting purposes, its non-consolidated affiliates. For accounting purposes, "CEMEX" refers solely to CEMEX, S.A. de C.V. and its consolidated subsidiaries. See Note 1 to our 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 Mexican GAAP, which differs in significant respects from U.S. GAAP. We are required, pursuant to Mexican GAAP, to present our financial statements in constant Pesos representing the same purchasing power for each period presented. Accordingly, all financial data presented below and, unless otherwise indicated, elsewhere in this annual report are stated in constant Pesos as of December 31, 2000. See Note 20 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us. Non-Peso amounts included in those statements are first translated into Dollar amounts, in each case at a commercially available or an official government exchange rate for the relevant period or date, as applicable, and those Dollar amounts are then translated into Peso amounts at the CEMEX accounting rate, described under "Mexican Peso Exchange Rates" as of the relevant period or date, as applicable.

References in this annual report to "U.S.$" and "Dollars" are to U.S. Dollars, and unless otherwise indicated, references to "Ps" and "Pesos" are to constant Mexican Pesos as of December 31, 2000. The Dollar amounts provided in the financial statements included in this annual report and, unless otherwise indicated, elsewhere in this annual report are translations of constant Peso amounts, at an exchange rate of Ps9.62 to U.S.$1.00, the CEMEX accounting rate as of December 31, 2000. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that 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 Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated. See Item 3 — "Key Information — Selected Consolidated Financial Information."

The noon buying rate for Pesos on December 29, 2000 was Ps9.618 to U.S.$1.00.

EXPLANATORY NOTE

Our co-registrants are wholly-owned subsidiaries that have provided a corporate guarantee guaranteeing payment of our 9.625% Notes due 2009. These subsidiaries, which we refer to as our guarantors, are CEMEX México, S.A. de C.V., or CEMEX Mexico (a successor to TOLMEX, S.A. de C.V.), and Empresas Tolteca de México, S.A. de C.V., or Empresas Tolteca de Mexico (formerly CEMEX Control, S.A. de C.V.). The guarantors, together with their subsidiaries, account for substantially all the revenues and operating income of our Mexican operations. See Item 4 — "Information on the Company — North America — Our Mexican Operations." Pursuant to Rule 12h-5 under the Securities Exchange Act of 1934, or the Exchange Act, no separate financial statements and other disclosures concerning the guarantors other than narrative disclosures and financial information set forth in Note 20(v) to our consolidated financial statements have been presented herein.

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

Risk Factors

Many factors could have an effect on our financial condition, cash flows and results of operations. We are subject to various risks resulting from changing economic, environmental, political, industry, business and financial conditions. The principal factors are described below.

Our ability to pay dividends and repay debt depends on our ability to transfer income and dividends from our subsidiaries.

We are a holding company with no significant assets other than the stock of our wholly-owned and non-wholly-owned subsidiaries and our holdings of cash and marketable securities. As a result, our inability to ensure the continued transfer to us of dividends and other income from these subsidiaries will impair our own ability to pay dividends and make debt payments. The ability of our subsidiaries to pay dividends and make other transfers to us may be limited by the subsidiaries' existing debt agreements, and various regulatory, contractual and legal constraints.

We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs, ADSs, ADWs and appreciation warrants.

We have incurred and will continue to incur significant amounts of debt, which could have an adverse effect on the price of our Ordinary Participation Certificates, or CPOs, and American Depositary Shares, or ADSs. Since the values of our American Depositary Warrants, or ADWs, and appreciation warrants are linked to the price of our CPOs, prices of these securities could also be adversely affected by our debt levels. As of December 31, 2000, we had outstanding debt equal to Ps54.6 billion (U.S.$5.7 billion), not including obligations under equity derivative financing transactions and equity derivative transactions. Our indebtedness may have important consequences, including increased interest costs if we are unable to refinance existing indebtedness on satisfactory terms. In addition, the debt instruments governing a substantial portion of our indebtedness contain various covenants which require us to maintain financial ratios, restrict asset sales and restrict our ability to use the proceeds from a sale of assets. These restrictions could limit our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities.

A substantial portion of our outstanding debt is denominated in Dollars. This debt, however, must be serviced by funds generated from sales received by our subsidiaries, the majority of which is not denominated in Dollars. Consequently, a devaluation or depreciation in the value of the Peso or any of the other currencies of the countries in which we operate compared to the Dollar could adversely affect our ability to service our debt.

We may not be able to continue to grow if our acquisition strategy is not successful.

A key element of our growth strategy is to continue our disciplined acquisition strategy. Our ability to realize expected benefits from future acquisitions depends, in large part, on our ability to integrate new operations with existing operations in a timely and effective manner. Accordingly, we will devote substantial efforts to the integration of new operations. We cannot assure you that these efforts will be successful with respect to future acquisitions. Furthermore, our strategy depends on our ability to identify and acquire suitable assets at desirable prices. We cannot assure you that we will be successful in identifying or purchasing suitable assets in the future. If we fail to make further acquisitions, we may not be able to continue to grow at our current rate.

We are subject to restrictions due to minority interests in our consolidated subsidiaries.

We conduct our business through our subsidiaries. In some cases, minority shareholders hold significant interests in these subsidiaries. Various disadvantages may result from the participation of minority shareholders whose interests may not always coincide with ours. The presence of minority interests may, among other things, impede our ability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively.

Our use of equity derivative financing and other financing may have an adverse effect on the market for our and our subsidiaries' securities.

In recent years, we have engaged in several equity derivative financing transactions involving the use of shares of our and our subsidiaries' capital stock as a source of financing. As of December 31, 2000, our equity derivative financing transactions included forward contracts maturing in 2002 with a number of banks covering 7.56% of our own outstanding equity securities and 7.93% (or 7.74% as of March 31, 2001) of the outstanding shares of our Spanish subsidiary, Compañía Valenciana de Cementos Portland, S.A., or Valenciana. The net present value of our outstanding obligations under these forward contracts, after giving effect to a U.S.$439.9 million pre-payment and advanced payments of approximately U.S.$133 million of the forward purchase price in 2000, was U.S.$435.4 million at December 31, 2000. We also have several other, less significant, outstanding equity derivative transactions.

Under the terms of the preferred equity financing arrangements related to the 2000 acquisition of Southdown, Inc. described under Item 5 — "Operating and Financial Review and Prospects — Liquidity and Capital Resources — Our Obligations and Financing Activities" and Item 10 — "Additional Information — Material Contracts," upon the occurrence of specified events, the holders of the preferred equity may cause shares of Valenciana to be sold in order to pay in full the liquidation preference of the preferred equity.

If any of these financing agreements are not renegotiated or settled, or if we default on the terms of the relevant agreements, the agreements generally provide that the counterparties may sell the shares underlying the relevant transactions. Those sales may:

- dilute shareholders' interests in our equity securities;
- have an adverse effect on the market for our equity securities;
- have an adverse effect on the market for the equity securities of our subsidiaries;
- reduce the amount of dividends and other distributions that we receive from our subsidiaries; and
- create public minority interests in our subsidiaries that may adversely affect our ability to realize operating efficiencies as a combined group.

Any of these factors could adversely affect the price of our CPOs and ADSs and, therefore, the price of our appreciation warrants and ADWs.

If we cannot obtain sufficient funds, we may be unable to purchase the Indonesian government's interest in PT Semen Gresik (Persero) Tbk, if it requires us to do so.

Under the terms of an agreement we entered into in connection with our original purchase of a minority interest in PT Semen Gresik (Persero) Tbk, or Gresik, from the Indonesian government, the Indonesian government has an option until October 2001 to require us to purchase its remaining 51% interest in Gresik for a purchase price of approximately U.S.$418 million, plus interest accrued from October 1998 at 8.2% per annum. We cannot assure you that we will have the funds available to purchase the Indonesian government's interest at the time it exercises its option, if it ever chooses to do so, or that we will be able to obtain the necessary funds on desirable terms.

We are subject to several anti-dumping rulings that may limit our ability to export cement to the United States.

Our Mexican operations are subject to anti-dumping rulings by the U.S. Commerce Department which may limit their ability to export cement to the United States. Since April 1990, our exports of gray portland cement and clinker to the United States from Mexico, which represented 4.2% of total sales volume of our Mexican operations in 2000, have been subject to U.S. anti-dumping duties. In addition, importers of gray portland cement and clinker from Mexico, including our U.S. operations, have been required to pay substantial cash deposits to the U.S. Customs Service to secure the eventual payment of those duties.

We are disputing some tax claims that may result in a significant additional tax expense.

We have received notices from the Mexican tax authorities of tax claims in respect of the tax years from 1992 through 1995 for an aggregate amount of approximately Ps3.7 billion, including interest and penalties through April 30, 2001. An adverse resolution of these claims could materially reduce our net income. See Item 8 — "Financial Information — Regulatory Matters and Legal Proceedings — Tax Matters."

Our operations are subject to environmental laws and regulations.

Our operations are subject to laws and regulations relating to the protection of the environment in the various jurisdictions in which we operate, such as regulations regarding the release of cement dust into the air. Stricter laws and regulations, or stricter interpretation of existing laws or regulations, may impose new liabilities on us or result in the need for additional investments in pollution control equipment, either of which could result in a material decline in our profitability.

We are an international company and are exposed to risks in the countries in which we have significant operations or interests.

We are dependent, in large part, on the economies of the countries in which we operate and market our products. The economies of these countries are in different stages of socioeconomic development. Consequently, like many other companies with significant international operations, we are exposed to risks from changes in foreign currency exchange rates, interest rates, inflation, governmental spending, social instability and other political, economic or social developments that may materially reduce our net income.

As of December 31, 2000, the largest percentage of our net sales (44%) and total assets (25%) were in Mexico. If the Mexican economy experiences a recession or if Mexican inflation and interest rates increase significantly, our net income from our Mexican operations may decline materially because construction activity may decrease, which may lead to a decrease in cement sales. We also have operations in Spain (14% of net sales and 10% of total assets), the United States (13% of net sales, including Southdown's sales for the last two months of 2000, and 23% of total assets), Venezuela (8% of net sales and 6% of total assets), Central America and the Caribbean (8% of net sales and 3% of total assets), Colombia (3% of net sales and 4% of total assets), the Philippines (2% of net sales and 4% of total assets) and Egypt (3% of net sales and 3% of total assets). As in the case of Mexico, adverse economic conditions in any of these countries may produce a negative impact on our net income from our operations in that country.

We believe that Asia represents an important market for our future growth. However, since mid-1997, many countries in Asia in which we have recently made significant investments have experienced considerable volatility and depreciation of their currencies, high interest rates, banking sector crises, stock market volatility, political instability and declining asset values. These developments have had and may continue to have an adverse effect on the construction sector, as a result of reduced demand for cement and ready-mix concrete, which has adversely affected our sales and net income. The economic recession in Asia has affected other countries where we have operations, including Mexico, Colombia and Venezuela. The risks and volatility associated with the markets in which we operate have affected and may continue to adversely affect the prices of our securities and our ability to raise capital.

We believe that Egypt also represents an important market for our future growth. Although the political situation in the Middle East had stabilized by 1999 to some extent as a result of the Arab-Israeli peace process and the execution of formal peace treaties by Egypt and Jordan with Israel, there can be no assurance that the peace process will continue. In addition, we cannot predict what effect the recent violence between Israel and the Palestinians may have on the peace process. Instability in the region may result from the failure of that process as well as from factors that, among others, may include government or military intervention in decision making, civil unrest or extremism. In Egypt, extremists have engaged in a sometimes violent campaign against the government in recent years. There can be no assurance that extremists will not escalate their opposition in Egypt or that the government will continue to be successful in maintaining the prevailing levels of domestic order and stability. Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of Egypt and consequently on our Egyptian operations.

Cautionary Statement Regarding Forward Looking Statements

Some of the information in this annual report may constitute forward-looking statements, which are subject to various risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "plan" or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other "forward-looking" information. When considering such forward-looking statements, holders of our securities should keep in mind the factors described in "Risk Factors" and other cautionary statements appearing in "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this annual report. These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement.

This annual report also includes statistical data regarding the production, distribution, marketing and sale of cement, ready-mix concrete and clinker. These data were obtained from independent industry publications and reports that we believe to be reliable sources. We have not independently verified these data nor sought the consent of any organizations to refer to their reports in this annual report.

Mexican Peso Exchange Rates

Mexico has had no exchange control system in place since the dual exchange control system was abolished on November 11, 1991.

Following the abolition of exchange controls in November 1991, the Mexican Central Bank, through interventions in the foreign exchange market, had kept the Peso-Dollar exchange rate within a range prescribed by the Mexican government. However, on December 21, 1994, the Mexican Central Bank abandoned the official devaluation band, allowing the Peso to float freely in currency markets. The Peso lost 59% of its value against the Dollar during 1994 and 53% of its value against the Dollar during 1995. The Peso depreciated against the Dollar by 2.4% in 1997 and 22.7% in 1998, appreciated against the Dollar by 3.9% in 1999 and depreciated against the Dollar by 1.16% in 2000. These percentages are based on the exchange rate that we use for accounting purposes, or the CEMEX accounting rate. The CEMEX accounting rate represents the average of three different exchange rates that are provided to us by Banco Nacional de México, S.A., or Banamex. For any given date, the CEMEX accounting rate may differ from the noon buying rate for Pesos in New York City published by the U.S. Federal Reserve Bank of New York. We cannot predict the value of the Peso or assure you that the Mexican government will not establish new exchange controls in the future.

The following table sets forth, for the periods and dates indicated, the end-of-period, average and high and low points of the CEMEX accounting rate as well as the noon buying rate for Pesos, expressed in Pesos per U.S.$1.00.

	CEMEX Accounting Rate				**Noon Buying Rate**			
Year ended December 31,	**End of Period**	**Average(1)**	**High**	**Low**	**End of Period**	**Average(1)**	**High**	**Low**
1996	7.880	7.615	7.638	7.423	7.881	7.600	8.045	7.325
1997	8.070	7.969	8.500	7.725	8.070	7.970	8.410	7.720
1998	9.900	9.180	10.653	8.073	9.901	9.245	10.630	8.040
1999	9.510	9.547	10.607	9.263	9.480	9.562	10.600	9.240
2000	9.620	9.461	10.098	9.189	9.618	9.459	10.087	9.183
2001								
January	9.688	9.781	9.988	9.668	9.679	9.769	9.972	9.665
February	9.705	9.714	9.764	9.662	9.693	9.711	9.780	9.657
March	9.492	9.606	9.704	9.492	9.485	9.599	9.706	9.485
April	9.261	9.326	9.426	9.217	9.261	9.328	9.423	9.187
May	9.176	9.141	9.298	8.954	9.165	9.148	9.292	8.946
June (through June 26, 2001)	9.060	9.096	9.174	9.040	9.065	9.091	9.180	9.045

(1) The average of the CEMEX accounting rate or the noon buying rate for Pesos, as applicable, on the last day of each full month during the relevant period.

The noon buying rate for Pesos on June 26, 2001 was Ps9.065 to U.S.$1.00.

The Mexican government does not currently restrict the ability of Mexicans or others to convert Pesos to Dollars, or vice versa. Except for a three-month period in 1982, the Mexican Central Bank has consistently made foreign currency available to Mexican private sector entities, such as CEMEX, to meet their foreign currency obligations. Nevertheless, if renewed shortages of foreign currency occur, the Mexican Central Bank may not continue its practice of making foreign currency available to private sector companies and we may not be able to purchase the foreign currency we need to service our foreign currency obligations without substantial additional cost. See Item 3 — "Key Information — Risk Factors — We are an international company and are exposed to risks in the countries in which we have significant operations or interests."

For a discussion of the financial treatment of our operations conducted in other currencies, See Item 3 — "Key Information — Selected Consolidated Financial Information."

Selected Consolidated Financial Information

The financial data set forth below as of and for each of the five years ended December 31, 2000 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 1999 and 2000 and for each of the three years ended December 31, 2000, have been derived from, and should be read in conjunction with and are qualified in their entirety by reference to, the consolidated financial statements and the notes thereto included elsewhere in this annual report.

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Mexican GAAP, which differs in significant respects from U.S. GAAP. We are required, pursuant to Mexican GAAP, to present our financial statements in constant Pesos representing the same purchasing power for each period presented. Accordingly, all financial data presented below and, unless otherwise indicated, elsewhere in this annual report are stated in constant Pesos as of December 31, 2000. See Note 20 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

Our consolidated financial statements included elsewhere in this annual report are prepared in constant Pesos. Non-Peso amounts included in those statements are first translated into Dollar amounts, in each case at a commercially available or an official government exchange rate for the relevant period or date, as applicable, and those Dollar amounts are then translated into Peso amounts at the CEMEX accounting rate, described under "Mexican Peso Exchange Rates," as of the relevant period or date, as applicable.

In 1997, we adopted the provisions of Bulletin B-15 of the Mexican Institute of Public Accountants. Beginning in 1997, the Pesos previously reported were adjusted to Pesos of constant purchasing power as of the most recent balance sheet by multiplying the previously reported Pesos by a weighted average inflation index. This index is calculated based upon the inflation rates of the countries in which we operate and the changes in the exchange rates of each of these countries, weighted according to the proportion our assets in each country represent our total assets. Prior to 1997, previously reported Pesos were restated using the Mexican inflation rate. The following table reflects the factors that have been used to restate the originally reported Pesos to Pesos of constant purchasing power as of December 31, 2000:

	Cumulative Weighted Average Index to December 31, 2000
1996	1.3734
1997	1.2892
1998	1.0247
1999	1.0236

The Dollar amounts provided below and, unless otherwise indicated, elsewhere in this annual report are translations of constant Peso amounts at an exchange rate of Ps9.62 to U.S.$1.00, the CEMEX accounting rate as of December 31, 2000. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that 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 Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated. The noon buying rate for Pesos on December 31, 2000 was Ps9.618 to U.S.$1.00 and on June 26, 2001 was Ps9.065 to U.S.$1.00. From December 31, 2000 through June 26, 2001, the Peso appreciated by approximately 5.7% against the Dollar, based on the noon buying rate for Pesos.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES

Selected Consolidated Financial Information

	As of and for the year ended December 31,					
	1996	1997	1998	1999	2000	2000
	(in millions of constant Pesos as of December 31, 2000 and Dollars, except ratios and share and per share amounts)					
Income Statement Information:						
Net sales	Ps. 36,419	Ps. 39,415	Ps. 43,777	Ps. 46,997	Ps. 54,072	U.S.$ 5,621
Cost of sales(1)	22,083	24,153	25,312	26,185	30,215	3,141
Gross profit	14,336	15,262	18,465	20,812	23,857	2,480
Operating expenses	5,654	5,948	6,517	6,829	7,947	826
Operating income	8,682	9,314	11,948	13,983	15,910	1,654
Comprehensive financing income (cost), net(2)	5,726	1,651	(1,341)	(281)	(1,672)	(174)
Other income (expense), net	(1,846)	(1,431)	(1,543)	(2,890)	(2,254)	(234)
Income before income tax, business assets tax, employees' statutory profit sharing and equity in income of affiliates	12,562	9,534	9,064	10,812	11,984	1,246
Minority interest(3)	1,287	1,110	400	549	750	78
Majority interest net income	10,574	7,915	8,149	9,467	9,613	999
Earnings per share(4)(5)(6)	2.71	2.06	2.15	2.51	2.33	0.24
Dividends per share(4)(7)	−(8)	0.40(9)	0.45(10)	0.52(11)	0.60(12)	0.06
Number of shares outstanding(4)(5)	3,909	3,804	3,774	4,098	4,169	4,169
Balance Sheet Information:						
Cash and temporary investments	4,423	3,957	4,127	3,177	2,964	308
Net working capital investment(13)	6,611	6,118	6,476	6,801	7,820	813
Property, machinery and equipment, net	62,146	62,484	62,309	67,379	86,908	9,034
Total assets	107,594	106,447	106,111	115,492	151,605	15,759
Short-term debt	8,821	6,840	11,219	10,027	28,492	2,962
Long-term debt	42,790	41,208	31,817	32,518	26,061	2,709
Minority interest(3)(14)	10,824	12,288	12,691	12,193	23,066	2,398
Stockholders' equity (excluding minority interest)(15)	36,111	36,570	39,436	50,445	50,515	5,251
Book value per share(4)(5)	9.23	9.61	10.45	12.31	12.12	1.26
Other Financial Information:						
Operating margin	23.8%	23.6%	27.3%	29.8%	29.4%	29.4%
EBITDA(16)	11,767	12,415	15,060	17,439	19,526	2,030
Ratio of EBITDA to interest expense, capital securities dividends and preferred equity dividends(17)(18)	1.63	2.34	2.96	3.50	4.00	4.00
Investment in property, machinery and equipment, net	2,455	3,482	3,307	2,588	3,831	398
Depreciation and amortization	3,835	4,352	3,986	4,220	4,704	489
Net resources provided by operating activities(19)	16,535	13,171	12,350	15,007	16,695	1,735
Basic earnings per CPO(20)	8.13	6.18	6.45	7.53	6.99	0.72

	As of and for the year ended December 31,			
	1998	1999	2000	2000
	(in millions of constant Pesos as of December 31, 2000 and Dollars, except share and per share amounts)			
U.S. GAAP(21):				
Income Statement Information:				
Majority net sales	Ps. 51,629	Ps. 49,394	Ps. 53,476	US$ 5,559
Operating income	11,566	10,951	13,016	1.353
Majority net income	6,127	5,846	8,679	902
Basic earnings per share	1.62	1.55	2.100	0.22
Diluted earnings per share	1.61	1.54	2.099	0.22
Balance Sheet Information:				
Total assets	136,308	131,307	157,350	16,357
Total long-term debt	44,470	36,864	26,986	2,805
Minority interest	6,880	6,630	6,463	672
Other mezzanine items	3,181	7,932	22,228	2,311
Total majority stockholders' equity	39,743	38,488	41,661	4,331

(footnotes on next page)

(1) Cost of sales includes depreciation.
(2) Comprehensive financing income (cost), net, includes financial expenses, financial income, gain (loss) on marketable securities, foreign exchange result, net and monetary position result. See Item 5 -"Operating and Financial Review and Prospects."
(3) In connection with an equity swap transaction involving 24.8% of Valenciana shares, the balance sheet item minority interest from 1996 to 1999 includes the value of these shares as if owned by a third party. In addition, for 1996 and until August 1997, the date of the first refinancing of the equity swap, this transaction was accounted for as a minority interest or our income statement. In September 2000, we terminated this transaction and repurchased the shares or Valenciana. See Item 5 - "Operating and Financial Review and Prospects-Derivatives and Other Hedging Instruments."
(4) On September 15, 1999, we effected a stock split. For every one of our shares of any series we issued two Series A shares and one Series B share. All share and per share amounts have been adjusted to give retroactive effect to this stock split. Concurrently with the stock split, we also consummated an exchange offer to exchange ADSs and CPOs for our then existing A shares, B shares and ADSs and converted our then existing CPOs into CPOs. As a result, as of December 31, 2000, approximately 92.4% of our outstanding share capital was represented by CPOs.
(5) Based upon the total number of shares outstanding at the end of each period, expressed in millions of shares, and includes shares subject to financial derivative transactions, but does not include shares held by our subsidiaries.
(6) Earnings per share are calculated based upon the weighted average number of shares outstanding during the year, as described in Note 17 to the audited financial statements included elsewhere in this annual report.
(7) Dividends declared at each year's annual shareholders' meeting are reflected as dividends of the preceding year.
(8) We did not declare or pay dividends in respect of 1996; rather, management recommended, and shareholders approved, a share repurchase program. As a result of that share repurchase program, 72.3 million shares were acquired for approximately Ps1.2 billion.
(9) At our 1997 annual shareholders' meeting, which took place on April 23, 1998, our board of directors recommended and the shareholders approved a dividend of Ps0.40 per share. Instead of receiving that dividend in cash, shareholders were entitled to elect to receive additional shares, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps13.02 per additional share. As a result of that dividend, 98,634,951 additional shares were issued and an aggregate of Ps346 million was paid in cash.
(10) At our 1998 annual shareholders' meeting, which took place on April 29, 1999, our board of directors recommended and the shareholders approved a dividend of Ps0.45 per share. Instead of receiving the dividend in cash, shareholders were entitled to elect to receive additional shares, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps11.72 per additional share. As a result of that dividend, 142,137,348 additional shares were issued and an aggregate of Ps265 million was paid in cash.
(11) At our 1999 annual shareholders' meeting, which took place on April 27, 2000, our board of directors recommended and the shareholders approved a dividend of Ps1.54 per CPO (or Ps0.52 per share). Instead of receiving the dividend in cash, shareholders were entitled to elect to receive a stock dividend per CPO of Ps1.54 worth of additional CPOs at a price of Ps32.96 per additional CPO. As a result of that dividend, approximately 59 million additional CPOs were issued and an aggregate of Ps261 million was paid in cash.
(12) At our 2000 annual shareholders' meeting, which took place on April 26, 2001, our board of directors recommended and the shareholders approved a cash dividend of Ps1.80 per CPO (or Ps0.60 per share). Instead of receiving the dividend in cash, shareholders were entitled to elect to receive a stock dividend per CPO of Ps1.80 worth of additional CPOs at a price of Ps38.16 per additional CPO. As a result of that dividend, approximately 70 million additional CPOs were issued and an aggregate of Ps82.7 million was paid in cash.
(13) Net working capital investment equals trade receivables plus inventories less trade payables.
(14) In connection with the preferred equity transaction relating to the financing of our acquisition of Southdown, now known as CEMEX, Inc., the balance sheet item minority interest in 2000 includes a notional amount of U.S.$1.5 billion (Ps14.4 billion) of issued preferred equity. In addition, minority interest net income in 2000 includes preferred dividends in the amount of approximately U.S.$17 million (Ps163.5 million). This preferred equity transaction is mandatorily redeemable in November 2002.
(15) In December 1999, we entered into forward contracts with a number of banks covering 21,000,000 ADSs. These ADSs are considered to have been sold to the banks, and, therefore, future changes in the fair value of the ADSs will not be recorded until settlement. When we repurchase the ADSs upon settlement, the purchase price of the forward contracts relating to our ADSs will be recorded as a decrease in stockholders' equity.
(16) EBITDA equals operating income before amortization expense and depreciation. Amortization of goodwill is not included in operating income, but instead is recorded in other income (expense). We present EBITDA because it is used by some investors to measure a company's ability to service debt and is included herein as a convenience only and may not be comparable to similarly titled measures reported by other companies. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to net income as a measure of operating performance or to cash flows from operations as a measure of liquidity.
(17) Capital securities dividends consist of accrued dividends on U.S.$250 million aggregate liquidation amount of 9.66% Putable Capital Securities issued by one of our subsidiaries in May 1998.
(18) Assuming the same number of preferred shares outstanding in connection with the transaction referred to in Note 14 above, the annual preferred dividend requirement is approximately U.S.$105.9 million. This amount is based on a dividend yield equal to market conditions at December 31, 2000.
(19) Net resources provided by operating activities equals majority interest net income plus items not affecting cash flow plus investment in working capital excluding effects from acquisitions. In accordance with Mexican GAAP, operating activities include gain and loss from trading in marketable securities, including realized gain or loss from trading in our capital stock.
(20) Basic CPO per share is determined by multiplying each year's basic earnings per share by three (the number of shares underlying each CPO). Basic CPO per share is presented solely for the convenience of the reader and does not represent a measure under Mexican GAAP.
(21) We have restated the information at and for the years ended December 31, 1998 and 1999 into U.S. GAAP using the inflation factor derived from the national consumer price index, or NCPI, in Mexico. See Note 20 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to CEMEX.

Item 4 - Information on the Company

Business

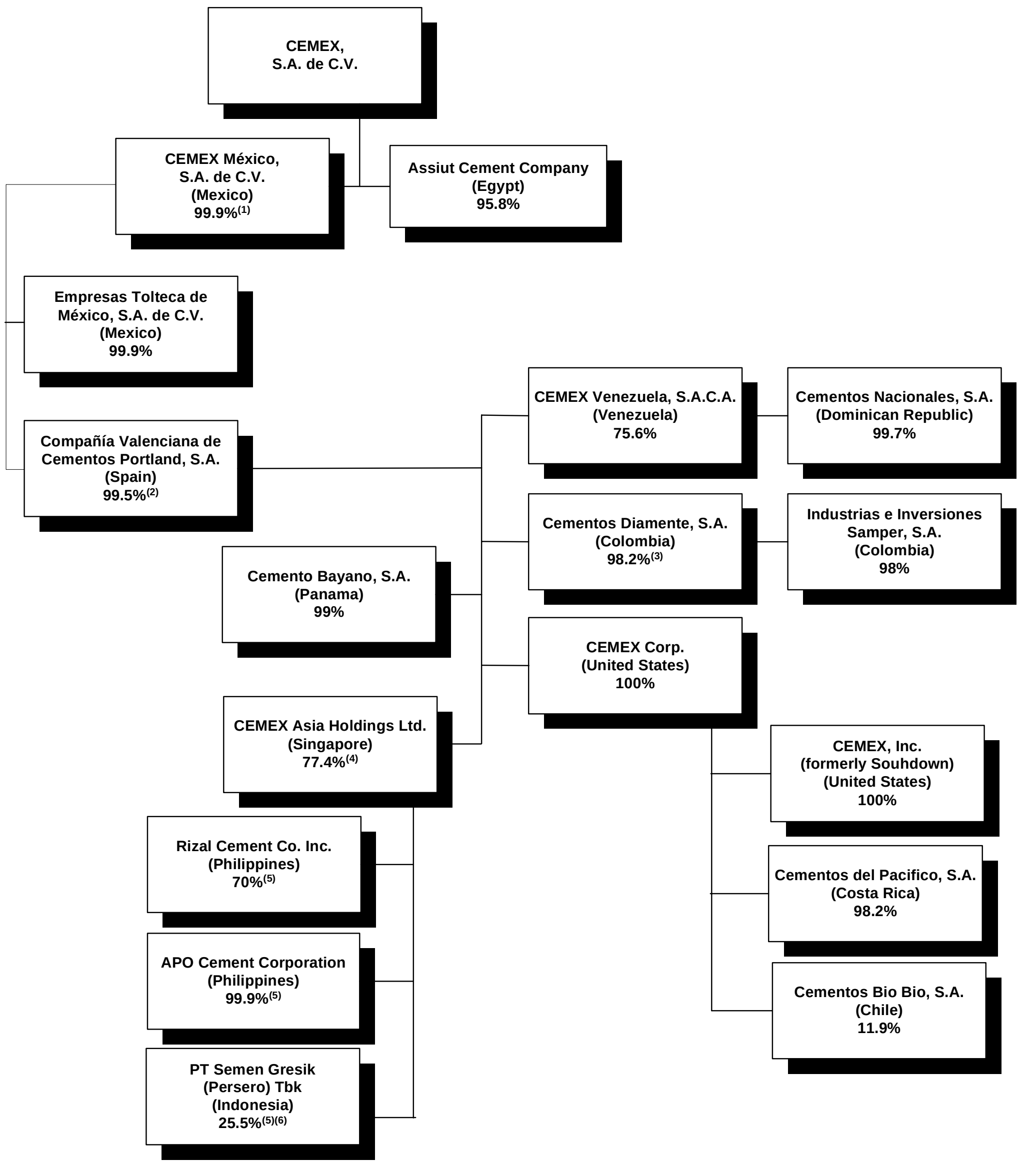
Unless otherwise indicated, references in this annual report to our sales and assets, including percentages, for a country or region are calculated before eliminations resulting from consolidation, and thus include intercompany balances between countries and regions. These intercompany balances are eliminated when calculated on a consolidated basis.

We are a stock corporation with variable capital, or *sociedad anónima de capital variable*, organized under the laws of the United Mexican States ("Mexico") with our principal executive offices in Av. Constitución 444 Pte., Monterrey, Nuevo León, Mexico 64000. Our main phone number is (011-528) 328-3000. CEMEX's agent for service, exclusively for actions brought by the Securities and Exchange Commission pursuant to the requirements of the United States federal securities laws, is CEMEX Corp., located at 1200 Smith Street, Suite 2400, Houston, Texas 77002.

Founded in 1906, CEMEX is the third-largest cement company in the world, based on installed capacity as of December 31, 2000 of approximately 77.2 million tons. We are also the world's largest trader of cement and clinker, having traded over 13 million tons of cement and clinker in 2000. We are a holding company engaged, through our operating subsidiaries, primarily in the production, distribution, marketing and sale of cement, ready-mix concrete and clinker. We are a global cement manufacturer with operations in North, Central and South America, Europe, the Caribbean, Asia and Africa. As of December 31, 2000, we had worldwide assets of Ps151.6 billion (U.S.$15.8 billion). On June 26, 2001, we had an equity market capitalization of approximately Ps66.3 billion (U.S.$7.3 billion).

Our Corporate Structure

We are a holding company, and we operate our business through subsidiaries that, in turn, hold interests in our cement and ready-mix concrete operating companies, as well as other businesses. The following chart shows our corporate structure as of March 31, 2001. The chart also shows, for each company, the approximate percentage equity ownership interest of its direct parent company shown on the chart. The chart has been simplified to show only our major holding companies in the principal countries in which we operate and does not include our intermediary holding companies and our operating company subsidiaries.



(1) Includes a 2.5% interest held by a Mexican trust for our benefit.

(2) Includes a 7.74% interest held by third parties under the forward contracts.

(3) 98.2% of total shares; 99.3% of ordinary shares.

(4) In May 2001, we acquired, through CEMEX Asia Holdings, a 99% interest in Saraburi Cement Company, a cement company based in Thailand. As a result, our economic interest in Saraburi is approximately 76%.

(5) Represents CEMEX Asia Holdings' economic interest.

(6) The Indonesian government has the option to require us to purchase its 51% interest in Gresik.

As of December 31, 2000, our main cement production facilities were located in Mexico, Spain, Venezuela, Colombia, the United States, Egypt, the Philippines, Panama, the Dominican Republic and Costa Rica. As of December 31, 2000, our assets, cement plants and installed capacity, on an unconsolildated basis, were as set forth below. Installed capacity, which refers to theoretical annual production capacity, represents gray cement equivalent capacity, which counts each ton of white cement capacity as approximately two tons of gray cement capacity. It also includes our proportional interest in the installed capacity of companies in which we hold a minority interest.

	As of December 31, 2000		
	Assets (in billions of constant Pesos)	**Number of Cement Plants**	**Installed Capacity (millions of tons per annum)**
North America			
Mexico	Ps47.3	15	27.2
United States	42.5	13	12.6
Europe, Asia and Africa			
Spain	19.7	8	10.4
Asia	9.6	3	10.8
Egypt	6.1	1	4.0
South America, Central America and the Caribbean			
Venezuela	10.7	3	4.3
Colombia	7.6	5	4.8
Central America and the Caribbean	6.5	3	3.1
Cement and Clinker Trading Assets and Other Operations	37.9	—	—

In the above table, "Asia" includes our Asian subsidiaries, and, for purposes of the columns labeled "Assets" and "Installed Capacity," includes our 25.5% interest, as of December 31, 2000, in Gresik, an Indonesian cement producer. In addition to the three cement plants owned by our Asian subsidiaries, Gresik operated four cement plants with an installed capacity of 20.3 million tons, as of December 31, 2000. The above table does not include our acquisition, through our 77%-owned subsidiary, CEMEX Asia Holdings, of a 99% interest in Saraburi Cement Company, a cement producer based in Thailand, completed in May 2001. In the above table, "Central America and the Caribbean" includes our subsidiaries in Panama, the Dominican Republic, Costa Rica and other assets in the Caribbean region. In the above table, "Cement and Clinker Trading Assets and Other Operations" includes in the column labeled "Assets" our 11.9% interest in Cementos Bio Bio, a Chilean cement producer having three cement plants with an installed capacity of approximately 2.2 million tons at December 31, 2000, and intercompany accounts receivable from non-consolidated affiliates in the amount of Ps24.8 billion, which would be eliminated if these assets were calculated on a consolidated basis.

In the 1990s, we embarked on a major geographic expansion program to diversify our cash flows and enter markets whose economic cycles within the cement industry largely operate independently from that of Mexico and which offer long-term growth potential. We have built an extensive network of marine and land-based distribution centers and terminals that give us marketing access around the world. The following have been our most significant acquisitions over the last five years:

- In May 2001, we acquired a 99% interest in Saraburi Cement Company, a cement company based in Thailand with an installed capacity of approximately 700 thousand metric tons, for total consideration of approximately U.S.$73 million, through our 77%-owned subsidiary, CEMEX Asia Holdings, a subsidiary created to co-invest in Asian cement operations. As a result, our economic interest in Saraburi is approximately 76%.

- In November 2000, we acquired, through a cash tender offer followed by a merger, 100% of the outstanding shares of common stock of Southdown, Inc., a cement production company based in Texas. The total cost of the acquisition of Southdown was approximately U.S.$2.8 billion. Following the acquisition, the name "Southdown" was changed to CEMEX, Inc. In March 2001, through a corporate restructuring, we integrated the Southdown operations with our other U.S. operations.

- In November 1999, we acquired a 77% interest in Assiut Cement Company, an Egyptian cement producer, and in 2000, we increased our interest to 92.9%. In March 2001, we further increased our interest in Assiut to 95.8%.

- In June 1999, we acquired an 11.9% interest in Cementos Bio Bio, Chile's largest cement producer.

- In April 1999, we acquired a 15.8% interest in Cementos del Pacífico, one of two cement companies in Costa Rica. In September 1999, we increased our interest in Cementos del Pacífico to 95.3%. As of December 31, 2000, we had increased our interest in Cementos del Pacífico to 98.2%.

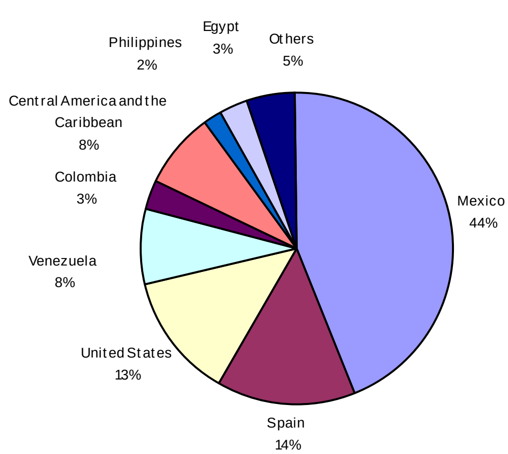
- In February 1999, we acquired a 99.9% economic interest in APO, a Philippine cement producer. In September 1999, we contributed our interest in APO to CEMEX Asia Holdings. As a result of the sales of minority interests in CEMEX Asia Holdings to institutional investors, at December 31, 2000, our economic interest in APO was approximately 77%.

- In 1998, we acquired a 16.3% interest in Gresik, Indonesia's largest cement producer. In 1999, we increased our interest in Gresik to approximately 25.5%. In October 2000, CEMEX Asia Holdings acquired our interest in Gresik for approximately U.S.$279 million and, as a result, our economic interest in Gresik was approximately 19.8%.

- In 1997, we acquired a 30% interest in Rizal, a Philippine cement producer, and in 1998, we increased our economic interest to 70%. In September 1999, we contributed our interest in Rizal to CEMEX Asia Holdings. At December 31, 2000, we had a 77.4% interest in CEMEX Asia Holdings, and thus our economic interest in Rizal was reduced to approximately 54%.

- In 1996, we acquired controlling interests in Cementos Diamante and Samper, which combined are Colombia's second largest cement producer. In 1998, we increased our equity interest in Cementos Diamante to approximately 78% and integrated the operations of both companies into Diamante-Samper, also referred to as CEMEX Colombia. During 1999, we increased our equity interest in Cementos Diamante to approximately 99.3% of its ordinary shares and 92.3% of its total shares. In addition, in July 2000, we further increased our equity interest in Cementos Diamante to approximately 98.2% of its total shares.

For the year ended December 31, 2000, our net sales, before eliminations resulting from consolidation, were divided among the countries in which we operate as follows:



Our Production Process

Cement is a binding agent, which, when mixed with sand, stone or other aggregates and water, produces either ready-mix concrete or mortar. Mortar is the mixture of cement with finely ground limestone used in some construction applications. Ready-mix concrete is the mixture of cement, aggregates such as sand and gravel and water.

We manufacture cement through a closely controlled chemical process which begins with the mining and crushing of limestone and clay, and, in some instances, other raw materials. The clay is then pre-homogenized, a process which consists of combining different types of clay in different proportions in a large storage area. The clay is usually dried by the application of heat in order to remove humidity acquired in the quarry. The crushed raw materials are fed in pre-established proportions, which vary depending on the type of cement to be produced, into a grinding process, which mixes the various materials more thoroughly and reduces them further in size in preparation for the kiln. In the kiln, the raw materials are calcined, or, processed at a very high temperature, to produce clinker. Clinker is the intermediate product used in the manufacture of cement obtained from the mixture of limestone and clay with iron oxide.

There are two primary processes used to manufacture cement, the dry process and the wet process. The dry process is more fuel efficient. As of December 31, 2000, 45 of our 51 majority-owned operating production plants used the dry process, four used the wet process and two used both processes. Three of the six production plants that use the wet process are located in Venezuela, where fuel costs are substantially lower than in the other countries in which we operate. The remaining three production plants that use the wet process are located in Colombia and the Philippines. In the wet process, the raw materials are mixed with water to form slurry which is fed into the kiln. Fuel costs are greater in the wet process than in the dry process because the water that is added to the raw materials to form slurry must be evaporated during the clinker manufacturing process. In the dry process, the addition of water and the formation of slurry are eliminated, and clinker is formed by calcining the dry raw materials. In the most modern application of this technology, the raw materials are first blended in a homogenizing silo and processed through a pre-heater tower that utilizes exhaust heat generated by the kiln to pre-calcine the raw materials before they are calcined to produce clinker. Finally, clinker and gypsum are fed in pre-established proportions into a cement grinding mill where they are ground into an extremely fine powder to produce finished cement.

User Base

In most of the markets in which we compete, cement is the primary building material in the industrial and residential construction sectors. The lack of available cement substitutes further enhances the marketability of our product. The primary end-users of cement in each region in which we operate vary but usually include, among others, wholesalers, ready-mix concrete producers, industrial customers and contractors in bulk.

Our Business Strategy

We seek to continue to strengthen our leadership position in the cement industry and to maximize our financial performance through the following operating strategies:

Focus on cement and cement-related businesses.

We plan to continue to focus on our core businesses, the production and sale of cement and ready-mix concrete. We have reorganized and simplified our operations around cement and ready-mix concrete while divesting other unrelated businesses. We believe that this strategic focus has enabled us to grow our existing businesses and to expand our operations internationally.

Continue to apply the CEMEX model to existing and new operations.

As a result of the experience we have gained through our past acquisitions, we have developed internal post-merger integration teams, which specialize in improving the operations of acquired companies, identifying and implementing cost savings measures and conforming the management practices of acquired companies to our model. From time to time, we send these teams to revisit our existing operations, reviewing each as a newly acquired company, to ensure that high quality performance, productivity and profit levels are achieved and maintained by these operations.

We plan to continue to eliminate redundancies, streamline corporate structures and centralize administrative functions to increase our efficiency. In addition, in the last few years, we have carried out various procedures to improve the environmental impact of our activities as well as our overall product quality. With each international acquisition, we have refined the implementation of both the technological and managerial processes required to rapidly integrate acquisitions into our existing corporate structure. As a result, we have developed centralized management information systems, including administrative, accounting, purchasing, customer management, budget preparation and control systems, which have been implemented throughout our operations. Our infrastructure and experience allow us to enhance our operations and to improve the profitability of existing and future operating subsidiaries simultaneously. We continually incorporate technological improvements at the plant level which, among other benefits, have reduced and are expected to continue to reduce costs.

Our leadership in the application of state-of-the-art technology is evidenced by our investment in a synchronization of operations system for our ready-mix concrete delivery trucks. This system is designed to communicate with our trucks to check the status of an order, to minimize delivery times and costs and to rapidly satisfy our clients' immediate needs, thus enabling us to improve the profitability of our ready-mix delivery system. We have implemented this system in cities in Mexico, Venezuela, the Dominican Republic and Panama and will implement it in other places where we deem it to be economically feasible. In addition, we have linked our principal cement facilities to a central high technology production allocation system that matches regional, domestic and global demand to the lowest cost production facility in order to maximize productivity, determine output and allocate supply throughout our global operations and trading network.

Expand into selected new markets.

We believe that it is important to diversify selectively into markets that have long-term growth potential, particularly in emerging market countries, where the shortage of roads and other infrastructure and a low per capita use of cement is most likely to result in significant increases in demand for cement. By selectively participating in these markets, we have been able to increase our cash flow and return on equity. We evaluate potential acquisitions in light of our three primary investment principles:

- the potential for increasing the acquired entity's value should be principally driven by factors that we can influence, particularly the application of our management and turnaround expertise;
- the acquisition should not compromise our financial strength; and
- the acquisition should offer a higher long-term return on our investment than our cost of capital.

We also analyze the potential capital raising sources available in connection with these acquisitions, including sources of local financing and possible joint ventures, in order to minimize our capital commitment and to maximize our return on stockholders' equity. We regularly consider opportunities for, and routinely engage in preliminary discussions concerning, acquisitions.

Continue to focus on attracting, retaining and developing a diverse, experienced and motivated management team.

We will continue to focus on recruiting and retaining motivated and knowledgeable professional managers. Our senior management encourages managers to continually review our processes and practices, and to identify innovative management and business approaches to improve our operations. By rotating our managers from one country to another and from one area of operation to another, we increase their diversity of experience. We provide our senior management with ongoing training throughout their careers. In addition, through our stock-based compensation program, our senior management has a stake in our financial success.

Continue to strengthen our financial structure.

We believe our strategy of geographic expansion and cost-cutting initiatives will continue to translate into growing operating cash flows. Our objective is to strengthen our financial structure by:

- reducing our borrowing costs;
- lengthening our debt maturities;
- increasing our access to various capital sources; and
- maintaining the financial flexibility needed to pursue future growth opportunities.

To achieve this objective, we have implemented on a financial strategy designed to achieve a better balance between debt and operating cash flows of both our operations in Mexico and those outside Mexico. We intend to continue monitoring our credit risk while maintaining the flexibility to support our business strategy.

Optimize distribution through global coordination.

We seek to optimize capacity utilization and maximize profitability by directing our products from countries experiencing a low in the business cycle to target export markets where demand may be greater, through a worldwide import and export strategy. Our global trading system enables us to coordinate our export activities globally and to take advantage of demand opportunities and price movements worldwide.

Internet related business.

We have embarked on the creation of an open corporate information infrastructure that is expected to allow our users on-line access to certain information and to some of our resources, that may lead to cost reductions and enhancing our customer support.

We have set ourselves a strategic goal that at least sixty percent of our operating procedures be managed through web-based systems by the end of 2001. Our most important initiatives are strengthening customer relationships, providing on-line access to our supply allocation system, and developing an internet website with tools directed to enhance employee efficiency and productivity.

We have also established new subsidiaries that are responsible for developing, managing and deploying a network of information technology e-businesses and for the development of internet and information technology projects in Latin America.

North America

As of and for the year ended December 31, 2000, North America, which includes our operations in Mexico and the United States, represented approximately 57% of our net sales (including the consolidation of sales of CEMEX, Inc., formerly Southdown, for the last two months of 2000), 52% of our total installed capacity and 48% of our total assets.

Our Mexican Operations

Overview

Our Mexican operations represented approximately 44% of our net sales in 2000.

CEMEX Mexico was incorporated under the laws of Mexico for a period of 99 years from July 1968 under the name of Instalaciones Santos, S.A. In January 1982 its name was changed to Serto Construcciones, S.A., and in August 1987 it was transformed into a *sociedad anónima de capital variable*. As part of a restructuring of our Mexican operations that we undertook at the end of 1999, several of our direct and indirect subsidiaries were merged into Serto, and Serto's name was changed to CEMEX México, S.A. de C.V. At December 31, 2000, we owned or had economic rights to approximately 99.9% of the outstanding capital stock of CEMEX Mexico, including a 2.5% interest held by a Mexican trust for our benefit. CEMEX Mexico is a direct subsidiary of CEMEX and is both a holding company for some of our operating companies in Mexico and an operating company involved in the manufacturing and marketing of cement, plaster, gypsum, groundstone and other construction materials and cement by-products in Mexico. CEMEX Mexico is also the holding company for all of our international operations.

Empresas Tolteca de Mexico is a direct subsidiary of CEMEX Mexico and was incorporated under the laws of Mexico for a period of 99 years from July 1989 under the name CEMEX Control, S.A. de C.V. On August 31, 1999, its name was changed to Empresas Tolteca de México, S.A. de C.V. At December 31, 2000, CEMEX Mexico owned approximately 99.9% of the outstanding capital stock of Empresas Tolteca de Mexico. Empresas Tolteca de Mexico is a holding company for some of our operating companies in Mexico.

CEMEX Mexico and Empresas Tolteca de Mexico, together with their subsidiaries, account for substantially all the revenues and operating income of our Mexican operations.

Since the early 1970s, we have pursued a growth strategy designed to strengthen our core operations and to expand our activities beyond our traditional market in northeastern Mexico. This strategy has transformed our Mexican operations from a regional participant into the leading Mexican cement manufacturer. The process was largely completed with our acquisition of Cementos Tolteca, S.A. de C.V. in 1989, which increased our installed capacity for cement production by 6.5 million tons. Since the Cementos Tolteca acquisition, we have added 5.5 million tons of installed capacity in Mexico through acquisitions, expansion, modernization and new plant construction. Our largest new construction project in Mexico in the 1990s was the Tepeaca plant, which began operations in 1995 and had an installed capacity as of December 31, 2000 of 3.2 million tons. We do not presently foresee any significant capacity expansion in our Mexican operations in 2001.

The Mexican Cement Industry

Cement in Mexico is sold principally through distributors with the remaining balance sold through ready-mix concrete producers, manufacturers of contract products and construction contractors. Cement sold through distributors is mixed with aggregates and water by the end user at the construction site to form concrete. Ready-mix concrete producers mix the ingredients of concrete in plants and deliver it to local construction sites in mixer trucks, which pour the concrete. Unlike more developed economies, where purchases of cement are concentrated in the commercial and industrial sectors, retail sales of cement through distributors typically account for around 75% of Mexico's private sector demand. Individuals who purchase bags of cement for their own housing and other basic construction are a significant component of the retail sector. We estimate that as much as 50% of house building in Mexico is performed by individuals who undertake their own construction. We believe that this large retail sales base is a factor that contributes significantly to the overall performance of the Mexican cement market.

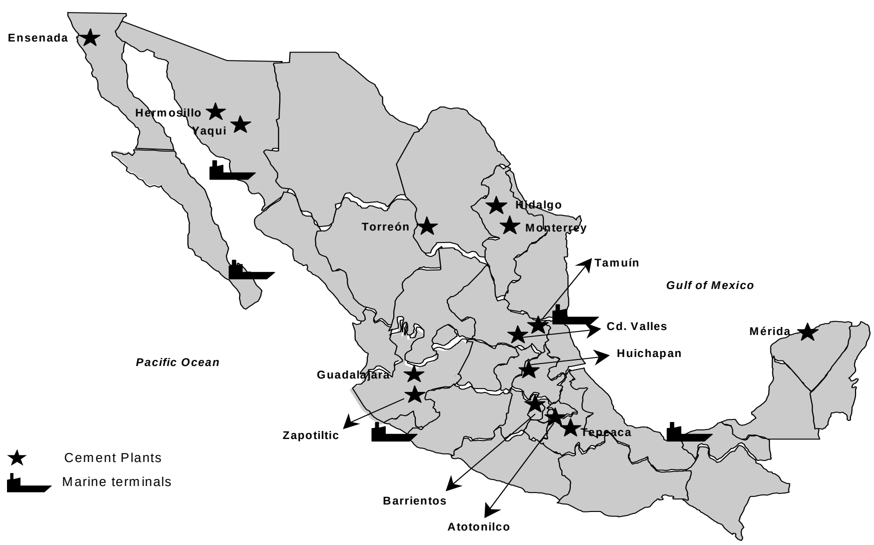
Competition. As recently as the early 1970s, the Mexican cement industry was regionally fragmented. However, over the last 25 years, the Mexican cement industry has consolidated into a national market, thus becoming increasingly competitive. As of December 31, 2000, according to publicly available information, the major cement producers in Mexico are CEMEX, Apasco, S.A. de C.V., an affiliate of Holcim, Ltd. ("Holcim"), Sociedad Cooperativa Cruz Azul, a Mexican operator, and Cementos Moctezuma, a subsidiary of Lafarge.

Potential entrants into the Mexican cement market face various impediments to entry including:

- the extensive capital investment requirements;
- the length of time required for construction of new plants (approximately two years); and
- the lack of port infrastructure and the high inland transportation costs resulting from the low value-to-weight ratio of cement.

The latter is particularly significant in Mexico because of the distance from ports to major consumption centers and the presence of significant natural barriers, such as mountain ranges, which border Mexico's east and west coasts. New entrants also face the significant time-consuming and expensive process of establishing a retail distribution network and developing the brand identification necessary to succeed in the retail market, which represents the bulk of the domestic market.

Our Mexican Operating Network



Currently, we operate 15 plants and 75 distribution centers located throughout Mexico. We operate modern plants on Mexico's Atlantic and Pacific coasts, allowing us to take advantage of low-cost maritime transportation to the Asian, Caribbean, Central and South American and U.S. markets.

We believe that geographic diversification is important because:

- it decreases the effect of regional cyclicality on total demand for our Mexican operations' products;
- it places our Mexican operations in physical proximity to customers in each major region of Mexico, allowing more cost-effective distribution; and
- it allows us to optimize production processes by shifting output to those facilities better suited to service the areas with the highest demand and prices.

Products and Distribution Channels

Our domestic cement sales represented approximately 81% in 1998, 84% in 1999 and 93% in 2000 of our total Mexican sales revenues.

Cement. As a result of the retail nature of the Mexican market, our Mexican operations are not dependent on a limited number of large customers. In 2000, our Mexican operations sold approximately 72% of their cement sales volume through more than 5,133 distributors throughout the country, most of whom work on a regional basis. The five most important distributors in the aggregate accounted for approximately 2.8% of our Mexican operations' total sales by volume for 2000.

We own the registered trademarks for our major brands in Mexico, such as "Cemento Monterrey," "Cemento Tolteca" and "Cemento Anáhuac." We believe that these brand names are important in Mexico since cement is principally sold in bags to retail customers who may develop brand loyalty based on differences in quality and service. The retail nature of the Mexican cement market enables us to foster brand loyalty, which distinguishes us from other worldwide producers selling primarily in bulk in the commodity market. Our domestic sales grew 7% in 1998, 5% in 1999 and 5% in 2000.

Ready-Mix Concrete. As of December 31, 2000, we owned a ready-mix concrete distribution network of 220 ready-mix facilities in 81 cities in Mexico and owned 1,183 trucks for the delivery of ready-mix concrete. In addition, we provide a variety of concrete delivery and pumping services in Mexico.

Ready-mix concrete sales volumes by our Mexican operations grew 27% in 1998, 4% in 1999 and 13% in 2000. Although traditionally ready-mix concrete has not been an important product in Mexico because of the availability of low-cost labor and the relatively small size of private sector construction projects, for the year ended December 31, 2000, ready-mix concrete sales represented 11.1% of our Mexican operations' total cement sales volumes.

Demand for ready-mix concrete in Mexico depends on various factors over which we have no control. These include the overall rate of growth of the Mexican economy and plans of the Mexican government regarding major infrastructure and housing projects. Ready-mix concrete has been an increasingly important distribution channel in industrialized countries because of the time and labor savings derived from mechanization and because most of the construction activity in those countries relates to larger scale infrastructure projects which require greater quality control.

The shift to ready-mix concrete production involves relatively low incremental capital costs, principally because extensive investments in cement production facilities are not required. Rather, it requires modifications in distribution and selling channels, and relatively less significant investments in transportation, mixing and loading equipment. Pricing of ready-mix concrete takes into account the full wholesale price of the cement and other materials used in the production of ready-mix concrete, which are less expensive than cement.

Exports. Our Mexican operations export a portion of their cement production. Exports of cement and clinker by our Mexican operations decreased 45% in 1998, increased 7% in 1999 and decreased 2% in 2000. In 2000, 51% of our exports from Mexico were to Central America and the Caribbean, 47% to the United States, and 21% to South America.

Our Mexican operations' cement and clinker exports to the United States are marketed through wholly-owned subsidiaries of CEMEX Corp. All transactions between CEMEX and the subsidiaries of CEMEX Corp., which act as our U.S. importers, are conducted on an arm's-length basis. Imports of cement and clinker into the United States from Mexico are subject to anti-dumping duties. See "Item 8 — "Financial Information — Regulatory Matters and Legal Proceedings — U.S. Anti-Dumping Rulings — Mexico."

Production Costs

Our Mexican operations' cement plants primarily utilize residual fuel oil, but several are designed to switch to natural gas with minimum downtime. In March 1998, we entered into a 20-year contract with Pemex, or Petróleos Mexicanos, providing that Pemex will supply us with 900 thousand tons of petcoke per year, commencing in 2002. Petcoke is petroleum coke, a solid or fixed carbon substance that remains after the distribution of hydrocarbons in petroleum and that may be used as fuel in the production of cement. We expect the Pemex petcoke contract to reduce the volatility of our fuel costs and provide us with a consistent source of petcoke. Since 1992, our Mexican operations have begun to use alternate fuels, reducing the consumption of residual fuel oil and natural gas to 69% of total fuel consumption for our Mexican operations in 2000.

In 2000, CEMEX, through a subsidiary, reached an agreement with ABB Alstom Power and Sithe Energies, Inc., requiring that Alstom and Sithe finance, build and operate Termoeléctrica del Golfo, a 230 megawatt energy plant in Tamuin, Mexico and supply electricity to CEMEX for a period of 20 years. In return, CEMEX will supply Alstom with 650 thousand tons of petcoke per year over the same period and will buy all the electricity produced by the plant. Our supply of petcoke will be derived from our contract with Pemex. We expect this project to reduce the volatility of our energy costs and to provide approximately 60% of the electricity needs of 12 of our cement plants in Mexico. We estimate the plant will begin operations by the end of 2002.

We have from time to time purchased hedges from third parties to reduce the effect of volatility in energy prices in Mexico. See Item 5 — "Operating and Financial Review and Prospects — Liquidity and Capital Resources."

Description of Properties, Plants and Equipment

As of December 31, 2000, we operated 15 cement plants located throughout Mexico, with a total installed capacity of 27.2 million tons per year. Our Mexican operations' most significant gray cement plants are the Huichapan, Tepeaca and Barrientos plants, which serve the central region of Mexico, the Monterrey, Valles and Torreón plants, which serve the northern region of Mexico, and the Guadalajara and Yaqui plants, which serve the Pacific region of Mexico. We have exclusive access to limestone quarries and clay reserves near each of our plant sites in Mexico. We estimate that these limestone and clay reserves have an average life of more than 60 years, assuming 2000 levels of production. As of December 31, 2000, all our production plants in Mexico utilized the dry process. As a result of our rationalization of our Mexican operations, we recorded an impairment charge on several of our operating plants in Mexico during 1999. See Note 7 to our consolidated financial statements included elsewhere in this annual report for a description of this impairment charge.

As of December 31, 2000, we had a network of 70 land distribution centers in Mexico, which are supplied through a fleet of our own trucks and rail cars, as well as leased trucks and rail facilities and five marine terminals. In addition, we had 220 ready-mix concrete plants throughout 81 cities in Mexico and 1,183 ready-mix concrete delivery trucks.

Capital Investments

We made capital expenditures of approximately U.S.$88 million in 2000 in our Mexican operations. We currently expect to make capital expenditures of approximately U.S.$110 million during 2001.

Our U.S. Operations

Overview

Our United States operations include the operations conducted by CEMEX, Inc., formerly Southdown, Inc. which we acquired in November 2000. CEMEX, Inc.'s operations are consolidated into our operations for the last two months of 2000.

Our U.S. operations represented approximately 13% of our net sales in 2000.

As of December 31, 2000, we had a cement manufacturing capacity of approximately 12.6 million metric tons per year in our United States operations, including 245 thousand metric tons in proportional interests through minority holdings.

In November 2000, we acquired, through a cash tender offer followed by a merger, 100% of the outstanding shares of common stock of Southdown, Inc., a cement production company based in Texas. The total cost of the acquisition of Southdown was approximately U.S.$2.8 billion. As of December 31, 2000, Southdown had an installed capacity of approximately 11.5 million metric tons per year. In March 2001, through a corporate restructuring, we integrated the Southdown operations with our other U.S. operations. As part of that restructuring Southdown changed its name to CEMEX, Inc. and the operating subsidiaries of CEMEX USA (currently CEMEX Corp.) were contributed to CEMEX, Inc.

As of December 31, 2000, we operated a geographically diverse base of 13 cement plants located in Alabama, California, Colorado, Florida, Georgia, Kentucky, Michigan, Ohio, Pennsylvania, Tennessee and Texas. As of that date, we also had 57 rail or water served distribution terminals in the United States and one in Canada. We also market ready-mix concrete products in four of our largest cement markets, California, Arizona, Texas, and Florida. In addition, we mine, process and sell construction aggregates in California, Arizona, Texas, Florida, Kentucky and Missouri, and specialty mineral products throughout the eastern half of the United States. During the first quarter of 2001, in connection with CEMEX, Inc.'s post-merger integration process, production operations at the Pittsburgh cement plant were shut down. The plant is currently being used as a cement distribution center and the Pittsburgh cement production was reassigned to the Louisville cement plant.

In 2000, our cement operations served the states of Alabama, Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, North Carolina, New Mexico, Nevada, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Wisconsin, West Virginia, and Wyoming.

The Cement Industry in the United States

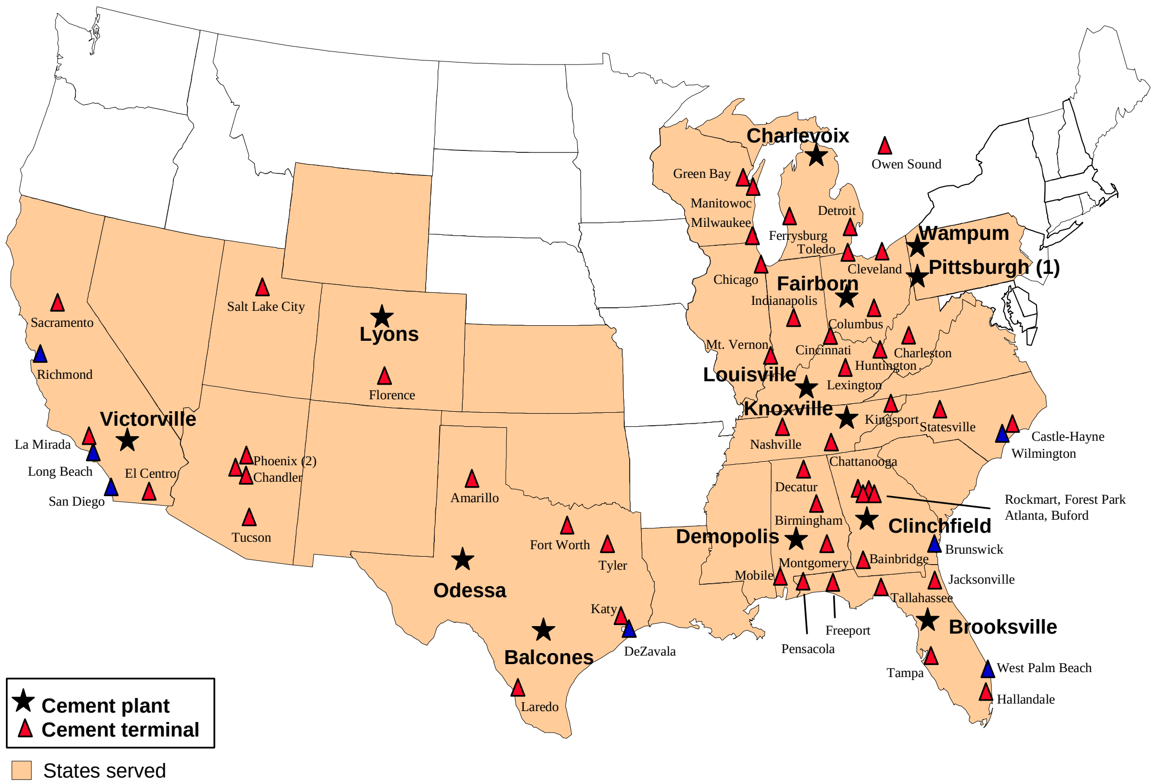
Competition. As a result of the lack of product differentiation and the commodity nature of cement, the cement industry in the United States is highly competitive. We compete with national and regional cement producers in the United States. CEMEX, Inc.'s principal competitors in the United States are Holcim, Lafarge, Heidelberger, Ash Grove Cement and Blue Circle.

According to Douglas M. Queens "The North American Cement Review — Plant Census October 2000," in 2000 we ranked second in total active cement manufacturing capacity among the 31 cement producers (including joint ventures) that comprise the U.S. market.

The U.S. ready-mix concrete industry is highly fragmented, and few producers have annual sales in excess of U.S.$3 million or have a fleet of more than 20 mixers. Given that the concrete industry has historically consumed approximately 70% of all cement produced annually, many cement companies choose to be vertically integrated.

Aggregates are widely used throughout the United States for all types of construction because they are the most basic materials for building activity. The U.S. aggregates industry is highly fragmented and geographically dispersed. According to the U.S. Geological Survey, in 1999, approximately 3,800 companies operated approximately 5,845 quarries.

Our United States Operating Network



(1) In 2001, production operations at the Pittsburgh cement plant were shut down.

Products and Distribution Channels

Cement is usually transported from the distribution center to the consumer by truck. Because of the high cost of truck transportation, however, bulk shipments from the plant to the distribution center are made typically by rail, by river or by sea. CEMEX, Inc. delivers a substantial portion of cement by rail. Occasionally, these rail shipments go directly to the customer. Otherwise, the shipments go to distribution centers where the customer picks up the product by truck or CEMEX, Inc. delivers the product by truck to the customer. The majority of our cement sales are made directly to users of grey portland and masonry cements, generally within a radius of approximately 200 miles of each plant. However, access to water transport, which is less expensive than truck or rail shipment, can effectively expand the market area of a particular production facility. Cement demand in the United States has become less dependent upon the more cyclical residential and commercial sectors. Because of the distribution of operations across the United States, we are able to achieve stability of cash flows should market conditions deteriorate in any one region of the United States. Ready-mix concrete is normally transported in mixer trucks. As of December 31, 2000, we operated over 1,150 mixer trucks for the delivery of ready-mix concrete.

Cement. Our cement operations represented approximately 49% of our 2000 U.S. operations revenues. Our U.S. operations sales volumes, which include CEMEX, Inc.'s sales volumes for the last two months of 2000, increased 30% in 2000, 15% in 1999 and 21% in 1998. High levels of construction activity in most regions of the United States during the last several years resulted in favorable supply and demand dynamics for cement, which in turn resulted in higher prices.

Demand for cement is derived from the demand for ready-mix concrete and concrete products which, in turn, is dependent on the demand for construction. According to estimates of the Portland Cement Association, the three construction sectors that are the major components of cement consumption are public works construction, commercial and industrial construction, and residential construction.

Cement demand is much less vulnerable to a downturn than in previous cycles due to increased public infrastructure spending. Today, public infrastructure spending accounts for 55% of the Dollar amount invested in the cement industry. Strong cement demand over the past decade has driven industry capacity utilization up to maximum levels. According to the Portland Cement Association, domestic capacity utilization reached 95% in 1998, 94.1% in 1999 and 98.7% in 2000.

In addition to ready-mix concrete producers, other principal customers are manufacturers of concrete products such as blocks, roof tiles, pipes and prefabricated building components in addition to ready-mix concrete. Sales are also made to building materials dealers, other cement manufacturers, highway and other public works project construction contractors and, in some regions, oil well cementing companies.

Ready-Mix Concrete. As of December 31, 2000, we operated a total of approximately 1,150 ready-mix concrete trucks for the delivery of ready-mix concrete in the states where we participate. Concrete operations represented approximately 28% of our 2000 revenues, including CEMEX, Inc. for the last two months of 2000. We have ready-mix operations in California, Arizona, Texas and Florida. Our concrete operations in those states purchase most of their cement requirements from our cement operations in the United States.

Aggregates. Our construction aggregates operations include mining, processing and selling construction aggregates in California, Arizona, Texas, Florida, Kentucky and Missouri. Aggregates operations represented approximately 8% of our 2000 revenues, including CEMEX, Inc. for the last two months of 2000. At the current level of production, it is anticipated that 95% of our construction aggregates reserves in the United States will last from 10 years to more than 50 years.

Production Costs

The largest cost components of our plants are electricity and fuel, which accounted for approximately 31% of its total production costs in 2000, including CEMEX, Inc. for the last two months of 2000. The majority of our U.S. plants use coal as primary fuel which has maintained a relatively stable price. CEMEX Inc. has a limited exposure to coal price increases, as most of its coal requirements have been secured through long term contracts that were executed prior to recent price increases. Therefore, increases in fuel prices have not had a material impact on CEMEX, Inc.'s production costs. Power costs represent approximately 15% of the cash manufacturing cost. We have improved the efficiency of its electricity usage, concentrating our manufacturing activities in off-peak hours and negotiating lower rates with electricity suppliers.

Description of Properties, Plant and Equipment

As of December 31, 2001, we operated 13 cement manufacturing plants in the United States, with a total installed capacity of 12.6 million metric tons per year, including 245 metric thousand tons in proportional interests through minority holdings. All our cement production facilities are wholly owned except for the Balcones, Louisville and Pittsburgh plants. We lease and operate the Balcones plant. The Louisville and Pittsburgh plants are owned by Kosmos Cement Company, a joint venture of which CEMEX, Inc. owns 75% and a subsidiary of Dyckerhoff AG owns 25%.

During the first quarter of 2001, in connection with CEMEX, Inc.'s post-merger integration process, production operations at the Pittsburgh cement plant were shut down. The plant is currently being used as a cement distribution center. Pittsburgh cement production was reassigned to the Louisville cement plant.

As of December 31, 2000, we operated a concrete distribution network of 90 ready-mix concrete plants, 58 cement terminals, eight of which are marine terminals, and 29 aggregate locations throughout our U.S. markets.

Capital Investments

We made capital expenditures of approximately U.S.$15 million in 1998, U.S.$16 million in 1999 and U.S.$65 million in 2000 in our U.S. operations, including CEMEX, Inc. for the last two months of 2000. We currently expect to make capital expenditures in our U.S. operations of approximately U.S.$188 million during 2001.

Europe, Asia and Africa

As of December 31, 2000, our business in Europe, Asia and Africa, which includes our majority-owned operations in Spain, the Philippines and Egypt, as well as our minority interest in Indonesia, represented approximately 19% of our net sales, 33% of our total installed capacity and 18% of our total assets.

Our Spanish Operations

Overview

Our Spanish operations represented approximately 14% of our net sales in 2000. We conduct our Spanish operations through our operating subsidiary Valenciana, which is also the holding company for our international operations. Our cement activities are conducted by Valenciana and Cementos Especiales, and our ready-mix concrete activities are conducted by Hormicemex, S.A.

The Spanish Cement Industry

In 2000, the construction sector of the Spanish economy grew 6.5%, primarily attributable to increased construction in the housing and non-residential sectors of the Spanish economy. Cement consumption in Spain increased approximately 15.7% in 1998, 11.7% in 1999 and 11.1% 2000. Our domestic cement and clinker sales volumes in Spain increased 14.6% in 1998, 2.8% in 1999 and 12.4% in 2000.

The level of cement imports into Spain has been influenced by the price in Dollar terms of domestic cement. Cement imports decreased by 26.2% in 1998, due primarily to exchange rate fluctuations between the Peseta and the Dollar and also due to stricter regulation of cement imports by the Spanish government. Cement imports increased 5.5% in 1999 due to strong domestic demand and increased 9.5% in 2000. The effect of imports primarily effected the coastal zones, since transportation costs make it less profitable to sell imported cement in inland markets.

Spanish producers have sought to increase their exports of cement in order to maximize their sales and thus partially offset the negative effect on revenues of imports or downturns in the domestic market. Spain has traditionally been one of the leading exporters of cement in the world, in recent years exporting over 6 million tons per year. Nevertheless, exports have decreased 2.1 million tons in 2000 due to strong domestic demand. Our Spanish operations' cement and clinker export volumes decreased by 3.8% in 1998, 30% in 1999 and 57.1% in 2000, as a result of the increase in domestic demand.

Competition. The world's two other leading cement producers, the Lafarge group of France and Holcim of Switzerland, have acquired controlling interests in Spain's largest cement producers, respectively. According to the Asociación de Fabricantes de Cemento de España, or OFICEMEN, the Spanish cement trade organization, as of December 31, 2000, approximately 60% of installed capacity for production of cement in Spain was owned by five multinational groups, including CEMEX. There has also been consolidation among Spain's independent cement producers.

Competition in the ready-mix concrete industry is particularly intense in large urban areas. Our subsidiary Hormicemex has achieved a sizable market presence in areas such as Levante and Aragón. In the central and Cataluña regions, its market share is smaller due to greater competition. Overcapacity and a high degree of competition in the Spanish ready-mix concrete industry has led to weak pricing, which has affected Hormicemex's profitability. However, the distribution of ready-mix concrete remains a key component of Valenciana's business strategy.

The Spanish ready-mix concrete industry is subject to regulations regarding plants, pollution, licenses and quality of products. The Spanish government, however, does not currently monitor compliance, which permits independent local ready-mix concrete producers to offer low quality products at lower prices. We believe that if the more stringent European Union ready-mix concrete regulations are complied with in Spain, the low quality/low price independent ready-mix concrete producers will not be able to compete as effectively as they do now.

Our Spanish Operating Network

OFICEMEN reported that, based on 2000 sales, Valenciana had a market share of approximately 23.8% in gray and white cement, making us the leader in the Spanish cement industry. We believe that we gained this leading market position because of our geographic diversification and extensive distribution channels. Furthermore, we believe that our Spanish operations' geographical diversification enables us to cope with downturns in demand more effectively than many of our competitors because we are able to shift output to plants serving areas with the strongest demand and prices.

Products and Distribution Channels. Valenciana offers various types of cement, targeting specific products to specific markets and users. In 2000, approximately 24% of Valenciana's domestic sales volumes were of cement in bags through distributors and the remainder of Valenciana's domestic sales volumes were bulk sales of cement primarily to ready-mix concrete operators, which include Valenciana's own subsidiaries, as well as industrial customers that use cement in their production processes and construction companies.

Exports. In general, Spanish cement production exceeds domestic demand. We have been able to export excess capacity through collaboration between Valenciana and our cement trading companies. Export prices, however, are usually lower than domestic market prices, and costs are usually higher for export sales. In 2000, 53% of our exports from Spain were to the United States, 27% to Europe and the Middle East and 20% to Africa.

Production Costs

We have improved the profitability of Valenciana by introducing technological improvements that have significantly reduced our energy costs. We have also taken significant steps to reduce energy costs. Valenciana's cement plants all run on a more cost-effective mix of fuels, and production has been rationalized so that clinker is being produced in the most efficient plants and milled in plants where we can take advantage of off-peak electricity availability.

Description of Properties, Plants and Equipment

As of December 31, 2000, our Spanish operations operated eight plants located in Spain, with a gray cement equivalent capacity of approximately 10.4 million tons, including 850 thousand tons annually of white cement capacity, the equivalent of approximately 1.7 million tons of gray cement, and approximately 75 ready-mix concrete plants, including 16 aggregate and nine mortar plants. Valenciana's gray cement plants include the Buñol and San Vicente plants, which serve the Levante region, the Alcanar plant, which primarily serves the export market, the Castillejo plant, which serves the central region, the Morata plant, which serves the Aragón and Cataluña regions, the San Feliú plant, which serves the Cataluña region, and the Lloseta plant, which serves the Balearic Islands. Valenciana's white cement plants include the Villanova plant, which serves the Cataluña region, and the Buñol and San Vicente plants. Valenciana also owns three cement mills, one of which is operated through a joint venture 50%-owned by Valenciana, and 22 distribution centers, including seven land and 15 marine terminals.

As of December 31, 2000, Valenciana owned six limestone quarries located in close proximity to its plants, which have useful lives ranging from 10 to 25 years, assuming 2000 production levels. At that date, Valenciana had concessions on limestone and clay reserves, which we believe are sufficient to supply existing plants for more than 50 years, assuming 2000 production levels.

Capital Investments

We made capital expenditures of approximately U.S.$46 million in 2000 in our Spanish operations. We currently expect to make capital expenditures in our Spanish operations of approximately U.S.$45 million during 2001.

Our Philippine Operations

Overview

Our Philippine operations represented approximately 2% of our net sales in 2000. We own a 70% economic interest in Rizal Cement Company Inc., which has two cement plants with a total installed capacity of 2.8 million tons. We also own a 99.9% economic interest in APO Cement Corporation, which has one cement plant with an installed capacity of 3.0 million tons. We hold our interests in Rizal and APO through CEMEX Asia Holdings, a 77.4%-owned subsidiary.

In April 2000, we formalized an exclusive long-term distributorship agreement with Universe Cement of Taiwan as part of our strategy to strengthen our presence in Southeast Asia. The facilities of Universe include two cement import facilities: one with silos capable of storing up to 60 thousand tons of cement and the other with silos capable of storing up to 14 thousand tons of cement. The cement distributed pursuant to the agreement will originate from our Philippine operations or from other countries in the region, including, Gresik.

To further support our trading activities in the Asia region, in May 2001, we made an investment in Tunwoo, a company based in Taiwan. Tunwoo owns a license to operate a cement terminal in the port of Taichung located on the west coast of Taiwan. The import terminal has cement storage capacity of 60 thousand tons.

The Philippine Cement Industry

During 2000, cement consumption in the Philippine market totaled 12.2 million tons. Since there is currently overcapacity in the Philippines, we intend to use our trading network to export a substantial amount of our Philippine cement production.

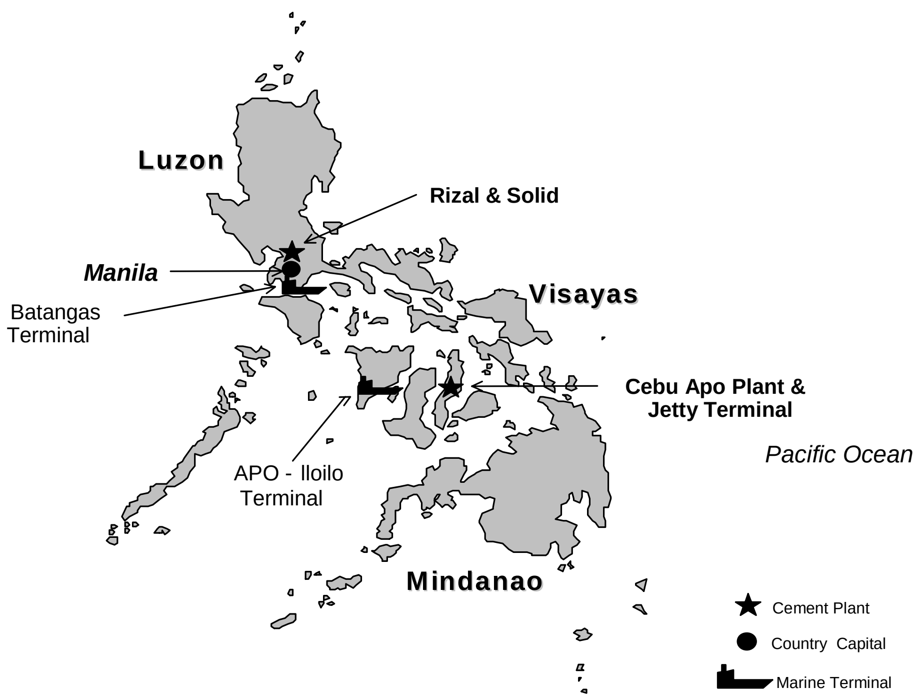
The primary nature of the Philippine cement market is retail, similar to Mexico. Approximately 75% of Philippine cement volume is typically sold in bags through distributors. The balance is sold through ready-mix concrete producers.

During the Asian economic recession over the last three years, cement demand in the region entered a period of decline as GDP growth slowed and property sectors languished. In this period, Philippine cement demand, which decreased 21%, was less affected, partly as a result of being a latecomer to the property and infrastructure boom prior to the recession. However, despite a modest economic recovery in the Philippines the construction sector is still lagging, and cement demand continues to decline.

Competition. At December 31, 2000, the Philippine cement industry had a total of 20 cement plants with an annual installed capacity of 26.9 million tons, according to the Philippine Cement Manufacturers Corporation. According to the Philippine Cement Manufacturers Corporation, major global cement producers own nearly 86% of this capacity.

Our major competitors in the Philippine cement market are Holcim, which has interests in two local cement producers, and Lafarge, which has interests in six local cement producers.

Our Philippine Operating Network



Our Philippine operations have three cement plants with a total of eight production lines, three utilizing the dry process and five utilizing the wet process, as well as distribution centers in Cebu, Batangas and Iloilo.

Production Costs

Costs of production include energy, labor, transportation, raw materials, maintenance and packaging. We estimate that we have at least 140 years of limestone and clay reserves available to supply our Philippine operations at 2000 levels of production. Other raw materials, such as gypsum and iron ore, which are used in smaller quantities than limestone and clay, are purchased from outside suppliers.

Our Philippine facilities have back-up electricity generating capacity, which is used when government-provided electricity is in short supply.

Description of Properties, Plants and Equipment

Our Philippine operations include three plants with a total capacity of 5.8 million tons per year and 6 distribution terminals, two of which are marine terminals. Our cement plants include Rizal, with three wet process production lines and an installed capacity of 0.4 million tons, serving the Manila metropolitan region; Solid, a subsidiary of Rizal, with two wet process production lines and one dry process production line and an installed capacity of 2.5 million tons, also serving the Manila metropolitan region; and APO, with two dry process production lines and an installed capacity of 2.9 million tons, serving the Visayas and Mindanao regions.

Capital Investments

We made approximately U.S.$25 million of capital expenditures in 2000 in our Philippine operations. We currently expect to make capital expenditures of approximately U.S.$20 million during 2001.

Our Indonesian Equity Investment

Overview

In October 1998, we purchased from the Indonesian government a 14% interest in Gresik, Indonesia's largest cement producer, for approximately U.S.$115 million. As part of the agreement, the Indonesian government has the contractual right to require us to purchase up to its remaining 51% stake in Gresik for up to U.S.$418 million plus interest accrued at 8.2% per annum until October 2001. In 1999, we increased our interest in Gresik to approximately 25.5%. In October 2000, CEMEX Asia Holdings acquired our interest in Gresik for approximately U.S.$279 million and, as a result, our economic interest in Gresik was reduced to approximately 19.8%. Currently, we hold two seats on both the board of directors and the board of commissioners of Gresik, as well as the right to approve Gresik's business plan jointly with the Indonesian government.

Gresik owns and operates four cement plants in Indonesia with a total installed capacity of 20.3 million tons.

The Indonesian Cement Industry

The Indonesian cement industry is one of the two largest in South East Asia, accounting for about 26% of the 86 million tons of cement consumed in South East Asia in 2000, according to the Indonesian Cement Association. We believe the Indonesian cement market is important to our Asian expansion strategy due to its strategic location, size, potential as an anchor for our South East Asian trading network and the significant growth potential of the Indonesian economy.

In 2000, the Indonesian cement industry domestic demand increased 19% compared to 1999. However, as at December 31, 2000, the Indonesian cement industry had an excess capacity of approximately 50%, which has required Indonesian producers to seek export markets.

Competition. Indonesia had 10 cement plants with a combined installed capacity of approximately 50 million tons as of December 31, 2000. Foreign companies continue their efforts to increase their participation in the industry. Lafarge holds a majority position in P.T. Semen Andalas Indonesia, Heidelberger recently reached an agreement to acquire a majority interest in Indocement and Holcim is expected to increase its participation in Indonesia during the second half of 2001.

Gresik's Indonesian Operating Network

Gresik, with an installed capacity of 20.3 million tons, is Indonesia's largest cement producer. Gresik's production facilities include four plants with twelve dry production lines and one wet production line, with access to most of Indonesia's regions.

As of December 31, 2000, Gresik was operating at approximately 67% capacity utilization and was focused on increasing cement output by increasing exports through the CEMEX trading network. In 1998, CEMEX reached an agreement in principle with Gresik to buy at least 1.5 million tons of cement from Gresik during each of the years 1999, 2000 and 2001. Gresik undertook an upgrade of its port infrastructure, in order to increase its export capacity.

Exports. During 2000, Gresik exported more than 28% of its cement production. Gresik exports mainly to Egypt, Bangladesh and Sri Lanka.

Description of Properties, Plants and Equipment

As of December 31, 2000, Gresik operated four cement plants with an installed capacity of 20.3 million tons, 14 distribution terminals and four export ports. Gresik's cement plants include the Padang plant, with one production line that utilizes the wet process and four production lines that utilize the dry process and an installed capacity of 6.5 million tons; the Gresik plant, which has two production lines that utilize the dry process and an installed capacity of 1.5 million tons; the Tuban plant, which has three production lines that utilize the dry process and an installed capacity of 8.2 million tons; and the Tonasa plant, which has three production lines that utilize the dry process and an installed capacity of 4.1 million tons.

Other Asian Investments

As part of our strategy to strengthen our presence in South Asia, in May 2000, we committed to invest approximately U.S.$34 million in the construction of a new grinding mill near Dhaka, Bangladesh, which is expected to have a production capacity of approximately 500 thousand metric tons per year. The grinding mill began operations in April 2001. We are supplying the mill with clinker from Gresik in Indonesia and from other countries in the region. This mill allows us to supply cement to the local market in Bangladesh. Bangladesh has been a net importer of cement in the past.

In May 2001, CEMEX Asia Holdings acquired a 99% interest in Saraburi Cement Company in Thailand for a total consideration of approximately U.S.$73 million. Our economic interest in Saraburi is approximately 76%. Saraburi has one dry process cement plant located north of Bangkok and has been operating at full capacity. As of May 2001, Saraburi had an installed capacity of approximately 700 thousand metric tons.

According to our estimates, at December 31, 2000, the cement industry in Thailand had a total of 14 cement plants, with an aggregate annual installed capacity of approximately 52.7 million tons. We estimate that there are 5 major cement producers in Thailand, 4 of which control more than 98% of the market. Our major competitors in the Thailand market are Siam Cement, Holcim, TPI Polene and Italcementi.

Our Egyptian Operations

Overview

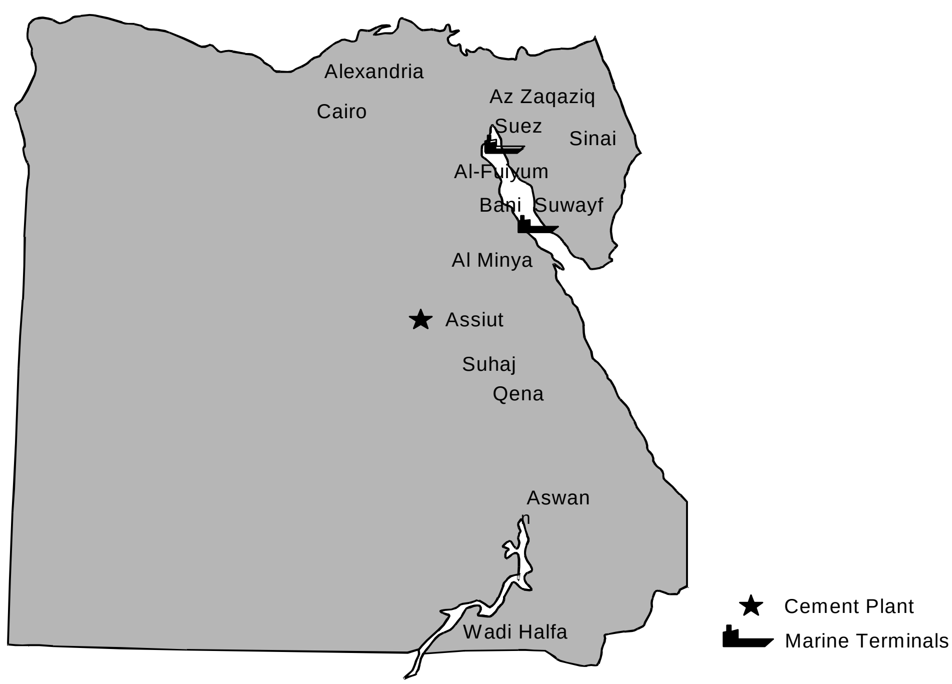
As of December 31, 2000, we had a 92.9% interest in Assiut Cement Company, an Egyptian cement producer. In March 2001, we further increased our interest in Assiut to 95.8%. Assiut has an installed capacity as of December 31, 2000 of approximately 4.0 million tons.

The Egyptian Cement Industry

The Egyptian cement market consumed approximately 26.4 million tons of cement during 2000. Cement consumption decreased by 4.3% in 2000, due to the slowdown in the Egyptian economy and the liquidity reduction which has affected most sectors of the Egyptian economy, in particular the Egyptian construction sector.

Competition. According to the Global Cement Report and the World Cement Directory, at December 31, 2000, the Egyptian cement industry had a total of nine cement producers, with an aggregate annual installed capacity of 26.3 million tons. We estimate that, at December 31, 2000, Holcim, Lafarge and CEMEX, three of the largest cement producers in world were responsible for 38% of the total cement production in Egypt. Our major competitors in the Egyptian market are Suez-Tourah Cement Company, Helwan Portland Cement Company and Egyptian Cement Company.

Our Egyptian Operating Network



Distribution Channels

As a result of the retail nature of the Egyptian market, approximately 95% of our cement sales volumes are typically sold as cement in bags to retail customers through distributors throughout the country.

Description of Properties, Plants and Equipment

As of December 31, 2000, Assiut operated one cement plant with an installed capacity of approximately 4.0 million tons and three dry process production lines. Assiut's cement plant serves Cairo, Egypt's main cement market.

Capital Investments

We made approximately U.S.$46 of capital expenditures in our Egyptian operations in 2000. We currently expect to make capital expenditures of approximately U.S.$55 million during 2001.

In addition to our anticipated capital expenditures in 2001, we are in the process of increasing the production capacity at Assiut's cement plant from approximately 4.0 million tons to approximately 5.0 million tons by 2002. We expect this project to cost approximately U.S.$60 million.

South America, Central America and the Caribbean

As of December 31, 2000, our business in South America, Central America and the Caribbean, which includes our operations in Venezuela, Colombia, Panama, the Dominican Republic and Costa Rica, as well as other assets in the Caribbean, represented approximately 19% of our net sales, 15% of our total installed capacity and 13% of our total assets.

Our Venezuelan Operations

Overview

Our Venezuelan operations represented approximately 8.0% of our net sales in 2000. Our Venezuelan operations are held by Vencement Investments, a holding company whose principal asset is a 75.6% interest in CEMEX Venezuela S.A.C.A., or CEMEX Venezuela (formerly known as Vencemos), a company listed on the Caracas Stock Exchange. CEMEX Venezuela is the largest cement producer in Venezuela, based on an installed capacity of 4.3 million tons at December 31, 2000.

The Venezuelan Cement Industry

Competition. At December 31, 2000, the Venezuelan cement industry included five cement producers, with a total installed capacity of approximately 10.1 million tons, according to our estimates. We estimate that CEMEX Venezuela's installed capacity in 2000 represented approximately 47% of that total, almost twice that of its next largest competitor.

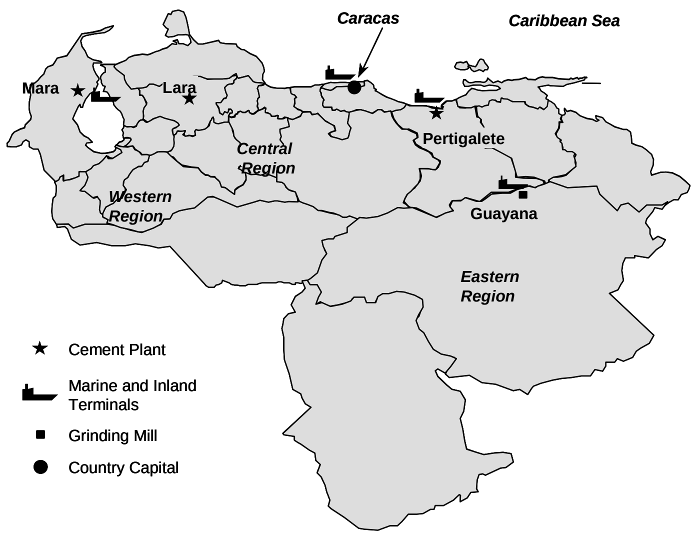
Since the early 1990s, the Venezuelan cement industry has been transformed as large multinational cement companies have entered the Venezuelan market through the acquisition of local producers. Our competitors, Holcim and Lafarge, have acquired controlling interests in Venezuela's second and third largest cement producers, respectively.

In 2000, the ready-mix concrete market accounted for only about 14% of cement consumption in Venezuela, according to our estimates. We believe that Venezuela's construction companies, which prefer to install their own ready-mix concrete plants on-site, are the most significant barrier to penetration of the ready-mix concrete sector, with the result that on-site ready-mix concrete mixing represents a high percentage of total ready-mix concrete production.

Other than CEMEX Venezuela, the ready-mix concrete market is concentrated in two companies, Premezclado Caribe, which is owned by Holcim and Premex, which is owned by Lafarge. The rest of the ready-mix concrete sector in Venezuela is highly fragmented.

Our Venezuelan Operating Network

As shown below, CEMEX Venezuela's three cement plants and one grinding facility are located near the major population centers and the coast of Venezuela. In 2000, 61% of our exports from Venezuela were to the United States, 33% to Central America and the Caribbean and 6% to South America.



CEMEX Venezuela was the leading supplier of cement in Venezuela, based on our estimates of sales of gray and white cement in Venezuela, as of December 31, 2000. In addition, CEMEX Venezuela was also the leading supplier of ready-mix concrete in Venezuela with 42 ready-mix production plants throughout Venezuela, based on our estimates of sales of cement and ready-mix concrete in Venezuela, as of December 31, 2000. During 2000, CEMEX Venezuela operated its plants at full capacity and achieved production of 4.3 million tons of clinker in 2000.

Distribution Channels

Transport by land is handled primarily by CEMEX Venezuela. During 2000, approximately 43% of CEMEX Venezuela's total domestic sales were transported through its own fleet.

Exports

During 2000, exports from Venezuela represented approximately 52% of CEMEX Venezuela's net sales. CEMEX Venezuela's main export markets historically have been the Caribbean and the east coast of the United States. In 2000, 61% of our exports from Venezuela were to the United States, 33% to Central America and the Caribbean and 6% to South America.

Description of Properties, Plants and Equipment

As of December 31, 2000, CEMEX Venezuela operated three cement plants, Lara, Mara and Pertigalete, with a combined installed capacity of cement production of approximately 4.3 million tons. CEMEX Venezuela also operates Cementos Guayana, a grinding facility with a clinker capacity of 360 thousand tons. All the plants are strategically located to serve both domestic areas with the highest levels of cement consumption and export markets. CEMEX Venezuela also owns 42 ready-mix concrete production facilities, 15 distribution centers and more than

200 mixer trucks. Limestone quarries are abundant in Venezuela, and CEMEX Venezuela owns four limestone quarries with reserves sufficient for over 100 years at 2000 production levels.

As of December 31, 2000, the Lara and Mara plants and one production line at the Pertigalete plant utilized the wet process; the other production line at the Pertigalete plant utilized the dry process. All the plants utilize natural gas as fuel, which historically has been a low cost source of energy, given its abundance in Venezuela. CEMEX Venezuela has its own electricity generating facilities, which are powered by natural gas.

As of December 31, 2000, CEMEX Venezuela owned and operated four port facilities, three marine terminals and one river terminal. One port facility is located at the Pertigalete plant, one at the Mara plant, one at the Catia La Mar terminal on the Caribbean Sea near Caracas, and one at Cementos Guayana on the Orinoco River in the Guayana Region. CEMEX Venezuela's cement is transported either in bulk or in bags.

Capital Investments

We made capital expenditures of approximately U.S.$23 million in 2000 in our Venezuelan operations. We currently expect to make capital expenditures of approximately U.S.$30 million during 2001.

Our Colombian Operations

Overview

Our Colombian operations represented approximately 3% of our net sales in 2000.

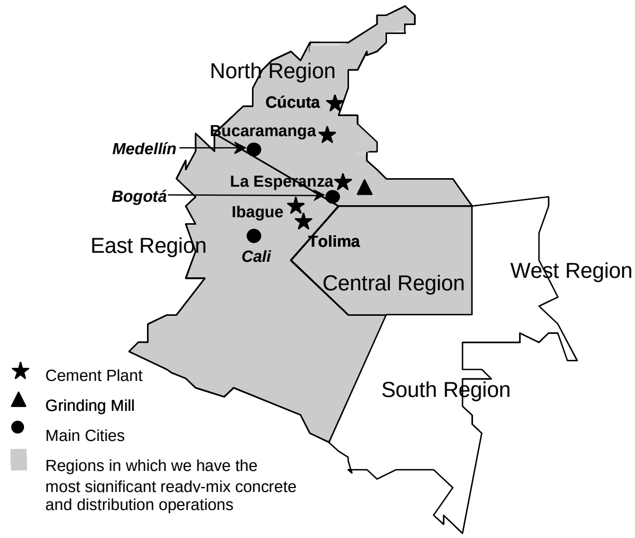
As of December 31, 2000, CEMEX Colombia was the second-largest cement producer in Colombia, based on 2000 installed capacity of 4.8 million tons, according to the ICPC.

CEMEX Colombia has a significant market share in the cement and ready-mix concrete market in the so-called "Urban Triangle" of Colombia comprising the cities of Bogotá, Medellín and Cali. During 2000, these three metropolitan areas accounted for approximately 31% of Colombia's cement consumption. CEMEX Colombia's Ibagué plant, which uses the dry process and is strategically located between Bogotá, Cali and Medellín, is Colombia's largest and had an installed capacity of 3.1 million tons as of December 31, 2000. CEMEX Colombia, through its Bucaramanga and Cúcuta plants, is also an active participant in Colombia's northeastern market. CEMEX Colombia's strong position in the Bogotá ready-mix concrete market is largely due to its access to a ready supply of aggregate deposits in the Bogotá area.

The Colombian Cement Industry

Competition. The Colombian cement industry has been dominated by the Sindicato Antioqueño, or Argos, which either owns or has interests in nine of Colombia's thirteen cement companies. Argos has established a leading position in the Colombian coastal markets through Cementos Caribe in Barranquilla, Compañía Colclinker in Cartagena and Tolcemento in Sincelejo. The other principal cement producer is Cementos Boyacá, an affiliate of Holcim.

Our Colombian Operating Network



CEMEX Colombia owns quarries with minimum reserves sufficient for over 100 years at 2000 production levels. In addition to mining its own raw materials, CEMEX Colombia also purchases raw materials from third parties. The majority of CEMEX Colombia's cement is distributed through independent distributors.

CEMEX Colombia's principal concrete product is ready-mix concrete, produced to client specifications and delivered directly to job sites. CEMEX Colombia also produces other specialized cement-based building materials, including mortars, shotcrete (sprayable concrete) and pre-fabricated concrete construction products.

CEMEX Colombia operates its ready-mix concrete business through 18 ready-mix plants. CEMEX Colombia also uses portable ready-mix plants, which allow concrete to be mixed at major building sites, reducing transportation costs and eliminating the need to acquire additional permanent ready-mix concrete sites.

Description of Properties, Plants and Equipment

As of December 31, 2000, CEMEX Colombia owned five cement plants having a total installed capacity of 4.8 million tons of cement per year and one grinding mill. Two of these plants utilize the wet process and three utilize the dry process. The Ibagué and Tolima plants serve the Urban Triangle, while Cúcuta and Bucaramanga plants, located in the northeastern part of the country, serve local and coastal markets. The La Esperanza cement plant and the Santa Rosa clinker mill are close to Bogotá. In addition, CEMEX Colombia owns six land distribution centers, one mortar plant, 18 ready-mix concrete plants, one concrete products plant and seven aggregate plants. During 1999, as a result of our rationalization of our Colombian operations, we recorded an impairment charge on several of our operating plants in Colombia. See Note 7 to our consolidated financial statements included elsewhere in this annual report for a description of this impairment charge.

Capital Investments

We made capital expenditures of approximately U.S.$9 million in 2000 in our Colombian operations. We currently expect to make capital investments of approximately U.S.$8 million during 2001.

Central America and the Caribbean

As of and for the year ended December 31, 2000, Central America and the Caribbean, which includes our operations in Panama, the Dominican Republic, Costa Rica and other assets in the Caribbean, represented approximately 8% of our net sales, 4% of our total installed capacity and 3% of our total assets.

Our Dominican Republic Operations

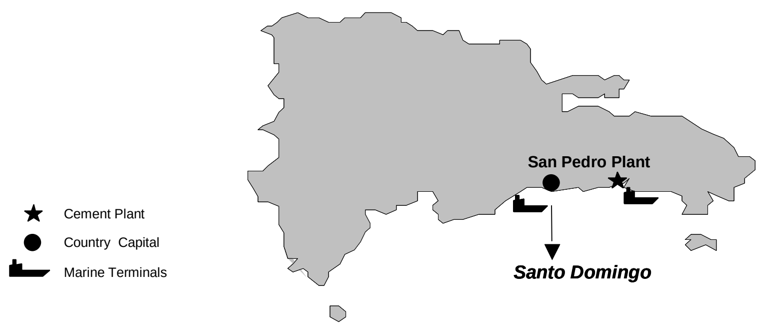
Overview. Our Dominican Republic operations represented approximately 3% of our net sales in 2000.

As of December 31, 2000, through CEMEX Venezuela, we owned Cementos Nacionales, a cement producer in the Dominican Republic with an installed capacity of 1.2 million tons of cement, and a related distribution company, Compañía Comercializadora, S.A., with 14 distribution centers.

The Dominican Republic Cement Industry

Competition. Cementos Nacionales serves the cement market throughout the Dominican Republic. Its principal competitors are Cementos Cibao, a local competitor, and Cemento Colón, an affiliate of Holderbank.

Our Dominican Republic Operating Network. As of December 31, 2000, Cementos Nacionales was the leading cement producer in the Dominican Republic, based on installed capacity as reported by International Cement Review in the Global Cement Report. Cementos Nacionales' sales network covers the country's main consumption areas, which are Santo Domingo, Santiago de los Caballeros, San Francisco de Macorís and San Pedro de Macorís.



In 2000, Dominican Republic cement consumption reached 2.8 million metric tons, and cement imports were necessary to fulfill domestic demand, according to our estimates.

Production Costs. We believe Cementos Nacionales is the most efficient cement producer in the Dominican Republic. Cementos Nacionales uses the dry process. In a country where the electricity supply is irregular and costly, Cementos Nacionales maintains its own electricity generating capacity, which affords a continuous high-quality supply of electricity and enables it to maximize production capacity without interruptions due to outages. As of December 31, 2000, Cementos Nacionales had an electricity generating capacity of approximately 42 megawatts, supplying electricity to all points of production. This generating capacity affords Cementos Nacionales an inexpensive source of energy relative to its competition, which is critical to competitive production margins.

Cementos Nacionales maintains its own limestone and clay quarries, which we expect will provide sufficient reserves for up to 150 years at 2000 production levels. Sand and other auxiliary raw materials are purchased on the domestic market.

Description of Properties, Plants and Equipment. Cementos Nacionales currently owns one dry process cement plant with an installed capacity of 1.2 million tons per year, in addition to four ready-mix concrete production facilities, three grinding mills with an installed capacity of 2.4 million tons per year, 14 distribution centers located throughout the country and two marine terminals. As of December 31, 2000, our Dominican Republic cement plant operated at full capacity.

Capital Investments. We made capital expenditures of approximately U.S.$31 million in 2000 in our Dominican Republic operations. We currently expect to make capital investments of approximately U.S.$16 million during 2001.

Our Other Caribbean Operations

We are a party to a strategic alliance in Trinidad and Tobago, through which we have the right to participate jointly in the production and sale of cement from these islands and from the Arawak plant on the island of Barbados to customers in various countries in the eastern Caribbean. We operate in the Bahamas, Bermuda, the Cayman Islands and Haiti through our wholly-owned subsidiary Concem.

We believe that the Caribbean region holds considerable strategic importance because of its geographic location, which facilitates exports from our operations in Mexico, Venezuela and Panama through a network of nine land distribution centers and six marine terminals.

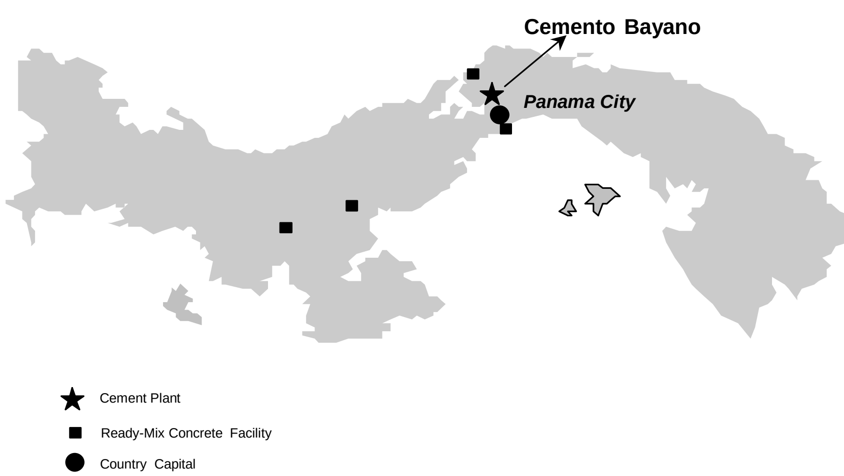
Through our investments in Panama and Costa Rica, we have established a strategic presence in the mainland markets of Central America.

Our Panamanian Operations

Overview. As of December 31, 2000, we owned a 99.2% interest in Cemento Bayano.

The Panamanian Cement Industry. The Panamanian cement industry includes two cement producers, Cemento Bayano and Cemento Panamá, S.A., with a total installed capacity of approximately 780 thousand tons of cement as of December 31, 2000, according to our estimates. Cemento Bayano's installed capacity represented approximately 52% of that 2000 total.

Our Panamanian Operating Network. Cemento Bayano was the leading supplier of cement in Panama in 2000, based on sales of gray cement, for the year ending December 31, 2000, with an installed capacity for cement production of approximately 402 thousand tons per year. As of December 31, 2000, we operated a distribution network of five ready-mix concrete plants. Our cement plant is located in the township of Calzada Larga, 19 kilometers north of Panama City, and utilizes the dry process.



Production Costs. Historically, Cemento Bayano has had the highest energy costs of any member of the CEMEX group. We have taken significant steps to reduce energy costs. Cemento Bayano spent U.S.$4.25 million to upgrade its cement plant to run on a more cost-efficient mix of fuels by completely replacing fuel oil with petcoke and to reduce energy costs. We believe that this reduction in energy costs represents a key competitive advantage over our competitors. As part of an environmental project we undertook in 2000 to reduce energy costs, we made investments to replace 15% of fuel oil with less expensive petcoke and alternative fuels.

Description of Properties, Plant and Equipment. Our operations in Panama include one cement plant utilizing the dry production process, with an installed capacity of 402 thousand tons per year. In addition, Cemento Bayano operates five ready-mix concrete facilities; two in Panama City, one in Colón, one in Aguadulce and one in Guararé.

Capital Investments. We made capital expenditures of approximately U.S.$5 million in 2000 in our Panamanian operations. We currently expect to make capital expenditures of approximately U.S.$3 million during 2001.

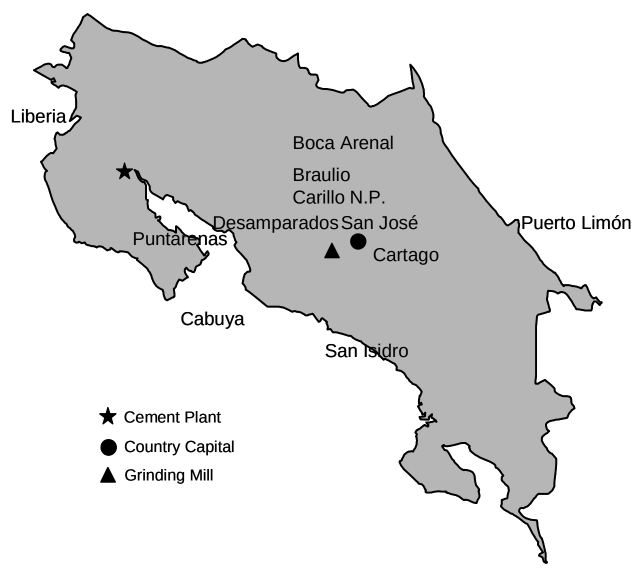
Our Costa Rican Operations

As of December 2000, we held a 98.2% interest in Cementos del Pacífico.

The Costa Rican Cement Industry. Approximately 1.1 million tons of cement were sold in Costa Rica during 2000, according to Cámara de la Construcción de Costa Rica, the Costa Rican construction industry association. The Costa Rican cement market is a predominantly retail market, and we estimate that over three quarters of cement sold is bagged cement.

Competition. The Costa Rican cement industry includes two producers, Cementos del Pacífico and Industria Nacional de Cemento, an affiliate of Holcim. The two companies control roughly equal proportions of the market.

Our Costa Rican Operating Network. Cementos del Pacífico operates one cement plant, located approximately 180 kilometers northwest of the capital San José, and one grinding mill located in San José.



Products and Distribution Channels. Cementos del Pacífico has four strategically located distribution centers, one on the Pacific coast, one on the Caribbeña coast and two in the metropolitan areas, where 65% total sales were made.

Exports. During 2000, exports of cement by our Costa Rican operations represented approximately 18% of our total cement production in Costa Rica. In 2000, 60% of our exports from Costa Rica were to Nicaragua, 30% to El Salvador and 10% to other countries in Central America.

Production Costs. During 2000, energy costs increased approximately 40% in Costa Rica. In response, we significantly reduced our energy consumption and our costs of raw materials in the production of cement. In January 2001, we commenced using petcoke as fuel in the production of cement to reduce our production costs by approximately 50%.

Description of Properties, Plants and Equipment. Our Costa Rican operations' cement plant has one dry process production line with an installed capacity of 850 thousand tons. Our grinding mill has a grinding capacity of 150 thousand metric tons. In addition, Cementos del Pacífico owns four distribution centers.

Capital Investments. We made capital expenditures of approximately U.S.$15 million in 2000 in our Costa Rican operations. We currently expect to make capital expenditures of approximately U.S.$3 million during 2001.

Our Equity Investment in Chile

We hold a 11.92% interest in Cementos Bio Bio, S.A., Chile's largest cement producer, based on an installed capacity as of December 31, 2000 of approximately 2.25 million tons. Cementos Bio Bio operates three cement plants. Two of the cement plants are located in the Santiago-Concepción corridor, and the third plant is located in the northern Antofogasta region. Cementos Bio Bio's primary market is the Concepción market. In addition, Cementos Bio Bio has 850 thousand cubic meters of ready-mix concrete production capacity. The purchase price for our 11.9% interest in Cementos Bio Bio was approximately U.S.$34 million.

Our Trading Operations

We traded more than 13 million tons of cement and clinker in 2000. Approximately 43% of this amount consisted of exports from our operations in Mexico, Venezuela, Costa Rica, Spain and the Philippines. Approximately 57% was purchased from third parties in countries such as China, Romania, Korea, Russia, Tunisia, Turkey, Morocco, England, Ukraine and Thailand. At December 31, 2000, we conducted trading activities in 60 countries.

Our trading network enables us to maximize the capacity utilization of our facilities worldwide while reducing our exposure to the inherent cyclicality of the cement industry. We are able to distribute excess capacity to regions around the world where there is demand.

Item 5 - Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our financial statements included elsewhere in this annual report. Our financial statements have been prepared in accordance with Mexican generally accepted accounting principles, which differ in significant respects from U.S. GAAP. See Note 20 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

Mexico experienced annual inflation rates of 18.6% in 1998, 12.3% in 1999 and 9.03% in 2000. Mexican GAAP requires that our consolidated financial statements recognize the effects of inflation. Consequently, financial data for all periods in our consolidated financial statements and throughout this annual report, except as otherwise noted, have been restated in constant Pesos as of December 31, 2000. See Note 2B to our consolidated financial statements included elsewhere in this annual report.

The percentage changes in cement sales volumes described in this annual report for our operations in a particular country include the number of tons of cement sold to our operations in other countries. Likewise, unless otherwise indicated, the net sales financial information presented in this annual report for our operations in each country include the Peso amount of sales derived from sales of cement to our operations in other countries, which have been eliminated in the preparation of our consolidated financial statements included elsewhere in this annual report.

The following table sets forth selected financial information for each of the three years ended December 31, 1998, 1999 and 2000 by principal geographic area expressed as an approximate percentage of our total consolidated group before eliminations resulting from consolidation. We operate in countries with economies in different stages of development and structural reform, some of which are subject to fluctuations in exchange rates, inflation and interest rates. These economic factors may affect our results of operations and financial condition depending upon the depreciation or appreciation of the exchange rate of each country in which we operate compared to the Peso and the rate of inflation of each these countries. The variations in (1) the exchange rates used in the translation of the local currency to Pesos, and (2) the rates of inflation used for the restatement of our financial information to constant Pesos, as of the latest balance sheet presented, may affect the comparability of our results of operations and consolidated financial position from period to period.

	% Mexico	% United States	% Spain	% Venezuela	% Colombia	% Egypt	% Philippines	% Central America and the Caribbean	% Others	Total	Eliminations	Consolidated
	(in millions of constant Pesos except percentages)											
Net Sales For the Period Ended:												
December 31, 1998	41%	11%	19%	11%	6%	—	—	6%	6%	47,840	(4,063)	43,777
December 31, 1999	44%	11%	15%	9%	3%	—	2%	7%	9%	51,049	(4,052)	46,997
December 31, 2000	44%	13%	14%	8%	3%	3%	2%	8%	5%	59,398	(5,326)	54,072
Operating Income For the Period Ended:												
December 31, 1998	67%	6%	21%	15%	1%	—	—	4%	-14%	11,948	—	11,948
December 31, 1999	72%	9%	17%	9%	3%	—	—	5%	-15%	13,983	—	13,983
December 31, 2000	70%	7%	15%	8%	5%	4%	1%	5%	-15%	15,910	—	15,910
Total Assets at:												
December 31, 1998	45%	6%	18%	9%	9%	—	3%	3%	7%	123,514	(17,403)	106,111
December 31, 1999	33%	5%	14%	7%	6%	4%	5%	4%	22%	145,076	(29,584)	115,492
December 31, 2000	25%	23%	10%	6%	4%	3%	4%	3%	22%	187,950	(36,345)	151,605

Consolidation of Our Results of Operations

Our consolidated financial statements included elsewhere in this annual report include those subsidiaries in which we hold a majority interest or which we otherwise control. All significant intercompany balances and transactions have been eliminated in consolidation.

In the periods presented we have integrated our international operations through the following transactions:

- In the fourth quarter of 1997, we acquired a 30% economic interest in Rizal, a Philippines cement producer, and in November 1998, we increased our economic interest in Rizal to 70% and thus began consolidating the results of operations of Rizal. In February 1999, we acquired a 99.9% economic interest in APO, another Philippines cement producer. On September 30, 1999, we contributed our interests in Rizal and APO to CEMEX Asia Holdings, in which we held an 86.2% interest. In October 2000, additional investors subscribed for an additional 8.8% interest in CEMEX Asia Holdings. As a result, our interest in CEMEX Asia Holdings at December 31, 2000 was reduced to 77.4% and our economic interests in Rizal and APO was reduced to approximately 54% and 77%, respectively. See "— Investments, Acquisitions and Divestitures" and Note 6 to our consolidated financial statements included elsewhere in this annual report.

- During 1998, we acquired a 16.3% ownership interest in Gresik, 2.3% of which was accounted for as other investments in 1998, and, in January 1999, we increased our ownership interest in Gresik to approximately 25.5%. In October 2000, we sold our interest in Gresik to CEMEX Asia Holdings. As a result, our economic interest in Gresik was reduced to approximately 19.8%. Our minority interest in Gresik has been accounted for under the equity method and is included in the investments in affiliated companies' caption. See Note 6 to our consolidated financial statements included elsewhere in this annual report.

- In December 1998, we increased our equity interest in CEMEX Colombia from approximately 56% to 78%. During 1999, we increased our equity interest in CEMEX Colombia to approximately 92.3% of total share capital including preferred and ordinary shares, and to approximately 99.3% of ordinary shares. In July 2000, we further increased our equity interest in CEMEX Colombia to 98.2% of total share capital.

- In April 1999, we acquired a 15.8% interest in Cementos del Pacífico in Costa Rica. In September 1999, we increased our interest in Cementos del Pacífico to 95.3%. As of December 31, 1999, our consolidated financial statements for the year ended December 31, 1999, include the balance sheet of Cementos del Pacífico and its results of operations for the three-month period ended December 31, 1999. In May 2001, we further increased our interest in Cementos del Pacífico to 98.2%. See Note 6 to our consolidated financial statements included elsewhere in this annual report.

- In June 1999, we acquired an 11.9% interest in Cementos Bio Bio in Chile, which is accounted for under the equity method.

- In November 1999, we acquired a 77% interest in Assiut Cement Company in Egypt. In June 2000, we increased our interest in Assiut to 90%. In November 2000, we further increased our interest in Assiut to 92.9%. As of December 31, 1999, our consolidated financial statements include the balance sheet of Assiut and as of November 30, 1999 its results of operations for the one-month period ended November 30, 1999. In March 2001, we further increased our interest in Assiut to 95.8%. See Note 6 to our consolidated financial statements included elsewhere in this annual report.

- In November 2000, we acquired 100% of the outstanding shares of common stock of Southdown, Inc., now CEMEX Inc., in the United States. As of December 31, 2000, our consolidated financial statements include the balance sheet of Southdown as of December 31, 2000 and its results of operations for the two-month period ended December 31, 2000. See Note 6 to our consolidated financial statements included elsewhere in this annual report.

- In November 2000, we increased our equity interest in CEMEX Venezuela from approximately 72.6% to 75.6%.

In December 1999, we sold 12.2% of the outstanding capital stock of Valenciana to a consortium of banks and other financial institutions under forward contracts. We immediately prepaid the forward purchase price. We retain the economic and voting rights to this stock and are obligated to repurchase the stock upon termination of the forward contracts. Our sale of Valenciana shares to the banks under the forward contracts was approximately U.S.$388.1 million. Our retention of the economic and voting rights of this stock and our immediate prepayment of this amount to the banks is not treated as a sale under Mexican GAAP; therefore no minority interest is recognized from this transaction. In 2000, we made advance payments to the banks of approximately U.S.$133 million of the forward purchase price. As a result of a capital increase in Valenciana, as of December 31, 2000, the banks held a 7.93% (or 7.74% as of March 31, 2001) interest in Valenciana. We continue to retain the economic and voting rights associated with these shares.

In November 2000, Sunward Acquisitions contributed its 85.15% interest in Valenciana to New Sunward Holding B.V., our newly formed Dutch subsidiary, in exchange for all its ordinary shares. A special purpose entity, which is neither owned nor controlled by us, borrowed U.S.$1.5 billion from a group of banks. New Sunward Holding issued preferred equity to the special purpose entity in exchange for U.S.$1.5 billion, which was used to subscribe for further shares in Valenciana. Repayments of the special purpose entity's borrowings under its loan will be derived from payments to be made by New Sunward Holding to the special purpose entity by way of distribution of interim dividends on, and/or repayments of, the preferred equity. Sunward has the option to purchase from the special purpose entity preferred equity in an aggregate amount not exceeding the outstanding balance of the entity's loan. For accounting purposes under Mexican GAAP, the preferred equity are recorded as a minority interest on our balance sheet. Any dividends paid on the preferred equity will be recorded as a minority interest on our income statement.

Results of Operations

The following table sets forth selected consolidated income statement data for CEMEX for each of the three years ended December 31, 1998, 1999 and 2000, expressed as a percentage of net sales.

	Year Ended December 31,		
	1998	1999	2000
Net sales	100.0%	100.0%	100.0%
Cost of sales	(57.8)	(55.7)	(55.9)
Gross profit	42.2	44.3	44.1
Operating expenses:			
Administrative	(10.8)	(10.8)	(11.1)
Selling	(4.1)	(3.7)	(3.6)
Total operating expenses	(14.9)	(14.5)	(14.7)
Operating income	27.3	29.8	29.4
Net comprehensive financing income (cost):			
Financial expense	(11.3)	(10.1)	(8.3)
Financial income	0.9	0.8	0.4
Foreign exchange gain (loss), net	(5.1)	0.6	(0.5)
Gain (loss) on valuation of marketable securities and other investments	(0.6)	0.1	(0.1)
Monetary position gain	13.0	8.0	5.4
Net comprehensive financing income (cost)	(3.1)	(0.6)	(3.1)
Other expenses, net.	(3.5)	(6.1)	(4.2)
Income before income tax, business assets tax, employees' statutory profit sharing and equity in income of affiliates	20.7	23.1	22.1
Income tax and business assets tax, net	(1.1)	(1.4)	(2.8)
Employees' statutory profit sharing	(0.5)	(0.8)	(0.6)
Total income taxes, business assets tax and employees' statutory profit sharing	(1.6)	(2.2)	(3.4)
Income before equity in income of affiliates	19.1	20.9	18.7
Equity in income of affiliates	0.4	0.5	0.5
Consolidated net income	19.5	21.4	19.2
Minority interest net income (loss)	(0.9)	(1.2)	1.4
Majority interest net income	18.6	20.2	17.8

2000 Compared to 1999

Net Sales

Our sales increased 15% from Ps46,997 million in 1999 to Ps54,072 million in 2000. The increase was attributable to stronger pricing, greater domestic cement demand in many of our markets and the consolidation of the results of operations of our acquisition of Southdown in the United States, which accounted for approximately 20% of the increase. Our cement sales volumes increased 20%, from 43.2 million tons in 1999 to 51.9 million tons in 2000. Ready-mix concrete sales volumes increased 14%, from 13.9 million cubic meters in 1999 to 15.8 million cubic meters in 2000.

Our Mexican operations' domestic gray cement sales volumes increased 5% in 2000 compared to 1999. Our Mexican operations' ready-mix concrete sales volumes increased 13% in 2000 compared to 1999. These increases in sales volumes were primarily attributable to increased demand during 2000 from both the commercial and retail construction sectors as well as government investments in low income housing programs, even though in the last quarter of 2000, Mexico experienced a slowdown in the construction sector with the government transition, and several major infrastructure projects were suspended. Our Mexican operations' cement export volumes, which represented 10% of our Mexican cement sales volumes in 2000, remained at approximately the same levels in 2000 compared to 1999. Of our Mexican operations' cement export volumes during 2000, 51% was shipped to Central

America and the Caribbean, 47% to the United States and 2% to South America. The average cement price in Mexico increased 1% in constant Peso terms in 2000 compared to 1999, and the average ready-mix concrete price increased 14% in constant Peso terms over the same years.

Our Spanish operations' domestic cement sales volumes increased 12% in 2000 compared to 1999, and ready-mix concrete sales volumes increased 13% in 2000 compared to 1999. The increase in sales volumes was primarily attributable to strong demand in the housing and non-residential sectors of the Spanish economy. Our Spanish operations' cement export volumes decreased 62% in 2000 compared to 1999 as cement production was targeted to meet high domestic demand. Of our Spanish operations' total cement export volumes during 2000, 27% was shipped to Europe and the Middle East, 20% to Africa and 53% to the United States. In addition, the average domestic sales price of cement increased 1% in Peseta terms during 2000 compared to 1999 due to changes in product mix. Over the same periods, the average sales price of ready-mix concrete increased 8% in nominal Peseta terms, as a result of strong domestic demand.

Our United States operations include CEMEX, Inc., formerly Southdown, which we acquired in November 2000. CEMEX, Inc.'s results of operations are consolidated into our results of operations for the last two months of 2000. Our United States operations' cement sales volumes, which include cement purchased from our other operations, increased 30% in 2000 compared to 1999. The ready-mix concrete sales volumes increased 21% during the same period. The increase in cement sales volumes and ready-mix concrete sales volumes was primarily as a result of our acquisition of Southdown in the United States, which accounted for substantially all of the increase. Our United States operations' average sales price of cement increased 2% in Dollar terms in 2000 compared to 1999, and the average price of ready-mix concrete decreased 9% during the same period as a result of increased competition in Texas and California.

Our Venezuelan operations' domestic cement sales volumes decreased 1% in 2000 compared to 1999, and ready-mix concrete sales volumes decreased 11% during the same period. The decrease in domestic cement sales volumes was primarily attributable to an economic slowdown in Venezuela. The decrease in ready-mix concrete sales volumes was primarily attributable to the continuing political uncertainty and economic decline in Venezuela, which has led to reduced activity in the housing and non-residential sectors of the economy and to reduced public works spending, and, to a lesser extent, the continuing adverse effects from the December 1999 floods in Venezuela. Our Venezuelan operations' cement export volumes, which represented 52% of our Venezuelan cement sales volumes in 2000 and 53% in 1999, decreased 3% in 2000 compared to the same period in 1999, primarily as a result of a decrease in exports to the Caribbean region in 2000 compared to the same period in 1999. Of our Venezuelan operations' total cement export volumes during 2000, 61% was shipped to the United States, 33% to Central America and the Caribbean and 6% to South America. In addition, our Venezuelan operations' average domestic sales price of cement increased 1% in constant Bolivar terms for 2000 compared to 1999, and, over the same periods, the average sales price of ready-mix concrete decreased 4% in Bolivar terms for 2000 compared to 1999 as a result of increased competition in Venezuela.

Our Colombian operations' domestic cement sales volumes in 2000 increased 8% compared to 1999, and ready-mix concrete sales volumes increased 42% during the same period. The increases in domestic cement sales volumes and ready-mix concrete sales volumes were primarily attributable to increased public infrastructure projects in the Bogotá region. During 2000, our Colombian operations' average sales price of cement increased by approximately 20% in constant Colombian Peso terms compared to 1999. This increase in prices is due to an improvement in the Colombian economic situation, which has led to a recovery of cement prices after two years of declining prices following the Colombian economic recession. The average sales price of ready-mix concrete increased 5% in constant Colombian Peso terms for the same period, as a result of strong domestic demand. Even though there has been a moderate increase in cement demand in Colombia, significant excess cement production capacity still exists in the Colombian market.

Our Central American and Caribbean operations consist of our operations in the Dominican Republic, Panama and Costa Rica, as well as our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement that was produced by our operations in Venezuela and Mexico. Our Central American and Caribbean operations' domestic cement sales volumes increased 29% in 2000 compared to 1999. Excluding our trading operations in the Caribbean region, our Central American and Caribbean operations' domestic cement sales volumes increased 20% in 2000, compared to 1999, as a result of the consolidation of our Costa Rican operations in 2000, but not in the same period in 1999. Our Central American and

Caribbean operations' ready-mix concrete sales volumes decreased 5% in 2000 compared to 1999, mainly attributable to our Panamanian operations, which decreased 10% during 2000, partially offset by a 2% increase in the Dominican Republic during the same period. In addition, our Caribbean region trading operations' cement sales volumes increased approximately 48% in 2000 compared to 1999. Continued demand from public infrastructure projects, as well as private commercial and tourist developments, have positively affected our operations in this region. Our Central American and Caribbean operations' average domestic sales price of cement increased 2% in Dollar terms in 2000 compared to 1999.

Our Philippine operations' domestic cement sales volumes decreased 12% in 2000 compared to 1999 due to the continuing negative political and economic environment in the Philippines and increased competition from imports, particularly imports from Taiwan, Japan and China. The construction sector of the economy remained weak as a result of reduced public spending and cautious investor sentiment. Our Philippine operations' average domestic sales price of cement increased 34% in nominal Philippine peso terms during 2000 compared to 1999. This increase in prices follows a prolonged decline in prices following the 1997 Asian economic crisis.

Our Egyptian operations consist of Assiut Cement Company, which we acquired in November 1999. Assiut's results of operations are consolidated in our results of operations for all of 2000, but only for one month in 1999. Our Egyptian operations had net sales of Ps1,661 million and operating income of Ps616 million in 2000. Egyptian cement prices are indirectly controlled by the Egyptian Government as a result of the government's control of almost 50% of the industry's capacity. According to the Egyptian government, the Egyptian cement industry volumes declined by 4.3% in 2000 compared to 1999.

Cost of Sales

Our cost of sales, including depreciation, increased 15% from Ps26,185 million in 1999 to Ps30,215 million in 2000, primarily attributable to an increase in sales volumes and the consolidation of our November 2000 acquisition of Southdown in 2000, which consolidation accounted for approximately 27% of the increase. As a percentage of sales, cost of sales increased from 55.7% in 1999 to 55.9% in 2000.

Gross Profit

For the reasons mentioned above, our gross profit increased by 15% from Ps20,812 million in 1999 to Ps23,857 million in 2000. Our gross margin decreased from 44.3% in 1999 to 44.1% in 2000.

Operating Expenses

Our operating expenses increased 16% from Ps6,829 million in 1999 to Ps7,947 million in 2000, primarily as a result of the consolidation of CEMEX, Inc. into our United States operations in our results for 2000, which accounted for 13% of the increase. As a percentage of sales, our administrative and selling expenses increased from 14.5% in 1999 to 14.7% in 2000.

Operating Income

For the reasons described above, our operating income increased 14% from Ps13,983 million in 1999 to Ps15,910 million in 2000.

Comprehensive Financing Income (Cost)

Comprehensive financing income (cost) can have a significant effect on the financial statements of a company in periods of high inflation or significant currency devaluation. Pursuant to Mexican GAAP, income statements are required to present all financial effects of operating and financing the business under inflationary conditions. For presentation purposes, all effects are listed under comprehensive financing income (cost) and include:

- financial expense on borrowed funds;

- financial income on cash and temporary investments, appreciation or depreciation of marketable securities and the realized gain or loss from the sale of investments;
- foreign exchange gains or losses associated with monetary assets and liabilities denominated in foreign currencies; and
- gains and losses resulting from having monetary liabilities or assets exposed to inflation.

	Year Ended December 31, 1999	2000
	(in millions of constant Pesos)	
Net comprehensive financing income (cost):		
Financial expense	Ps(4,749)	(4,491)
Financial income	306	237
Foreign exchange gain (loss), net	269	(289)
Gain (loss) on valuation of marketable securities and other Investments	90	(75)
Monetary position gain	3,802	2,946
Net comprehensive financing income (cost)	Ps (282)	(1,672)

Loss from our net comprehensive financing income (cost) increased from a loss of Ps282 million in 1999 to a loss of Ps1,672 million in 2000. The components of the net increase are set forth below. Our financial expense was Ps4,491 million for 2000, a decrease of 5% from Ps4,749 million in 1999. The decrease was primarily attributable to lower average interest rates. Our financial income decreased 23% from Ps306 million in 1999 to Ps237 million in 2000. Our net foreign exchange results decreased to a loss of Ps289 million in 2000 from a gain of Ps269 million in the same period of 1999. The foreign exchange loss in 2000 is mainly attributable to a lesser appreciation of the Peso against the Dollar in 2000 as compared to 1999, and a depreciation of the Colombian peso against the Dollar in 2000 as compared to an appreciation in 1999. Our gain (loss) from valuation of marketable securities decreased from a gain of Ps90 million in 1999 to a loss of Ps75 million in 2000, primarily as a result of changes in the market price of our investments. Our monetary position gain decreased from Ps3,802 million during 1999 to Ps2,946 million during 2000, a decrease of 23% as a result of the decrease in the inflation index in 2000 as compared to the same period in 1999.

Other Expenses, Net

Our other expenses for 2000 were Ps2,254 million, a 22% decrease from Ps2,890 million in 1999. The decrease was primarily attributable to higher amortization of goodwill from newly acquired operations offset in part by higher gains as a result of sales of assets.

Income Taxes, Business Assets Tax and Employees' Statutory Profit Sharing

Our tax expense, consisting of income taxes and business assets tax, increased from Ps666 million in 1999 to Ps1,519 million in 2000. Approximately 65% of this increase is attributable to the recognition of deferred taxes during 2000, in accordance with new accounting rules in Mexico and the remaining increase is attributable to a lower application of tax loss carryforwards. Our average statutory income tax rate is approximately 35%. Our effective tax rate was 12.7% in 2000 compared to 6.2% in 1999. The increase in the effective tax rate primarily results from the deferred income tax expense recorded in expenses in 2000 and a decrease in tax loss carry-forwards available to offset taxable income. Employees' statutory profit sharing decreased from Ps373 million during 1999 to Ps344 million during 2000.

In 2000, we adopted the provisions of Bulletin D-4 "Income Tax, Business Assets Tax and Employees' Profit Sharing" issued by the Mexican Institute of Public Accountants. Beginning January 1, 2000, companies reporting under Mexican GAAP are required to provide for deferred taxes using the balance sheet methodology. Under this methodology, deferred tax assets or liabilities are recognized by applying the statutory tax rate to the net amount of temporary differences between the book value of assets and liabilities as compared to the corresponding value for tax purposes, applying when available the tax loss carry-forwards, as well as the business asset tax balances or other tax credits to be recovered. See Note 14B to our consolidated financial statements included elsewhere in this annual report.

Majority Interest Net Income

Majority interest net income represents the difference between our consolidated net income and minority interest net income, which is the portion of our consolidated net income attributable to those of our subsidiaries in which non-affiliated third parties hold interests. Changes in minority interest net income in any period reflect changes in the percentage of the stock of our subsidiaries held by non-affiliated third parties as of the end of each month during the relevant period and consolidated net income attributable to those subsidiaries.

For the reasons described above, our consolidated net income (before deducting the portion allocable to minority interest) for 2000 increased 3%, from Ps10,016 million in 1999 to Ps10,363 million in 2000. The percentage of our consolidated net income allocable to minority interests increased from 5% in 1999 to 7% in 2000, partially as a result of the preferred equity dividend recorded in the last two months of 2000. Majority interest net income increased by 1%, from Ps9,467 million in 1999 to Ps9,613 million in 2000. As a percentage of net sales, majority interest net income decreased from 20.2% in 1999 to 17.8% in 2000.

1999 Compared to 1998

Net Sales

Our net sales increased 7% from Ps43,777 million in 1998 to Ps46,997 million in 1999. This increase was largely attributable to stronger pricing and greater domestic demand in nearly all of our markets and the consolidation of Rizal's and APO's results of operations, which consolidation accounted for approximately 43% of the increase. Our cement sales volume increased 10% from 39.1 million tons in 1998 to 43.2 million tons in 1999. Ready-mix concrete sales volumes decreased 5% from 14.6 million cubic meters in 1998 to 13.9 million cubic meters in 1999, primarily as a result of decreases in Spain, Venezuela and Colombia. In 1998, the approximate percentage of our sales to our total net sales from Mexico was 41%, Spain was 19%, the United States was 11%, Venezuela was 11%, Colombia was 6%, Central America and the Caribbean was 6%, and other regions and trading was 6%. During 1999, the approximate percentage of our sales to our total net sales from Mexico was 44%, Spain was 15%, the United States was 11%, Venezuela was 9%, Colombia was 3%, Central America and the Caribbean was 7%, the Philippines was 2%, and other regions and trading was 9%.

Our Mexican operations' domestic gray cement sales volumes increased 5% during 1999 compared to 1998. Our Mexican operations' ready-mix concrete sales volumes increased 4% during 1999 compared to 1998. This increase in sales volumes was primarily attributable to greater private sector demand, to continued strength in the housing sector of the Mexican economy and increased public works spending, particularly in road construction projects and government owned enterprises. Our Mexican operations' cement export volumes increased 7% during 1999 compared to 1998, primarily as a result of increased demand from Central America and the Caribbean. Of our Mexican operations' cement export volumes during 1999, 52% was shipped to Central America and the Caribbean, 47% was shipped to the United States and 1% to South America. Our Mexican operations' average cement price in Mexico increased 2.9% in constant Peso terms in 1999 compared to 1998, and the average ready-mix concrete price increased 4.4% in constant Peso terms during the same period. As a result of our rationalization activities, we recorded an impairment charge on several of our operating plants in Mexico during 1999. See Note 7 to our consolidated financial statements included elsewhere in this annual report.

Our Spanish operations' domestic cement sales volumes increased 3% during 1999 compared to 1998. Ready-mix concrete sales volumes decreased 9% compared to 1998. Excluding sales attributable to the Andalusian assets that we sold in November 1998, domestic cement sales volumes increased 26% and ready-mix concrete sales volumes increased 19% compared to the same period in 1998. The increase in sales volumes, after excluding the effects of the sale of the Andalusian assets, was primarily a result of strong demand in the construction sector of the Spanish economy, particularly in housing, industrial projects and government infrastructure projects. Our Spanish operations' cement export volumes decreased 30% during 1999 compared to 1998, as cement production was targeted to meet domestic demand. Of our Spanish operations' total cement export volumes during 1999, 73% was shipped to the United States, 20% to Europe and the Middle East and 7% to Africa. In addition, our Spanish operations' average domestic sales price of cement increased 2.7% in nominal Peseta terms during 1999 compared to 1998, and the average sales price of ready-mix concrete increased 8.4% in nominal Peseta terms during the same period.

Our United States operations' cement sales volumes, which include cement purchased from our other operations, increased 15% during 1999 compared to 1998, and ready-mix concrete sales volumes increased 6% during the same period. The increases in sales volumes were primarily the result of an increase in our client base, as well as better market conditions and strong demand in Texas, California and Arizona, and an increase in the housing and non-residential sectors and in road construction projects. Sales volumes of aggregates increased 16% in 1999 compared to 1998. In addition, our United States operations' average sales price of cement increased 3.2% in Dollar terms during 1999 compared to 1998 and the average sales price of ready-mix concrete increased 6.2% in Dollar terms during the same period.

Our Venezuelan operations' domestic cement sales volumes decreased 18% during 1999 compared to 1998, and ready-mix concrete sales volumes decreased 20% during the same period. The decrease in sales volumes was primarily attributable to a decline in the Venezuelan construction sector, and to the economic decline and political uncertainty in Venezuela. The decrease was also attributable to the severe floods that occurred in Venezuela during December 1999. During 1998 and 1999, exports accounted for 42% and 53% respectively, of the cement sales volumes of our Venezuelan operations. Our Venezuelan operations' cement export volumes increased 32% during 1999 compared to 1998. The increase in cement export volumes was primarily attributable to a decline in domestic demand and strong demand in the Caribbean region. Of our Venezuelan operations' total cement export volumes during 1999, 58% was shipped to the United States, 37% to Central America and the Caribbean and 5% to South America. In addition, our Venezuelan operations' average domestic sales price of cement decreased 2% in constant Bolivar terms during 1999 compared to 1998, primarily as a result of the economic decline. The average sales price of ready-mix concrete decreased 5% in constant Bolivar terms during the same period, primarily as a result of the economic decline.

Our Colombian operations' results were negatively affected by unfavorable economic conditions that affected the Colombian construction sector, resulting in depressed cement demand in 1999. Our Colombian operations' domestic cement sales volumes decreased 38% during 1999 compared to 1998, and ready-mix concrete sales volumes increased 48% during the same period. During 1999, our Colombian operations' average sales price of cement increased by approximately 27.4% in constant Colombian Peso terms compared to 1998, and the average sales price of ready-mix concrete increased by approximately 8.9% in constant Colombian Peso terms during the same period. The increase in cement and ready-mix concrete prices was primarily the result of increased competition and decreased demand for cement in 1999 compared to 1998. During 1999, as a result of economic and market conditions prevailing in Colombia, we recorded an impairment charge on some of our operating cement plants as a result of our rationalization activities. See Note 7 to our consolidated financial statements included elsewhere in this annual report.

Our Central American and Caribbean operations consist of our operations in the Dominican Republic, Panama and Costa Rica, as well as our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement that was produced by our operations in Venezuela and Mexico. Our Central American and Caribbean operation's domestic cement sales volumes increased 30% in 1999 compared to the same period in 1998. Excluding our trading operations in the Caribbean region, our Central American and Caribbean operations' domestic cement sales volumes increased 25% in 1999 compared to 1998. Approximately 22% of the increase in domestic cement sales volumes was attributable to the consolidation of our Costa Rican operations in the fourth quarter of 1999, but not for any part of 1998. Approximately 57% of the increase in domestic cement sales volumes was attributable to our Dominican Republic operations and 21% to our Panamanian operations. Our Central American and Caribbean operations' ready-mix concrete sales volumes increased 43% in 1999 compared to 1998. Of this increase in ready-mix concrete sales volumes, approximately 59% was attributable to our Panamanian operations and 41% to our Dominican Republic operations. In addition, our Caribbean region trading operations' domestic cement sales volumes increased approximately 41% in 1999 compared to 1998. These increases have been result of the political and economic stability in the region, where low inflation and currency strength have fostered strong cement and ready-mix concrete demand from infrastructure projects, as well as from private housing, commercial and tourist developments. Our Central American and

Caribbean operations' average domestic sales price of cement increased 3.5% in Dollar terms for 1999 compared to 1998 due to favorable market conditions.

Our Philippine operations consist of Rizal and APO, and their results of operations were consolidated into ours for the year ended December 31, 1999, but not for the year ended December 31, 1998. Our Philippine operations had net sales of Ps1,192 billion in 1999 and operating income of Ps24 million. The Philippine construction sector contracted 2.8% in 1999. Both public and private investment in infrastructure projects remained depressed, reflecting the continuing effects of the 1997 Asian economic crisis. Cement demand in the Philippines decreased 6% in 1999 compared to 1998, primarily as a result of reduced spending by the Philippine government on infrastructure projects. Despite this decrease in government spending on infrastructure, construction activity in 1999 was primarily attributable to government spending, while private sector activity continued to lag during that period. Cement demand and prices reached their lowest levels of the Asian economic crisis period during the third quarter of 1999. During the fourth quarter of 1999, cement demand and prices began to recover slightly. The low level of Philippine cement prices were partially the result of a competitive price war among Philippine cement producers that was a response to an industry-wide capacity expansion. In response to these adverse market conditions, we implemented cost-cutting measures in our Philippine operations.

Cost of Sales

Our cost of sales, including depreciation, increased 3% from Ps25,312 million in 1998 to Ps26,185 million in 1999. The increase in cost of sales was attributable primarily to increased sales volumes. As a percentage of sales, cost of sales decreased from 57.8% in 1998 to 55.7% in 1999. The decrease in cost of sales as a percentage of sales was attributable primarily to a decline in production costs, particularly energy-related costs.

Gross Profit

For the reasons mentioned above, our gross profit increased by 13% from Ps18,465 million in 1998 to Ps20,813 million in 1999. Our gross margin increased to 44.3% in 1999 from 42.2% in 1998. Of the 2.1% increase in our gross profit margin, approximately 50.4% was attributable to stronger pricing in 1999, approximately 33.8% was attributable to greater sales volumes in 1999 as compared to 1998, approximately 11.8% was attributable to the consolidation in 1999 of our operations in the Philippines, Egypt and Costa Rica, and the remaining 4% was attributable to the decline in production costs.

Operating Expenses

As a percentage of sales, our administrative and selling expenses declined slightly, from 14.9% in 1998 to 14.5% in 1999.

Operating Income

For the reasons described above, our operating income increased 17% from Ps11,948 million in 1998 to Ps13,983 million in 1999. Our operating margin increased to 29.8% in 1999 from 27.3% in 1998.

Comprehensive Financing Income (Cost)

	Year Ended	
	1998	**1999**
	(in millions of constant Pesos)	
Net comprehensive financing cost:		
Financial expense	Ps (4,924)	Ps (4,749)
Financial income	381	306
Foreign exchange gain (loss), net	(2,247)	269
Gain (loss) on valuation of marketable securities and other investments	(272)	90
Monetary position gain	5,721	3,802
Net comprehensive financing cost	Ps (1,341)	Ps (282)

Our net comprehensive financing cost improved from Ps1,341 million in 1998 to Ps282 million in 1999. The components of the improvement are set forth below. Our financial expense was Ps4,749 million for 1999, a decrease of 4% from Ps4,924 million in 1998. The decrease was partially a result of lower debt and lower average interest rates in 1999 as compared to 1998. Our financial income decreased 20% from Ps381 million in 1998 to Ps306 million in 1999. The decrease was primarily a result of lower average interest rates and lower temporary investment positions. The foreign exchange component of comprehensive financing income (cost) improved substantially, from a loss of Ps2,247 million in 1998 to a gain of Ps269 million in 1999. This improvement was primarily attributable to a 3.9% appreciation of the Peso against the Dollar in 1999 compared to a 22.7% depreciation of the Peso against the Dollar in 1998. Our gain (loss) from valuation of marketable securities increased from a loss of Ps272 million in 1998 to a gain of Ps90 million for 1999. The increase was primarily due to lower average interest rates. Our monetary position gain decreased from Ps5,721 million during 1998 to Ps3,802 million during 1999. This decrease was primarily a result of the decrease in the inflation index in 1999 as compared to 1998.

Other Expenses, Net

Our net other expenses for 1999 were Ps2,890 million, an 87% increase over Ps1,543 million in 1998. This increase was primarily attributable to (1) the impairment provisions taken during 1999 on certain assets, and (2) a decrease in gains from asset sales in 1999 compared to 1998. During 1999, as a result of our rationalization activities, we recorded an impairment charge of approximately Ps614 million on several of our operating plants in Mexico and Colombia. As of December 31, 1999, these impaired assets were not in use and their depreciation was suspended. See Note 7 to our consolidated financial statements included elsewhere in this annual report. In 1998, we sold the Alcalá cement plant located in Seville, Spain and its related assets, resulting in a gain from asset sales of approximately Ps333 million.

Income Taxes, Business Assets Tax and Employees' Statutory Profit Sharing

Our tax expenses, consisting of income taxes and business assets tax, increased from Ps469 million in 1998 to Ps666 million in 1999. Our average statutory income tax rate in 1999 was approximately 35%. Our effective tax rate was 6.2% in 1999 compared to 5.2% in 1998. The low effective rate in both periods primarily resulted from the utilization of tax loss carry-forwards to offset taxable income attributable primarily to Mexico. Employees' statutory profit sharing increased from Ps205 million during 1998 to Ps373 million during 1999. See Note 14 to our consolidated financial statements included elsewhere in this annual report.

Majority Interest Net Income

Majority interest net income represents the difference between our consolidated net income and minority interest net income, which is the portion of our consolidated net income attributable to those of our subsidiaries in which non-affiliated third parties hold interests. Changes in minority interest net income in any period reflect changes in (1) the percentage of the stock of our subsidiaries held by non-affiliated third parties as of the end of each month during the relevant period, and (2) consolidated net income attributable to those subsidiaries.

Our consolidated net income (before deducting the portion allocable to minority interests) for 1999 increased by 17%, to Ps10.0 billion from Ps8.5 billion in 1998, primarily as a result of the increase in our operating income and the decrease in comprehensive financing cost, which was partially offset by the increases in net other expenses and income tax. The percentage of consolidated net income allocable to minority interests increased from 4.7% in 1998 to 5.5% in 1999, primarily as a result of (1) the increased profitability of some of our subsidiaries that are not wholly owned during 1999 compared to 1998, (2) the decrease in the minority ownership interest in our loss producing Colombian operations during 1999 compared to 1998, resulting in a smaller portion of the Colombian operation's losses being allocated to minority interest, thereby increasing the percentage of consolidated net income allocable to minority interests, and (3) the relatively minor effects of (a) our contribution of Rizal and APO to CEMEX Asia Holdings (which decreased our ownership interest in those companies to 86% and 60%, respectively), and (b) the new minority interest arising from our consolidation of our Egyptian operations (in which as of December 31, 1999, minority shareholders held a 23% interest) for one month of 1999. Majority interest net income increased by 16%, from Ps8.15 billion in 1998 to Ps9.47 billion in 1999. As a percentage of net sales, majority interest net income increased from 18.6% in 1998 to 20.2% in 1999.

Liquidity and Capital Resources

Operating Activities

We have satisfied our operating liquidity needs primarily through operations of our subsidiaries and expect to continue to do so for both the short-term and long-term. Our net resources provided by operating activities were Ps12.4 billion in 1998, Ps15.0 billion in 1999 and Ps16.7 billion in 2000.

Our Indebtedness

As of December 31, 2000, we had U.S.$5.7 billion (Ps54.6 billion) of total debt, of which approximately 52% was short-term and 48% was long-term. As of that date, 65.7% of our consolidated debt was Dollar-denominated, 17.9% was Euro or Peseta-denominated, 13.5% was Japanese Yen-denominated, 2.6% was Egyptian Pound-denominated and 0.3% was denominated in other currencies. The weighted average interest rates paid by us in 2000 in our main currencies were 8.6% on our Dollar-denominated debt, 5.4% on our Euro or Peseta-denominated debt and 3.1% on our Yen-denominated debt. The ratio of total indebtedness, including some non-balance sheet obligations used to calculate this ratio for financial covenant purposes, to total capitalization as of December 31, 2000 was approximately 45.4% and as of December 31, 1999 was approximately 44.1%.

From time to time, as part of our financing activities, we and our subsidiaries have entered into various financing agreements, including bank loans, credit facilities, sale-leaseback transactions, forward contracts, forward lending facilities and equity swap transactions. Additionally, we and our subsidiaries have issued notes, commercial paper, bonds and putable capital securities.

Most of our outstanding indebtedness has been incurred to finance our acquisitions and to finance our capital investment programs. CEMEX Mexico and Empresas Tolteca de Mexico, two of our principal Mexican subsidiaries, have provided guarantees of our indebtedness in the amount of U.S.$1.5 billion (Ps14.4 billion), as of December 31, 2000. That amount includes subsidiary guarantees of our purchase obligation with respect to our 9.66% Putable Capital Securities. See Item 3 — "Key Information — Risk Factors — Our ability to pay dividends and repay debt depends on our ability to transfer income and dividends from our subsidiaries," and "— We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs, ADSs, ADWs and appreciation warrants."

As of December 31, 2000, we and our subsidiaries had lines of credit totaling Ps 34.6 billion at annual rates of interest ranging from 3.2% to 12.8%, in accordance with the currency in which they were negotiated, which do not require compensating balances. The unused amounts of those lines of credit totaled approximately Ps 15.6 billion as of December 31, 2000. In addition to these lines of credit, from time to time we borrow money from banks and other financial institutions.

The debt instruments in respect of our indebtedness contain various covenants which, among other things, require us to maintain specific financial ratios, restrict asset sales and dictate the use of proceeds from the sale of assets. These restrictions may limit our ability to respond to market conditions or to meet extraordinary capital needs or otherwise may restrict corporate activities. These restrictions may adversely affect our ability to finance our future operations or capital needs or to engage in other business activities, such as acquisitions, which may be in our interest.

Over the past several years, we have sought and obtained waivers and amendments from lenders to our financing agreements, from lenders to our Mexican operations and from our Mexican noteholders relating to the maintenance of financial ratios and other covenants in our financing agreements. Some of our subsidiaries have also obtained waivers of limitations on indebtedness and capital expenditures and other covenants under existing debt instruments. These waivers for our subsidiaries are typically requested and granted for limited periods, after which either a further waiver is requested or compliance makes a further waiver unnecessary. Compliance with these ratios is usually tested on a quarterly basis, and certificates relating to compliance are usually required after the financial statements for those quarters become available. We have also sought and obtained amendments to some of our and our subsidiaries' other debt agreements, principally in connection with acquisitions.

If we were unable to obtain any required waivers, holders of our indebtedness would be able to accelerate the maturity of that indebtedness which, in turn, could constitute a default under our other indebtedness. Those defaults could trigger our obligations to make payments of principal, interest and other amounts under that indebtedness, which could have a material adverse effect on our financial condition. As of December 31, 2000, we were in compliance with or had obtained waivers in connection with all the financial covenants in our own and our subsidiaries' financing agreements. We believe that we have good relations with our lenders and the lenders to our subsidiaries, and nothing has come to our attention that would lead us to believe that future waivers, if required, would not be forthcoming. However, we cannot assure you that future waivers would be forthcoming, if requested.

The scheduled maturities of our debt as of December 31, 2000, approximately 65.7% of which was denominated in Dollars, are summarized as follows:

	Total debt (in billions of constant Pesos as of December 31, 2000)
Year ending December 31, 2001	Ps28.5
Year ending December 31, 2002	4.7
Year ending December 31, 2003	6.9
Year ending December 31, 2004	6.8
Year ending December 31, 2005 and thereafter	7.7
	Ps54.6

Our Obligations and Financing Activities

In November 2000, we formed a Dutch subsidiary which issued preferred equity for an amount of U.S.$1.5 billion (Ps14,430 million) in connection with financing the Southdown acquisition. The preferred equity is mandatorily redeemable at the end of 18 months, and grants its holders 10% of the subsidiary's voting rights, as well as the right to receive a preferred dividend. Under the terms of the preferred equity financing arrangements related to the acquisition in 2000 of Southdown, Inc. described under Item 10 — "Additional Information — Material Contracts," in November 2000, Sunward contributed its 85.15% interest in Valenciana to New Sunward Holding B.V., our newly formed Dutch subsidiary, in exchange for all its ordinary shares. A special purpose entity, which is neither owned nor controlled by us, borrowed U.S.$1.5 billion from a group of banks. New Sunward Holding issued preferred equity to the special purpose entity in exchange for U.S.$1.5 billion, which was used to subscribe for further shares in Valenciana. Repayments of the special purpose entity's borrowings under its loan will be derived from payments to be made by New Sunward Holding to the special purpose entity by way of distribution of interim dividends on, and/or repayments of, the preferred equity. Sunward has the option to purchase from the special purpose entity preferred equity in an aggregate amount not exceeding the outstanding balance of the entity's loan. For accounting purposes under Mexican GAAP, the preferred equity are recorded as a minority interest on our balance sheet. Any dividends paid on the preferred equity will be recorded as a minority interest on our income statement. Repayments of the special purpose entity's borrowings are to be repaid as to U.S.$300 million, in the following installments: U.S.$100 million in August 2001, U.S.$100 million in November 2001, and U.S.$100 million in February 2002; and as to U.S.$1.2 billion or, if different, the balance of the loan outstanding under the facility agreement, in May 2002. Under the terms of this transaction, upon the occurrence of specified events the holder of the preferred equity may cause shares of Valenciana to be sold in order to pay in full the liquidation preference of the preferred equity. As a result of capital increases in Valenciana, as of March 31, 2001, 7.74% of the capital stock of Valenciana was held by the banks under the forward contracts.

On June 11, 2001, we entered into a credit agreement with Bank of America Securities LLC and J.P. Morgan Securities Inc. for an aggregate principal amount of U.S.$600 million.

On March 15, 2001, CEMEX, Inc., as issuer, Valenciana, as parent guarantor and Sandworth Plaza Holding B.V., Cemex Caracas Investments B.V., Cemex Caribe Investments B.V., Cemex Manila Investments B.V., Valcem International B.V., as subsidiary guarantors, and several purchasers, entered into Note and Guarantee Agreements in connection with the offering and issuance by CEMEX, Inc. of U.S.$315,000,000 aggregate principal amount of Series A Guaranteed Senior Notes due 2006, €50,000,000 aggregate principal amount of Series B

Guaranteed Senior Notes due 2006 and U.S.$396,000,000 aggregate principal amount of Series C Guaranteed Senior Notes due 2008. The proceeds of the offering were used to repay debt.

On December 13, 1999, we entered into forward contracts with the following banks: Citibank, N.A., ING Bank, N.V., Deutsche Bank AG, London Branch, Credit Suisse Financial Products, ABN AMRO Special Corporate Services B.V., Société Générale and The Chase Manhattan Bank. Under the forward contracts, the banks purchased from us 21,000,000 ADSs and 33,751,566 shares of the common stock of Valenciana (or 12.2% of the then outstanding Valenciana shares) for an aggregate purchase price of approximately U.S.$905.7 million, or the notional amount. Absent a default under the forward contracts, the banks are required to deliver to us a number of Valenciana shares equal to that sold to them on December 13, 2002, against payment of the forward purchase price. The forward purchase price payable at any time under the forward contracts is the notional amount accreted at a fixed annual rate of interest. The forward contracts provide for early delivery of ADSs and Valenciana shares to us in some circumstances. Upon closing of the transaction, we made to the banks an advance payment of approximately U.S.$439.9 million of the forward purchase price, and we are required to make periodic payments to the banks during the life of the forward contracts and upon the occurrence of specified events. Absent a default under the forward contracts, the banks are required to deliver ADSs to us, without payment, in an amount corresponding to the approximate appreciation value payable, if any, on the appreciation warrants. We retain all voting and economic rights with respect to the Valenciana shares purchased by the banks. During the life of the forward contracts, we will make additional periodic prepayments if the current market value of the ADSs and Valenciana shares subject to the contracts is less than 120% of the mark-to-market of the discounted remaining forward purchase price. In the absence of a default under the forward contracts, the banks have agreed to pay to us an amount equal to any dividends paid on the ADSs purchased by the banks upon the maturity or early termination of the forward contracts. As of December 31, 2000, we had made advance payments to the banks of approximately U.S.$133 million of the forward purchase price. As of March 31, 2001, 7.74% of the capital stock of Valenciana was held by the banks under the forward contracts.

Each of the loan agreements contains representations and warranties, affirmative covenants, financial covenants, negative covenants and events of default that are usual and customary for facilities similar to the loan agreements. Some of these agreements contain various covenants, which, among other things, require us to maintain specific financial ratios, limit our ability to subject our assets to liens, restrict asset sales and dictate the use of proceeds from the sale of assets.

Recent Developments

We intend to sell our approximate 1.32% ownership interest in Grupo Financiero Banamex-Accival, or Banacci, to Citigroup pursuant to Citigroup's proposed acquisition of all the outstanding shares of Banacci. We expect to receive approximately U.S.$162 million from the sale of our interest in Banacci at the Citigroup offering price. We intend to use the proceeds from the sale to reduce debt. Citigroup's tender offer to purchase the outstanding shares of Banacci, including our shares, has not yet commenced. Therefore, there can be no assurance that the sale of our interest in Banacci will occur.

Qualitative and Quantitative Market Disclosure

Equity Derivative Financing Transactions

From time to time, we enter into equity swap transactions with financial institutions and their affiliates in connection with which some of our subsidiaries deposit shares of our capital stock into trusts in exchange for cash. In most cases, the securities held in those trusts are treated as having been owned by an unaffiliated third party. We, or our designee, usually have the option to acquire a portion of these securities at various settlement dates. We usually retain all dividend and voting rights associated with these securities. We periodically review the possibility of exercising our option to acquire the shares underlying these equity swap transactions on the settlement dates. Depending on our overall liquidity position and available financing alternatives at the time, we could decide to exercise our option or to negotiate an extension of these transactions for another period. See Item 3 — "Key Information — Risk Factors — We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs, ADSs, ADWs and appreciation warrants."

In November 2000, we entered into U.S.$1.5 billion of preferred equity financing arrangements. See "— Liquidity and Capital Resources – Our Obligations and Financing Activities." Under the terms of this transaction, New Sunward Holding B.V. may be liquidated if we do not repurchase the preferred equity, if we do not make payments on the preferred equity and in other circumstances. Any such liquidation would include the sale of its assets (mainly the Valenciana shares it holds) at market prices in an amount sufficient to satisfy the liquidation preference of the preferred equity.

Some of the equity derivative financing transactions have required that we subject additional shares of stock to the arrangement if the value of the stock subject to the transaction decreases below minimum thresholds. Furthermore, the equity derivative financing transactions typically provide for periodic payments to be made in respect of the notional amounts of those transactions, reflecting the cost of providing capital to us over the life of the transaction. See Item 3 — "Key Information — Risk Factors — Our use of equity derivative financing and other financing may have adverse effects on the market for our securities and our subsidiaries' securities."

In December 1999, we sold to our shareholders, members of our board of directors and other executives 105,000,000 appreciation warrants, including appreciation warrants sold to our ADS holders in the form of American Depositary Warrants, or ADWs, each ADW representing five appreciation warrants. Holders of appreciation warrants are entitled to receive the number of CPOs or ADSs equal to the appreciation value related to 1.087431 CPOs. If the average price of our CPOs reaches the following levels prior to December 13, 2002, the appreciation warrant maturity date, the appreciation warrants will be redeemed for CPOs or ADSs at the following appreciation values:

- U.S.$3.80 per appreciation warrant, if the average price of one CPO equals or exceeds U.S.$9.185980 in the period from December 13, 1999 to December 12, 2001.

- 1.087431 multiplied by the difference between the average price of one CPO on December 13, 2001 and U.S.$5.701508, the strike price, if the average price of one CPO on such date equals or exceeds U.S.$7.356784, not to exceed U.S.$3.80.

- U.S.$1.80 per appreciation warrant, if the average price of one CPO equals or exceeds U.S.$7.356784 in the period from December 14, 2001 through December 12, 2002.

If the appreciation warrants are not redeemed prior to the appreciation warrant maturity date, on the appreciation warrant maturity date each appreciation warrant will be redeemed for CPOs or ADSs equal to the following appreciation value:

- 1.087431 multiplied by the difference between the average price of one CPO on the appreciation warrant maturity date and U.S.$5.701508.

The terms of the appreciation warrants give effect to antidilution adjustments in 2000 and 2001. Effective as of June 2001, the terms of the appreciation warrants were adjusted in accordance with the terms of the warrant deed and the regulations of the Mexican Stock Exchange to reflect anti-dilution adjustments resulting from the election, following CEMEX's 2000 Annual General Meeting of Stockholders, by holders of CEMEX's CPOs to receive a stock dividend of additional CPOs at a discount in lieu of cash dividends, and the foregoing terms reflect these adjustments.

In July 1995, we sold a portion of the capital stock of Valenciana to a bank under an equity swap transaction in exchange for Ptas40 billion. In August 1997, this transaction was initially refinanced for a notional amount of U.S.$320 million. As of December 31, 1998, the transaction had a notional amount of U.S.$422.5 million. In the first quarter of 1999, a renegotiation of this transaction was finalized for a notional amount of U.S.$500 million (Ps4.8 billion) and provided us with the option to reacquire these shares that were subject to it. The shares subject to this transaction represented 24.8% of the outstanding capital stock of Valenciana. We retained economic and voting rights over these shares. All shares subject to this equity swap transaction were treated as having been owned by an unaffiliated third party, thereby creating a minority interest of 24.8% in Valenciana's consolidated shareholders' equity when consolidated into our consolidated stockholders' equity. Since Valenciana is the owner of our interests in CEMEX Venezuela, CEMEX Colombia, Samper, CEMEX Corp, Cementos Nacionales, Cemento Bayano, Rizal, Gresik, APO, Cementos Bio Bio and Cementos del Pacífico, this minority interest was also applicable with respect to the stockholders' equity in each of these companies. Under Mexican GAAP, this transaction was not recorded as debt on our balance sheet and was recorded as minority interest. In September 2000, we terminated this transaction and repurchased the shares of Valenciana that were subject to it for U.S.$500 million.

In order to hedge our obligations under the appreciation warrants and to provide us with financing on terms we believe are advantageous, in December 1999, we entered into forward contracts with a number of banks and other financial institutions, referred to as the banks. Under the forward contracts, the banks purchased from us 21,000,000 of our ADSs and 33,751,566 shares (or 7.74% as of March 31, 2001) of the common stock of Valenciana for an aggregate purchase price of approximately U.S.$905.7 million, or the notional amount. Absent a default under the forward contracts, the banks are required to deliver to us a number of ADSs and Valenciana shares equal to that sold to them on December 13, 2002, against payment of the forward purchase price. The forward purchase price payable at any time under the forward contracts is the notional amount accreted at a fixed annual rate of interest. The forward contracts provide for early delivery of ADSs and Valenciana shares to us in specified circumstances. Upon closing of the transaction, we made an advance payment to the banks of approximately U.S.$439.9 million of the forward purchase price, and we are required to make periodic payments during the life of the forward contracts and upon the occurrence of specified events. Absent a default under the forward contracts, the banks are required to deliver ADSs to us, without payment, in an amount corresponding to the approximate appreciation value payable, if any, on the appreciation warrants. During the life of the forward contracts, we will make additional periodic prepayments if the current market value of the ADSs and Valenciana shares subject to the contracts is less than 120% of the mark-to-market of the discounted remaining forward purchase price. In the absence of a default under the forward contracts, the banks have agreed to pay to us an amount equal to any dividends paid on the ADSs purchased by the banks upon the maturity or early termination of the forward contracts. As of December 31, 2000, we had made advance payments to the banks of approximately U.S.$133 million of the forward purchase price. See "—Liquidity and Capital Resources – Our Obligations and Financing Activities."

For accounting purposes under Mexican GAAP, the portion of the forward contracts relating to our ADSs are considered to be equity transactions. Therefore, future changes in the fair value of the ADSs have not been and will not be recorded until settlement. When we repurchase the ADSs upon settlement, the cost of the forward contracts relating to our ADSs will be recorded as a decrease in stockholders' equity. The sale of the Valenciana shares to the banks and the immediate prepayment of the portion of the forward purchase price relating to those shares is not considered to be a sale under Mexican GAAP. As a result, absent a default under the forward contracts, the transaction does not and will not have any effect on minority interests, in either our income statements or our balance sheets. We retain all voting and economic rights with respect to the Valenciana shares purchased by the banks.

Although our obligations under the forward contracts are not treated as debt on our balance sheet under Mexican GAAP, our net obligation is included as debt in the calculation of our debt to total capitalization ratio covenants contained in our principal financing agreements.

In addition, in December 1995, we entered into a financial transaction in which one of our Mexican subsidiaries transferred some of its cement assets to a trust, while simultaneously a third party purchased a beneficial interest in the trust for approximately U.S.$123.5 million in exchange for notes issued by the trust. We have the right to reacquire these assets on various dates until 2007. As of December 31, 2000, U.S.$100.7 million (Ps968.7 million) was outstanding under this transaction.

Stock Repurchase Program

On September 29, 2000, our board of directors approved a stock repurchase program in an amount of up to U.S.$500 million to be implemented between October 2000 and December 2001. Under the program, we are repurchasing CPOs listed on the Mexican Stock Exchange. We are funding the program with resources from our repurchase reserve. We estimate that these resources will represent less than 50% of our estimated free cash flow during the repurchase period. We intend to permanently cancel all CPOs repurchased under this program.

Derivatives and Other Hedging Instruments

Under procedures and controls established by our financial risk management team, we have entered into various derivative financial instrument transactions in order to manage our exposure to market risks resulting from changes in interest rates, foreign exchange rates and the price of our common stock. We actively evaluate the creditworthiness of the financial institutions and corporations that are counterparties to our derivative financial instruments, and we believe that they have the financial capacity to meet their obligations in relation to these instruments.

The fair value of derivative financial instruments is based on estimated settlement costs or quoted market prices. The notional amounts of derivative financial instrument agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss.

	(U.S. dollars thousand)				
	At December 31, 1999		At December 31, 2000		
Derivative Instruments	Notional amount	Estimated fair value	Notional amount	Estimated fair value	Maturity Date
Equity forward contracts	828,724	212,340	1,088,819	(113,948)	Jul 2001 – May 2003
Foreign exchange forward contracts	410,000	12,423	421,000	6,826	August 2003
Interest rates collars and swaps	545,095	(12,085)	450,000	6,263	Jun 2002 – Oct 2009
Cross currency swaps	-	-	808,205	50,745	Jun 2003 – Dec 2005
Interest rates swap options	-	-	800,000	(16,340)	Dec 2001 – Jun 2002
Third parties equity forward	-	-	62,411	14,870	Jun 2001

The equity derivatives, including the warrant-related forward contracts in the table above, are accounted for as equity instruments, and gains and losses are recognized as an adjustment to stockholders' equity. The currency forwards are accounted for at fair value as a hedge of our net investments in foreign subsidiaries and therefore are included in the related foreign currency translation adjustment and are recorded at their estimated market value and gains and losses are recognized as an adjustment to stockholders' equity. The interest rate derivatives are accounted for as an adjustment to the effective interest rate of the related debt. The effects recorded in our income statement of these interest rate derivatives amounted to a gain of Ps14.8 million in 1998, a gain of Ps55.8 million in 1999 and a gain of Ps15.4 million in 2000.

Interest Rate Risk

The table below presents tabular information of our fixed and floating rate long-term foreign currency-denominated debt as of December 31, 2000. Average floating interest rates are calculated based on forward rates in the yield curve as of December 31, 2000. Future cash flows represent contractual principal payments. The fair value of our floating rate long-term debt is determined by discounting future cash flows using borrowing rates currently available to us as of December 31, 2000 and is summarized as follows:

	Expected maturity dates as of December 31, 2000							
Long-term debt	2001	2002	2003	2004	2005	After 2005	Total	Fair Value
	(Millions of Peso-equivalents of debt denominated in foreign currencies)							
Variable rate	Ps150	Ps216	Ps182	Ps693	Ps22	Ps6	Ps1,269	Ps1,268
Average interest rate	7.4%	7.1%	7.3%	7.5%	7.3%	7.5%		
Fixed rate	Ps300	Ps264	Ps532	Ps12	Ps6	Ps763	Ps1,877	Ps1,907
Average interest rate	9.5%	9.6%	9.7%	10.8%	10.9%	9.9%		

As of December 31, 1999 and 2000, we had entered into interest rate swaps for up to U.S.$450 million (Ps4,329 million), exchanging fixed for floating rate. Additionally, during 1999 we entered into interest rate collars for 2,500 million pesetas (Ps134.5 million) and forward range swaps contracts for up to U.S.$80 million (Ps769.6 million), in connection to debt negotiated at floating rates, which was terminated in 2000. These contracts have quarterly and semiannual cash settlements maturing U.S.$250 million in June 2002 and U.S.$200 million in October 2009. The potential change in the fair value as of December 31, 2000 that would result from a hypothetical, instantaneous increase of 50 basis points in the interest rates would be a loss of approximately U.S.$8.7 million (Ps83.7 million).

In addition, in December 2000, we sold to financial institutions, call options to exchange floating for fixed interest rate for a notional amount of U.S.$800 million (Ps7,696 million), receiving a premium for the sale of the call options of approximately U.S.$11 million (Ps105.8 million). These options have different maturities between December 2001 and June 2002, and grant the financial institutions the option to elect at maturity and on market conditions, to receive a fixed rate from us and pay us variable rate for a five year period starting on the exchange date. Currently, we cannot predict if market conditions prevailing at maturity of these options would cause the financial institutions to exercise them. The potential change in the fair value as of December 31, 2000 that would result from a hypothetical, instantaneous change of 50 basis points in the five year U.S. treasury note yield would be an approximately U.S.$8.8 million (Ps82.7 million).

Foreign Currency Risk

Due to our geographic diversification, our revenues are generated in various countries and settled in different currencies. However, some of our production costs, including fuel, energy and maintenance, overtime and cement prices are indexed to the Dollar/Peso exchange rate. For the year ended December 31, 2000, approximately 44% of our sales were generated in Mexico, 14% in Spain, 13% in the United States, 8% in Venezuela, 3% in Colombia, 8% in Central America and the Caribbean, 2% in the Philippines, 3% in Egypt and 5% from other regions and our cement and clinker trading activities. As of December 31, 2000, our debt amounted to Ps54.6 billion, of which approximately 65.7% was Dollar-denominated and 13.5% was Yen-denominated; therefore, there is a foreign currency exposure arising from the Dollar-denominated debt, the Yen-denominated debt and the currencies in which our revenues are settled in most countries in which we operate. See "Liquidity and Capital Resources–Our Obligations and Financing Activities" and Item 10– "Additional Information – Material Contracts." Although we also have debt in other currencies, we generate enough cash flow in those currencies to service that debt. Therefore, we believe there is no material foreign currency risk exposure with respect to that debt.

Additionally, we have outstanding foreign exchange forward contracts in order to hedge against fluctuations in foreign exchange rates. These contracts have been designed as a hedge on our net investment in foreign subsidiaries. The effects arising from these instruments are accounted for as part of the translation effect of foreign subsidiaries. As of December 31, 2000, the notional amount of these foreign exchange contracts outstanding was U.S.$421 million (Ps4.1 billion) and its related fair value was a U.S.$6.8 million (Ps65.4 million) gain. These transactions mature in 2003. The potential change in the fair value as of December 31, 2000 that would result from a hypothetical, instantaneous devaluation of 10% in the exchange rate of the Peso against the Dollar would be an approximately U.S.$38 million (Ps365.6 million) loss, which would be offset by a corresponding foreign translation gain as a result of our net investment in foreign subsidiaries.

During 2000, we entered into cross currency swap contracts to convert the interest rate and the notional amount of U.S.$808.2 million (Ps7,775 million) of debt contracted in 2000, to Yen denominated debt. Of this amount, U.S.$208.2 million (Ps2,004 million) and U.S.$600 million (Ps5,772 million) were originally borrowed in Pesos and Dollars, respectively. The fair value of these contracts as of December 31, 2000 was U.S.$50.7 million (Ps488.2 million). The results of these derivative instruments are recognized in the balance sheet as part of long-term debt, and in the income statement as part of the financial expense and the foreign exchange result, according to its components. These contracts have monthly, quarterly and semiannual cash settlements maturing U.S.$100 million in June 2003, U.S.$500 in July 2003 and U.S.$208.2 million in December 2005. The potential change in the fair value as of December 31, 2000 that would result from a hypothetical, instantaneous appreciation of 10% in the exchange rate of the Yen against the Dollar would be a loss of approximately U.S.$84.5 million (Ps812.9 million).

Equity Risk

As of December 31, 1999 and 2000, we have entered into equity forward contracts for a notional amount of U.S.$828.7 million and U.S.$1,088.8 million, respectively, to buy 46,282,079 of our ADSs as of December 31, 2000, which had an estimated fair value gain of U.S.$212.3 million (Ps2,043.3 million) in 1999, and a loss of

U.S.$113.9 million (Ps1,095.7 million) in 2000. The transactions mature at different maturity dates from July 2001 to May 2003. At maturity, these transactions provide for physical or net cash settlement at our option. These transactions have been accounted for as equity transactions; therefore, gains and losses are recognized in our stockholders' equity when realized. These equity forward contracts include the forward contracts to repurchase 21,000,000 of our ADSs. for up to U.S.$606 million in 1999 and U.S.$508.5 million, in 2000, net of prepayments. These forward contracts have been accounted for as equity transactions; therefore, gains and losses are recognized in our stockholders' equity when realized. The forward contracts mature in December 2002. See Note 12G to our consolidated financial statements included elsewhere in this annual report on ADSs. In addition, these equity forward contracts include the forwards with third parties on ADSs entered into to cover the voluntary employee stock option plans for up to U.S.$116 million and U.S.$105 million, in 1999 and 2000, respectively. As of December 31, 2000, these voluntary stock options were outstanding for 4,415,576 ADSs. The call options are priced in Dollars and have a maturity of five years, exercisable on specified dates at fixed strike prices. The option premium paid by executives and directors was 7% of the spot notional amount. See Note 12B to our consolidated financial statements included elsewhere in this annual report. The potential change in the fair value as of December 31, 2000 that would result from a hypothetical, instantaneous devaluation of 10% in the exchange rate of the Peso against the Dollar would be a loss of approximately U.S.$81.1 million (Ps809 million).

As of December 31, 2000, we have entered into third party equity forward contracts for a notional amount of U.S.$62.4 million (Ps600.3 million), with a fair value of U.S.$14.9 million (Ps143.3 million). The forward contracts mature in June 2001. The potential change in the fair value as of December 31, 2000 that would result from a hypothetical, instantaneous devaluation of 10% in the exchange rate of the Peso against the Dollar would be a loss of approximately U.S.$7.6 million (Ps73.1 million).

Investments, Acquisitions and Divestitures

The transactions described below represent our principal investments, acquisitions and divestitures completed during 1998, 1999 and 2000.

Investments and Acquisitions

In May 2001, we acquired through CEMEX Asia Holdings, a 99% interest in Saraburi Cement Company, a cement company based in Thailand, for a total consideration of approximately U.S.$73 million. As a result of CEMEX Asia Holdings' acquisition of Saraburi, our economic interest in Saraburi is approximately 76%.

In November 2000, we acquired, through a cash tender offer followed by a merger, 100% of the outstanding shares of common stock of Southdown, Inc. for U.S.$73.00 per share. The total cost of the acquisition of Southdown, including related fees and expenses, was approximately U.S.$2.8 billion.

We financed the acquisition of Southdown by entering into loan facilities for up to U.S.$1.4 billion and issuing U.S.$1.5 billion in preferred equity in one of our subsidiaries, as described under "— Liquidity and Capital Resources – Our Obligations and Financing Activities."

In September 2000, we announced that we would commit approximately U.S.$100 million per year in financing to CxNetworks, an e-business project responsible for developing, managing, and deploying a network of e-businesses related to online construction websites, an internet-based marketplace and the expansion of our information technology and internet consulting services.

In May 2000, we committed to invest U.S.$34 million to begin the construction of a new grinding mill near Dhaka, Bangladesh. The mill is being constructed with a production capacity of approximately 500 thousand metric tons per year. The facility began operations in April 2001. We are supplying this mill with clinker from Gresik in Indonesia and from other countries in the region.

In April 2000, we agreed to commit U.S.$20 million in financing to PuntoCom Holdings, an e-business developer of several internet projects for Latin America. We hold a 40% ownership interest in PuntoCom Holdings. Additionally, we agreed to commit U.S.$30 million in PuntoCom Investments, a Delaware venture fund that will make e-business investments in Latin America. We own a 100% ownership interest in the capital of PuntoCom

Investments, and PuntoCom Investments has the right to co-invest in the companies of PuntoCom Holdings portfolio.

In November 1999, we acquired a 77% interest in Assiut Cement Company, Egypt's largest cement producer, for approximately U.S.$318.8 million. In 2000, we increased our interest in Assiut to 92.9%. In March 2001, we further increased our interest in Assiut to 95.8%.

In July 1999, we entered into shareholder and subscription agreements with institutional investors to co-invest in CEMEX Asia Holdings Ltd., a subsidiary created to make cement investments in Asia. We and the institutional investors have initially agreed to contribute equity capital of up to U.S.$1.2 billion to CEMEX Asia Holdings. As of December 31, 2000, we have funded approximately U.S.$741 million of our U.S.$929 million commitment by contributing to CEMEX Asia Holdings our direct participations and economic benefits in Rizal and APO. Institutional investors have funded approximately U.S.$216 million of their total U.S.$271 million commitment by contributing cash to CEMEX Asia Holdings. As a result of these transactions, our economic interest in Rizal was reduced to approximately 54% and our economic interest in APO was reduced to approximately 77%. Our economic interest in CEMEX Asia Holdings was reduced to 77.4%. Some of the institutional investors are entitled to representation on the board of directors of CEMEX Asia Holdings and also have the right to veto major corporate actions. CEMEX Asia Holdings has a right of first offer for our investments in many Asian countries. After a five year period, the institutional investors will have the right to sell their interests in CEMEX Asia Holdings to third parties, after first giving us the opportunity to acquire their interests. If we do not acquire their interests and the sales proceeds received by the institutional investors' for their interests is less than the greater of their cost or current value, then the institutional investors will have the right to purchase from us a sufficient portion of our interest in CEMEX Asia Holdings. We also have the right to acquire from the institutional investors a portion of their interests in CEMEX Asia Holdings in specified circumstances. We receive a technical assistance fee from CEMEX Asia Holdings or its subsidiaries in consideration for our providing them with support and technical assistance. In October 2000, CEMEX Asia Holdings acquired our interest in Gresik for approximately U.S.$279 million. As a result, our economic interest in Gresik was reduced to 19.8%. As described above, in May 2001, we acquired, through CEMEX Asia Holdings, a 99% interest in Saraburi Cement Company, a cement company based in Thailand, for a total consideration of approximately U.S.$73 million. As a result of CEMEX Asia Holdings' acquisition of Saraburi, our economic interest in Saraburi is approximately 76%.

In June 1999, we acquired an 11.9% interest in Cementos Bio Bio, S.A., Chile's largest cement producer, for approximately U.S.$34 million.

In April 1999, we acquired a 15.8% interest in Cementos del Pacífico, a Costa Rican cement producer, for approximately U.S.$8 million. In September 1999, we increased our interest in Cementos del Pacífico to 95.3% for approximately U.S.$72 million. As of December 31, 2000, we had further increased our interest in Cementos del Pacífico to 98.2%.

In February 1999, we acquired a 99.9% economic interest in APO for approximately U.S.$400 million. As a result of the CEMEX Asia Holdings transactions described above, our economic interest in APO at December 31, 2000 was approximately 77%.

In December 1998, we increased our equity interest in our Colombian operations from approximately 56% to 78%. In the first quarter of 1999, we further increased our equity interest in CEMEX Colombia to 84% for a capital contribution of approximately U.S.$90 million (Ps854 million). In December 1999, we further increased our equity interest in CEMEX Colombia to approximately 99.3% of its ordinary shares and 92.3% of its total shares. In 2000, we further increased our equity interest in CEMEX Colombia to approximately 98.2% of its total shares.

In 1998, we acquired a 16.3% ownership interest in Gresik. In 1999, we increased our ownership interest in Gresik to approximately 25.5%. As indicated above, in October 2000, CEMEX Asia Holdings acquired our interest in Gresik for approximately U.S.$279 million. As a result, our economic interest in Gresik was reduced to 19.8%.

In October 1997, we acquired for a purchase price of approximately U.S.$93 million a 30% interest in Rizal, a Philippine cement producer. In November 1998, we increased our economic interest to 70% for approximately U.S.$130 million. As a result of the CEMEX Asia Holdings transactions described above, our economic interest in Rizal at December 31, 2000 was approximately 54%.

In addition to the above-mentioned acquisitions, our net investment in property, machinery and equipment, as reflected in our consolidated statements of changes in financial position included elsewhere in this annual report, excluding acquisitions of equity interests in subsidiaries and affiliates, was approximately Ps3,307 million (U.S.$344 million) in 1998, Ps2,588 million (U.S.$269 million) in 1999 and Ps3,831 million (U.S.$398 million) in 2000. This net investment in property, machinery and equipment has been applied to the construction and upgrade of plants and equipment, to the maintenance of plants and equipment, including environmental controls and technology updates.

Divestitures

In May 2000, we sold our 100% interest in the Marriott Casa Magna hotels in Cancun and Puerto Vallarta, Mexico, as well as other property in Puerto Vallarta for approximately U.S.$113 million.

In November 1998, Valenciana sold its Alcalá cement plant located in Seville, Spain and its related assets for approximately U.S.$260 million (Ps2,638 million).

The Euro Conversion

We have operations in Spain, which adopted the common "Euro" currency on January 1, 1999. Until January 1, 2002, the Euro can only be used as transaction currency and on such date the Euro will be the official currency of all Euro zone countries.

We have examined the risks of the Euro for our Spanish operations' business and markets. We do not believe that the Euro conversion will have a material short-term impact on our business or our market position, although we believe that the Euro will contribute to the ongoing convergence of prices in Europe over the longer term. In 2000, our Spanish sales amounted to 14% of our net sales. As of December 31, 2000, 17.9% of our consolidated debt was Euro or Peseta-denominated.

We do not expect our Spanish operations' exposure to currency risk to change materially as a result of the introduction of the Euro. The impact of exchange rates of a non-euro currency versus the Euro will continue to depend on the actual exposure at the time of the risk assessment.

U.S. GAAP Reconciliation

Our consolidated financial statements included elsewhere in this annual report and in the documents incorporated in this annual report by reference have been prepared in accordance with Mexican GAAP, which differ in some significant respects from U.S. GAAP. Mexican companies, including CEMEX, are required, pursuant to Mexican GAAP (Bulletin B-10 and Bulletin B-15), to present their financial statements in constant Pesos representing the same purchasing power for each period presented. The reconciliation to U.S. GAAP includes reconciling items for the reversal of the effect of applying Bulletin B-15 for the restatement to constant pesos as of December 31, 1999 of prior years and to reflect the effects of applying the Fifth Amendment to Bulletin B-10. These reconciling items have been included because these provisions of inflation accounting under Mexican GAAP do not meet the consistent reporting currency requirements of the Securities and Exchange Commission. Our reconciliation to U.S. GAAP does not include the reversal of other Mexican GAAP inflation accounting adjustments, as these represent a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican GAAP and U.S. GAAP.

Majority net income under U.S. GAAP for the years ended December 31, 1998, 1999 and 2000 amounted to Ps6.1 billion, Ps5.8 billion and Ps8.7 billion, respectively, compared to majority net income under Mexican GAAP for the years ended December 31, 1998, 1999 and 2000 of Ps8.1 billion, Ps9.5 billion and Ps9.6 billion, respectively. See Note 20 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

In June 1998, the Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which requires entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. SFAS 133 also specifies new methods of accounting for hedging transactions, prescribes the items and transactions that may be hedged and specifies detailed criteria to be met to qualify for hedge accounting. SFAS 133 is currently scheduled to be effective for fiscal years beginning after June 15, 2000. Effective January 1, 2001, Mexican Bulletin C-2 "Financial Instruments", requires the recognition as assets or liabilities of all derivative instruments at their estimated fair value, in a manner similar to SFAS 133. As we have publicly disclosed, at March 31, 2001, we recognized a net effect (increase in assets, decrease in liabilities) of approximately U.S.$131 million arising from the fair value of its derivative instruments portfolio, with a gain in our income statement of approximately U.S.$94 million and an effect of approximately U.S.$37 million through equity. We cannot confirm that the amounts recorded under Mexican GAAP would be the same as if determined under U.S. GAAP SFAS 133, but it is expected that the results would be similar.

Item 6 - Directors, Senior Management and Employees

Senior Management

Set forth below are the name and position of each of our executive officers as of May 31, 2001. The terms of office of the executive officers are indefinite.

Lorenzo H. Zambrano Chief Executive Officer	Joined CEMEX in 1968. During his career with CEMEX, Mr. Zambrano has been involved in all operational aspects of our business. He held several positions in the company prior to his appointment as chief executive officer in 1985. Mr. Zambrano is a graduate of Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C., or ITESM, with a degree in mechanical engineering and administration and holds an M.B.A. from Stanford University. Lorenzo H. Zambrano is a nephew of Marcelo Zambrano Hellión, honorary chairman of our board of directors. He is also a first cousin of Lorenzo Milmo Zambrano and Rogelio Zambrano Lozano, both members of our board of directors, as well as of Rodrigo Treviño, our chief financial officer. Mr. Zambrano has been a member of our board of directors since 1979 and chairman of our board of directors since 1995. He is also a member of the board of directors of Fomento Económico Mexicano, S.A. de C.V., Empresas ICA, S.A. de C.V., Alfa, S.A. de C.V., Cydsa, S.A., Vitro, S.A., Grupo Televisa, S.A. He is chairman of the board of directors of Consejo de Enseñanza e Investigación Superior, A.C., which manages ITESM. He is also a member of the Stanford Business School's advisory group, a member of the board of directors and of the executive committee of Grupo Financiero Banamex Accival, S.A. de C.V. and a member of the International Advisory Board of Salomon Smith Barney, Inc. In addition, he is member of the board of directors of The Museum of Modern Art, The Economic Development Institute of the World Bank, Americas Society, Inc., Museo de Arte Contemporáneo, and the Mexico-United States Commission for Educational and Cultural Exchange.
Héctor Medina, Executive Vice President of Planning and Finance	Joined CEMEX in 1988. He has held several positions in the company, including director of strategic planning from 1991 to 1994, president of CEMEX Mexico from 1994 to 1996, and has served as executive vice president of planning and finance since 1996. He is a graduate of ITESM with a degree in chemical engineering and administration. He also received a Masters of Science degree in management studies from the University of Bradford Management Centre in England and a Masters of Science diploma in Operations Research from the Escuela de Organización Industrial in Spain in 1975. Among the positions he previously held are those of Project Director at Grupo Protexa, S.A. de C.V., Administrative Director at Grupo Xesa, S.A. de C.V., Commercial Director at Direcplan, S.A. and Industrial Relations Sub-Director at Hylsa, S.A. de C.V.

Armando J. García Segovia,
Executive Vice President
of Development

Initially joined CEMEX in 1975 and rejoined CEMEX in 1985. He has served as director of operational and strategic planning from 1985 to 1988, director of operations from 1988 to 1991, director of corporate services and affiliate companies from 1991 to 1994, director of development from 1994 to 1996, and executive vice president of development since 1996. He is a graduate of ITESM with a degree in mechanical engineering and administration and holds an M.B.A. from the University of Texas. He was employed at Conek, S.A. de C.V. from 1981 to 1985 and Cydsa, S.A. from 1979 to 1981. He is a brother of Jorge García Segovia, an alternate member of our board of directors, and a first cousin of Rodolfo García Muriel, a member of our board of directors.

Mr. Armando J. García Segovia has been a member of our board of directors since 1983. He also serves as a member of the board of directors of Materiales Industriales de Chihuahua, S.A. de C.V., Calhidra y Mortero de Chihuahua, S.A. de C.V., Cementos de Chihuahua, S.A. de C.V., Construcentro de Chihuahua, S.A. de C.V., Control Administrativo Mexicano, S.A. de C.V., Compañía Industrial de Parras, S.A. de C.V., Fábrica La Estrella, S.A. de C.V., Prendas Textiles, S.A. de C.V., Telas de Parras, S.A. de C.V., Canacem, Confederación Patronal de la República Mexicana, Centro Patronal de Nuevo León, and Instituto Mexicano del Cemento y del Concreto. He is chairman of the board of Centro de Estudios del Sector Privado para el Desarrollo Sostenible and member of the board of the World Environmental Center.

Mario de la Garza,
Vice President of
Administration

Joined CEMEX in 1965 and has held several positions in the company, including director of accounting from 1985 to 1989, director of affiliates from 1989 to 1994, and director of administration from 1994 to 1996, when he was named vice president of administration. He is a graduate in philosophy and C.P.A. from Universidad Autónoma de Nuevo León and attended the "Programa de Alta Dirección de Empresas, AD2" IPADE (Instituto Panamericano de Alta Dirección de Empresas).

Francisco Garza,
President of CEMEX
North America and
Trading

Joined CEMEX in 1988 and has served as vice president of trading from 1990 to 1992, president of CEMEX Corp. from 1992 to 1994, president of Vencemos and Cemento Bayano from 1994 to 1996, president of CEMEX Mexico and CEMEX Corp. from 1996 to 1998, when he was appointed president of the North American region and trading. He is a graduate in business administration of ITESM and holds an M.B.A. from the Johnson School of Management at Cornell University. Previously, he was employed at Hylsa, S.A. de C.V.

José Luis Sáenz de Miera,
President of CEMEX
Europe, Middle East,
Africa and Asia

Joined Valenciana in 1993 as general director of administration and finance, and in 1996 he was appointed president of Valenciana. Mr. Sáenz de Miera has served as president of the Europe, Middle East, Africa and Asia region since 1998. He is a graduate in economic sciences from Universidad Complutense de Madrid and public accountancy from Instituto de Censores Jurados de Cuentas in Spain. Previously, he was employed from 1973 to 1993 at KPMG Peat Marwick, since 1982 as partner and between 1988 and 1993 as deputy senior partner.

Victor Romo,
President of CEMEX South
America and the Caribbean

Joined CEMEX in 1985 and has served as director of administration of Valenciana from 1992 to 1994, general director of administration and finance of Valenciana from 1994 to 1996, president of Vencemos from 1996 to 1998, and president of the South American and Caribbean region since 1998. He is a graduate in public accounting and holds a master's degree in administration and finance from ITESM. Previously, he worked for Grupo Industrial Alfa, S.A. de C.V. from 1979 to 1985.

Rodrigo Treviño,
Chief Financial Officer

Joined CEMEX in 1997 and has served as chief financial officer since then. He holds both bachelor and master of science degrees in industrial engineering from Stanford University. Prior to joining CEMEX, he served as the country corporate officer for Citicorp/Citibank Chile from 1995 to 1996, and prior to that, he worked at Citibank, N.A. from 1979 to 1994. Rodrigo Treviño is a first cousin of Lorenzo H. Zambrano, our chief executive officer and chairman of our board of directors.

Ramiro G. Villarreal,
General Counsel

Joined CEMEX in 1987 and has served as general counsel since then, and also has served as secretary of our board of directors since 1995. He is a graduate of the Universidad Autónoma de Nuevo León with a degree in law. He also received a masters of science degree in finance from the University of Wisconsin. Prior to joining CEMEX, he served as assistant general director of Grupo Financiero Banpais from 1985 to 1987.

Board of Directors

Set forth below are the names of the members of the Company's board of directors. The members of our board of directors serve for one-year terms.

Lorenzo H. Zambrano,
Chairman

See "— Senior Management."

Marcelo Zambrano Hellión,
Honorary Chairman

Mr. Marcelo Zambrano Hellión has been a member of our board of directors since 1957, chairman of our board of directors from 1979 to 1995, and honorary chairman of our board of directors since 1995. He is the father of Rogelio Zambrano Lozano, a member of our board of directors, and an uncle of Lorenzo Milmo Zambrano, a member of our

	board of directors, and Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer.
Eduardo Brittingham Sumner	Mr. Eduardo Brittingham Sumner has been a member of our board of directors since 1967. He is also general director of Laredo Autos, S.A. de C.V., Auto Express Rapido Nuevo Laredo, S.A. de C.V, Consorcio Industrial de Exportación, S.A. de C.V., and an alternate member of the board of directors of Vitro, S.A. He is father of Tomás Brittingham Longoria, an alternate member of our board of directors.
Lorenzo Milmo Zambrano	Mr. Lorenzo Milmo Zambrano has been a member of our board of directors since 1977. He also serves as general director of Inmobiliaria Ermiza, S.A. de C.V. and as a member of the board of directors of Seguros La Comercial, S.A., Banco Santander Mexicano, S.A. (Regional), Nacional Financiera S.N.C. and Bancomer, S.A. (Regional). He is a nephew of Marcelo Zambrano Hellión, honorary chairman of our board of directors, and a first cousin of Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer, and a first cousin of Rogelio Zambrano Lozano, a member of our board of directors.
Armando J. García Segovia	See "— Senior Management."
Rodolfo García Muriel	Mr. Rodolfo García Muriel has been a member of our board of directors since 1985. He is also the chief executive officer of Compañía Industrial de Parras, S.A. de C.V. and Parras Cone de México, S.A. de C.V. He is member of the board of directors of Parras Williamson, S.A. de C.V., Telas de Parras, S.A. de C.V., Sinkro, S.A. de C.V., IUSA-GE, S. de R.L., Industrias Unidas, S.A., Apolo Operadora de Sociedades de Inversión, S.A. de C.V. and Cambridge Lee Industries, Inc. Mr. García Muriel is also vice president of Cámara Nacional de la Industria Textil. Rodolfo García Muriel is a first cousin of Armando J. García Segovia, executive vice president of development of CEMEX and a member of our board of directors, and Jorge García Segovia, an alternate member of our board of directors.
Rogelio Zambrano Lozano	Mr. Rogelio Zambrano Lozano has been a member of our board of directors since 1987. He is also a member of the consultive board of Grupo Financiero Banamex Accival, S.A. de C.V. Zona Norte. Rogelio Zambrano Lozano is the son of Marcelo Zambrano Hellión, honorary chairman of our board of directors. He is also a first cousin of Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer, and of Lorenzo Milmo Zambrano, a member of our board of directors.
Roberto Zambrano Villarreal	Mr. Roberto Zambrano Villarreal has been a member of our board of directors since 1987. He is chairman of the board of directors of Desarrollo Integrado, S.A. de C.V., Administración Ficap, S.A. de C.V., Aero Zano, S.A. de C.V., Ciudad Villamonte, S.A. de C.V., Focos, S.A. de C.V., C & I Capital, S.A. de C.V., Industrias Diza, S.A. de C.V., Inmobiliaria Sanni, S.A. de C.V., Inmuebles Trevisa, S.A. de C.V., Servicios Técnicos Hidráulicos, S.A. de C.V., and Mantenimiento Integrado, S.A. de C.V. He is a member of the board of directors of S.L.I. de México, S.A. de C.V., Compañía de Vidrio Industrial, S.A. de C.V., Radio Digital 220, S.A. de C.V., Eicon, S.A. de C.V. and Telecomunicaciones Públicas y Privadas, S.A. de C.V. He

	is a brother of Mauricio Zambrano Villarreal, a member of our board of directors.
Bernardo Quintana Isaac	Mr. Bernardo Quintana Isaac has been a member of our board of directors since 1990. He is chief executive officer and chairman of the board of directors of Empresas ICA Sociedad Controladora, S.A. de C.V., and a member of the board of directors of Teléfonos de México, S.A. de C.V., Grupo Financiero Banamex Accival, S.A. de C.V., Grupo Financiero Inbursa, S.A. de C.V., Grupo Carso, S.A. de C.V., and Grupo Maseca, S.A. de C.V. He is also a member of Consejo Mexicano de Hombres de Negocios, Fundación UNAM, Fundación ICA and Patronato UNAM. He is a founding associate of Fundación Octavio Paz.
Dionisio Garza Medina	Mr. Dionisio Garza Medina has been a member of our board of directors since 1995. He is also chairman of the board and chief executive officer of Alfa, S.A. de C.V. and chairman of the board of Hylsamex, S.A. de C.V. He is a member of the board of directors of Vitro, S.A., Cydsa, S.A. and Seguros Comercial América, S.A. He is also a member of Consejo Mexicano de Hombres de Negocios, the consultive committee of the School of Business of Harvard University, the David Rockefeller Center for Latin American Studies and the consultive committee of the New York Stock Exchange. He is also chairman of the executive board of the Universidad de Monterrey, A.C.
Alfonso Romo Garza	Mr. Alfonso Romo Garza has been a member of our board of directors since 1995. He is chairman of the board and chief executive officer of Pulsar Internacional, S.A. de C.V., Savia, S.A. de C.V., Seminis, Inc., Seguros Comercial América, S.A. de C.V., and Empaques Ponderosa, S.A. de C.V. He is also a member of the board of Nacional de Drogas, S.A. de C.V., Grupo Maseca S.A. de C.V. He is an external advisor of the World Bank Board for Latin America and the Caribbean, and a member of the board of The Donald Danforth Plant Science Center. He is also a member of the board of Universidad Iberoamericana and of Univerisdad de Monterrey, A.C.
Mauricio Zambrano Villarreal	Mr. Mauricio Zambrano Villarreal has been a member of our board of directors since 2001. Mr. Zambrano Villarreal served as an alternate member of our board of directors from 1995 to 2001. He is also general vice-president of Desarrollo Integrado, S.A. de C.V., chairman of the board of directors of Empresas Falcón, S.A. de C.V. and Trek Associates, Inc., secretary of the board of directors of Administración Ficap, S.A. de C.V., Aero Zano, S.A. de C.V., Ciudad Villamonte, S.A. de C.V., Focos, S.A. de C.V., Compañía de Vidrio Industrial, S.A. de C.V., C & I Capital, S.A. de C.V., Industrias Diza, S.A. de C.V., Inmobiliaria Sanni, S.A. de C.V., Inmuebles Trevisa, S.A. de C.V., Praxis Accesorios, S.A. de C.V. and Servicios Técnicos Hidráulicos, S.A. de C.V., and a member of the board of directors of Sylvania Lighting International México, S.A. de C.V., Invercap, S.A. de C.V. and Precision Auto Care, Inc. He is a brother of Roberto Zambrano Villarreal, a member of our board of directors.

Alternate Directors

Set forth below are the names of the alternate members of our board of directors. The alternate members of our board serve for one-year terms.

Jorge García Segovia	Mr. Jorge García Segovia has been an alternate member of our board of directors since 1985. He is also a member of the board of directors of Compañía Industrial de Parras, S.A. de C.V., ABA Seguros, S.A., and director of Vector Casa de Bolsa, S.A. de C.V. He is a brother of Armando J. García Segovia and a first cousin of Rodolfo García Muriel, both members of our board of directors.
Tomás Brittingham Longoria	Mr. Tomás Brittingham Longoria has been an alternate member of our board of directors since 1987. He is also the chief executive officer of Laredo Autos, S.A. de C.V. He is a son of Eduardo Brittingham Sumner, a member of our board of directors.
Tomás Milmo Santos	Mr. Tomás Milmo Santos has been an alternate member of our board of directors since 2001. He is Chief Executive Officer and member of the board of directors of Axtel, S.A. de C.V., a telecommunications company that operates in the local, long distance and data transfer market. He is also a member of the board of directors of Coparmex and the Universidad de Monterrey, A.C. Mr. Milmo Santos is nephew of Lorenzo H. Zambrano, our chief executive officer and chairman of our board of directors, and a nephew of Lorenzo Milmo Zambrano, a member of our board of directors.

Examiner

Luis Santos de la Garza	Mr. Luis Santos de la Garza was an alternate director of our board from 1987 to 1988, and has been our examiner since 1989. He is also a member of the board of directors of Grupo Industrial Ramírez, S.A. de C.V. and Productora de Papel, S.A. de C.V., founding partner of Bufete de Abogados Santos-Elizondo-Cantú-Rivera-González-De la Garza, S.C. From 1997 to 2000 he served as Senator from the State of Nuevo León.

Alternate Examiner

Fernando Ruiz Arredondo	Mr. Fernando Ruiz Arredondo has been our alternate examiner since 1981. He is also an alternate member of the board of directors of Value Grupo Financiero, S.A. de C.V.

Compensation of Our Directors and Members of our Senior Management

For the year ended December 31, 2000, the aggregate amount of compensation paid to all members of our board of directors, alternate members of our board of directors, statutory auditors and senior managers as a group was approximately Ps20,077,760. Approximately Ps5,872,160 of this amount was paid pursuant to a bonus plan based on our performance.

Employee Stock Option Plan

In 1995, we adopted a stock option plan under which we are authorized to grant to members of our board of directors, members of our senior management and employees options to acquire up to 216,300,000 shares (72,100,000 CPOs). As of December 31, 2000, options to acquire 64,364,683 CPOs had been granted under the plan at a weighted average nominal exercise price of Ps35.99 per CPO and options representing 7,840,425 CPOs had been exercised. Each of the outstanding options vests at a rate of 25% per year on each of the first four anniversaries of the date of its grant and expires on the tenth anniversary of that date.

Employees

As of December 31, 2000, we had approximately 25,884 employees worldwide, including approximately 9,436 in our Mexican operations, 2,805 in our Spanish operations, 2,936 in our Venezuelan operations, 1,116 in our Colombian operations, 5,273 in our U.S. operations, 1,056 in our Philippine operations, 559 in our Dominican Republic operations, 273 in our Panamanian operations, 300 in our Costa Rican operations, 997 in our Egyptian operations and 1,077 at the holding company level and in other businesses not directly related to the production of cement. These employee numbers exclude employees of companies in which we have a minority interest. As of December 31, 1998 and 1999, we had approximately 19,700 and 24,400 employees worldwide, respectively.

Employees in Mexico have collective bargaining agreements renewable on an annual basis in respect of salaries and on a biannual basis in respect of benefits on a plant-by-plant basis. Approximately one fourth of our employees in the United States are represented by unions, with the largest number being members of the International Brotherhood of Boilermakers. With the exception of the non-union facility located in Florida, collective bargaining agreements are in effect at all of our U.S. cement plants and have various expiration dates ending on 2005. Our Spanish union employees have contracts that are renewable every two to three years on a company-by-company basis. Each of our subsidiary companies operating CEMEX Venezuela's plants has a separately negotiated three-year labor contract with the union employees of the relevant plants. There are separate unions at each of CEMEX Venezuela's plants which negotiate the labor contracts. A single union represents the union employees of all of Diamante-Samper's plants and negotiates the labor contracts on their behalf. Our Panamanian union employees have one labor contract that is renewable every four years. Our Philippine union employees are represented by three unions and have collective bargaining agreements that have a term of five years and are renegotiated in the third and fifth years of the term. Our Egyptian union employees are represented by one union. Assiut has adopted new internal regulations that govern the union labor arrangements. We consider labor relations with our employees to be satisfactory, but we have experienced minor disruptions of our operations in a few plants in Mexico as a result of labor disagreements from time to time.

Share Ownership

See Item 7 — "Major Shareholders and Related Party Transactions — Principal Shareholders."

Item 7 - Major Shareholders and Related Party Transactions

Principal Shareholders

As of May 31, 2001, the following of our directors and members of our senior management beneficially owned more than one percent of our outstanding capital stock:

Name	Number of A shares	Percentage of outstanding A shares (1)	Number of B shares	Percentage of outstanding B shares (1)	Number of CPOs	Percentage of outstanding CPOs
Fernando Ruiz Arredondo	0	0.00%	0	0.00%	29,484,746	1.92%
Marcelo Zambrano Hellión	0	0.00%	0	0.00%	16,665,022	1.08%

(1) Excludes the number of outstanding A shares and B shares held in the form of CPOs.

As of May 31, 2001, our senior management and directors and their immediate families owned, collectively, approximately 7.17% of our outstanding shares, including shares underlying CPOs. This percentage does not include shares held by the extended families of members of our senior management and directors, since to the best of our knowledge, no voting arrangements or other agreements exist with respect to those shares. In addition as of May 31, 2001, through our subsidiaries, we owned approximately 9.37% of our outstanding shares, including shares in the form of CPOs.

Other than the CPO trust and the shares and CPOs owned by our subsidiaries, we are not aware of any person that owns more than five percent of any class of our voting securities. We are not directly or indirectly controlled by another corporation or a government.

As of May 31, 2001, approximately 144.2 million CPOs, representing approximately 10.2% of our outstanding CPOs and 9.4% of our outstanding voting stock, were held by some of our subsidiaries, and an additional 241 million CPOs, representing approximately 16.9% of our outstanding CPOs and 15.7% of our outstanding voting stock, were held subject to equity derivative and other transactions. These CPOs are voted at the direction of our management. From time to time, our subsidiaries are active participants in the trading market for our capital stock and, as a result, the levels of our CPO and share ownership by those subsidiaries are likely to fluctuate.

Our articles of association and by-laws, or *estatutos sociales*, provide that our board of directors must authorize in advance any transfer of voting shares of our capital stock which would result in any person, or group acting in concert, becoming a holder of 2% or more of our voting shares.

As of May 31, 2001, our outstanding capital stock consisted of 3,077,995,794 Series A shares and 1,538,997,897 Series B shares, in each case including shares held by our subsidiaries.

As of May 31, 2001, a total of 2,842,133,548 Series A shares and 1,421,066,774 Series B shares were held by the CPO trust. Each CPO represents two Series A shares and one Series B share. A portion of the CPOs is represented by ADSs. Under the terms of the CPO trust agreement, non-Mexican holders of CPOs and ADSs have no voting rights with respect to the A shares underlying those CPOs and ADSs. All ADSs are deemed to be held by non-Mexican nationals. At every shareholders' meeting, the A shares held in the CPO trust are voted in accordance with the vote cast by holders of the majority of A shares held by Mexican nationals and B shares voted at that meeting of shareholders.

As of May 31, 2001, the following options to acquire our securities were outstanding:

Title of security underlying options	Number of CPOs underlying options	Expiration date	Per CPO exercise price of options
CPOs	33,403,879	2005-2010	Ps 20.00 - 43.13
CPOs	28,411,290	2002-2010	U.S.$ 7.90 - 9.62
CPOs	21,575,698	2003-2004	U.S.$ 2.81 - 6.46

As of May 31, 2001, our senior management and directors held the following options to acquire our securities:

Title of security underlying options	Number of CPOs underlying options	Expiration Date	Per CPO exercise price of options
CPOs	7,651,624	2005-2010	Ps 20.00 - 43.13
CPOs	12,280,253	2002-2010	U.S.$ 7.90 - 9.62
CPOs	11,017,990	2003-2004	U.S.$ 2.81 - 6.46

As of May 31, 2001, our employees held the following options to acquire our securities:

Title of security underlying options	Number of securities underlying options	Expiration Date	Exercise price of options
CPOs	25,752,255	2005-2010	Ps 20.00 - 43.13
CPOs	16,131,037	2002-2010	U.S.$ 7.90 - 9.62
CPOs	10,557,708	2003-2004	U.S.$ 2.81 - 6.46

In addition, as of May 31, 2001, through our subsidiaries, we owned approximately 3.2% of our outstanding appreciation warrants. If the average price of our CPOs reaches specified levels on or prior to December 13, 2002, the appreciation warrants will be redeemed for CPOs or ADSs at specified appreciation values. See Item 5 — "Operating and Financial Review and Prospects — Qualitative and Quantitative Market Disclosure — Equity Derivative Financing Transactions" for a description of the appreciation warrants.

Mexican securities authority regulations, Circular 11-14, provide that our majority-owned subsidiaries may not directly or indirectly invest in our CPOs and other securities representing our capital stock. The Mexican securities authority could require any disposition of the CPOs or of other securities representing our capital stock so owned and/or impose fines on us if it were to determine that the ownership of our CPOs or of other securities representing our capital stock by our subsidiaries, in most cases, negatively affects the interests of our shareholders. The Mexican securities authority has not instituted any proceedings or, to the best of our knowledge, threatened to levy any fines or to take any action that would require disposition of the CPOs or of any other securities representing our capital stock. Notwithstanding the foregoing, the exercise of all rights pertaining to our CPOs or to other securities representing our capital stock in accordance with the instructions of our subsidiaries does not violate any provisions of our bylaws or the bylaws of our subsidiaries and the holders of these CPOs or of other securities representing our capital stock are entitled to exercise the same rights relating to their CPOs or other securities representing our capital stock, including all voting rights, as any other holder of the same series of our CPOs or of other securities representing our capital stock.

Related Party Transactions

Mr. Bernardo Quintana Isaac, a member of our board of directors, is chief executive officer and chairman of the board of directors of Grupo ICA, S.A. de C.V., a large Mexican construction company. In the ordinary course of our business, we extend financing to Grupo ICA for varying amounts at market rates, as we do to other customers.

In addition, we extend loans to our directors and executives for varying amounts at market rates. As of May 31, 2001, the aggregate amount of loans outstanding to our directors and members of our senior management was approximately Ps50 million at an average interest rate of 7.52%.

Item 8 - Financial Information

Consolidated Financial Statements and Other Financial Information

See Item 18 — "Financial Statements" and "Index to Consolidated Financial Statements."

Regulatory Matters and Legal Proceedings

A description of material legal and regulatory matters affecting us is provided below.

Tariffs

Mexican tariffs on imported goods vary by product and have been as high as 40%. In recent years, import tariffs have been substantially reduced, and currently range from none at all for raw materials to 20% for finished products, with an average weighted tariff for Mexican industry of approximately 10%. Cement imported into Mexico was subject to a 10% tariff at December 31, 1993. As a result of the North American Free Trade Agreement, or NAFTA, as of January 1, 1998, the tariff on cement imported into Mexico from the United States or Canada was eliminated. However, a tariff of 10% ad valorem will continue to be imposed on cement produced in all other countries unless tariff reduction treaties are implemented or the Mexican government unilaterally reduces that tariff. While the reduction in tariffs could lead to increased competition from imports in our Mexican markets, we anticipate that the cost of transportation from most producers outside Mexico to central Mexico, the region of highest demand, will remain an effective barrier to entry.

Spain, as a member of the European Union, is subject to the uniform European Union commercial policy. There is no tariff on cement imported into Spain from another European Union country or on cement exported from Spain to another member country. For cement imported into a member country from a non-member country, the tariff is currently 1.7% of the customs value. Any country with preferential treatment with the European Union is subject to the same tariffs as members of the European Union. Most Eastern European producers who export cement into Spain currently pay no tariff.

Environmental Controls

We use leading edge processes that are designed to protect the environment throughout all the production stages in all of our operations worldwide. Raw materials come from a natural origin, fuel oil used for energy is not flammable at environment temperatures, water is used for cooling purposes only and is recycled almost totally, and paper bags are also recycled. We believe that we are in substantial compliance with all material environmental laws.

European Union directives imposing stricter environmental standards are expected to be implemented in Spain by 2007. We already comply or believe that we would be able to comply with those standards, if necessary, without significant expenditures. We are not aware of any environmental liabilities with respect to our Spanish operations.

CEMEX Venezuela's cement production plants are subject to and comply with Venezuelan environmental regulations. CEMEX Venezuela has decreased the emission levels of all its plants, through dust extraction equipment installed in all of CEMEX Venezuela' cement plants.

We were one of the first industrial groups in Mexico to sign an agreement with the Secretaría de Desarrollo Social, the Mexican government's environmental ministry, or SEDESOL, to carry out voluntary environmental audits in our 15 operating Mexican cement plants under a government-run program. Currently, the Mexican environmental agency in charge of the voluntary environmental auditing program, the Procuraduría Federal de Protección al Ambiente, or PROFEPA, which is part of the Ministry of Environment and Natural Resources (Secretaría de Medio Ambiente y Recursos Naturales, or SEMARNAT), has completed auditing our 15 operating cement plants and has awarded all of our plants a Certificado de Industria Limpia, Clean Industry Certificate, certifying that our plants are in compliance with environmental laws. Since 1992, the technology for recycling used tires into an energy source has been employed in our Ensenada and Huichiapan plants. Collection centers in Tijuana, Mexicali and Ensenada currently enable us to recycle an estimated one million tires per year. During 2000, approximately 12% of the total fuel consumed in the Ensenada plant was provided by this alternative fuel.

Between 1996 and 2000, our Mexican operations have invested approximately U.S.$19.5 million in the acquisition of environmental protection equipment, voluntary environmental audits and the implementation of the ISO 14000 environmental management standards of the International Organization for Standardization, or ISO. Currently, 13 of our 15 cement plants in Mexico have been awarded the ISO 14001 certification for environmental management systems. We expect all 15 of our operating Mexican cement plants to have ISO 14001 certification by 2002.

In May 2000, we began implementing the ISO environmental management standards at our Spanish cement plants. Currently, 7 of our 8 cement plants in Spain have received the ISO 14001 certification for environmental management systems. We expect all of our Spanish cement plants to be ISO 14001-certified by 2002.

CEMEX, Inc. is subject to a wide range of federal, state and local laws, regulations and ordinances dealing with the protection of human health and the environment. These laws regulate water discharges, noise, and air emissions, including dust; as well as the handling, use and disposal of hazardous and non-hazardous waste materials. These laws also create a shared liability by responsible parties for the cost of cleaning up or correcting releases to the environment of designated hazardous substances. We therefore, may have to remove or mitigate the environmental effects of the disposal or release of certain substances at CEMEX, Inc.'s various operating facilities or elsewhere.

Several of CEMEX, Inc.'s previously owned and currently owned facilities have become the subject of various local, state or federal environmental proceedings and inquiries in the past. While some of these matters have been settled, others are in their preliminary stages and may not be resolved for years. The information developed to date on these matters is not complete. CEMEX, Inc. does not believe it will be required to spend significantly more on these matters than the amounts already recorded in our consolidated financial statements included elsewhere in this annual report. However, it is impossible for CEMEX, Inc. to determine the ultimate cost that it might incur in connection with such environmental matters until all environmental studies and investigations, remediation work, negotiations with other parties that may be responsible, and litigation against other potential sources of recovery have been completed. With respect to known environmental contingencies, CEMEX, Inc. has recorded provisions for estimated probable liabilities and does not believe that the ultimate resolution of such matters will have a material adverse effect on CEMEX's financial results.

U.S. Anti-Dumping Rulings — Mexico

During 2000, exports of Mexican gray cement, measured by volume, into the United States by our Mexican operations represented approximately 57% of total gray cement exports and approximately 4% of total sales volume of our Mexican operations. Our exports of cement from Mexico to the United States are subject to an anti-dumping order that was imposed by the Commerce Department on August 30, 1990. Pursuant to this order, firms that import gray Portland cement from us in the United States must make cash deposits with the U.S. Customs Service to guarantee the eventual payment of anti-dumping duties.

The anti-dumping order became applicable in April 1990 and is likely to continue for an indefinite period, although under the new World Trade Organization rules, it will be reviewed by the U.S. government not later than July 2001 to determine whether the conditions for imposing the order still exist. U.S. importers of our gray Portland cement are liable for payment of the anti-dumping duties. From May 14, 2001, to the present, importers are required to post cash deposits of 38.65% ad valorem.

As of December 31, 2000, CEMEX Corp., our U.S. subsidiary that imports Mexican cement into the United States, had accrued liabilities of U.S.$52.4 million, including accrued interest, for the difference between the amount of anti-dumping duties paid on imports and the latest findings by the Commerce Department in its administrative reviews.

The Commerce Department has published its final dumping determinations for the first, second, third and fourth review periods. The Commerce Department's final results of its final determinations for the fifth, sixth, seventh, eighth and ninth review periods are suspended pending review by NAFTA panels.

On October 1, 2000, the Commerce Department initiated the tenth administrative review, covering the period August 1, 1999 through July 31, 2000. The Commerce Department is expected to publish its preliminary results for the tenth review period in September 2001. The cash anti-dumping duty deposit requirement, based on the 38.65% ad valorem determination of the Commerce Department covering the ninth review period, will continue in effect until the Commerce Department publishes its final determination for the tenth review period.

Mexican importers' deposits are being liquidated in stages, as appeals are exhausted for each annual review period. When the final anti-dumping rate for any review period causes the amount due to exceed the amount that was deposited, then Mexican importers are required to pay the difference with interest.

The status of each review period is as follows:

Period	**Cash Deposits**	**Status**
4/12/90-7/31/91	58.38% (Bonds/56.68% from 4/12-7/18/90)	61.42% calculated by the Commerce Department on remand from CIT. Liquidation commenced in March 1994.
8/1/91-7/31/92	58.38% and 30.44% at different times	42.74% initially determined by the Commerce Department in review, increased by the Commerce Department to 109.43% upon remand from the CIT. Liquidation commenced in May 1998.
8/1/92-7/31/93	30.44% and 42.74% at different times	61.85% determined by the Commerce Department. Customs Service has liquidated entries covered by this review period.
8/1/93-7/31/94	42.74%	109.43% determined by the Commerce Department upon review. Liquidation commenced in April 1999.
8/1/94-7/31/95	42.74%, 61.85% (effective 5/19/95)	73.69% determined by the Commerce Department upon review. Liquidation suspended pending appeal to NAFTA panel review.
8/1/95-7/31/96	61.85%	37.49% determined by the Commerce Department. Liquidation suspended pending NAFTA panel review.
8/1/96-7/31/97	61.85%, 73.69% (effective 5/5/97)	49.58% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/97-7/31/98	73.69%, 35.88% and 37.49% (effective 5/4/98)	45.98% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/98-7/31/99	37.49%, 49.58% (effective 3/17/99)	38.65% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/99-7/31/00	49.58%, 45.98% (effective 3/16/2000)	Currently under review by the Commerce Department.
8/1/00-to date	49.58%, 38.65% (effective 5/14/2001)	Subject to review by the Commerce Department.

U.S. Anti-Dumping Rulings — Venezuela

On May 21, 1991, U.S. producers of gray cement and clinker filed petitions with the Commerce Department and the International Trade Commission, or ITC, claiming that imports of gray cement and clinker from Venezuela were subsidized by the Venezuelan government and were being dumped into the U.S. market. The producers asked the U.S. government to impose anti-dumping and countervailing duties on these imports. CEMEX Venezuela, prior to our acquisition, vigorously contested the dumping claim and the countervailing duty claim, and both cases have been suspended.

The Commerce Department's preliminary determination regarding the dumping claim was published on November 4, 1991. The Commerce Department initially found that CEMEX Venezuela had a dumping margin of 49.2%. Rather than proceeding with the final Commerce Department and ITC determinations, CEMEX Venezuela and the Commerce Department entered into an Anti-Dumping Suspension Agreement on February 11, 1992. Under the Anti-Dumping Suspension Agreement, CEMEX Venezuela agreed not to sell gray cement or clinker in the United States at a price less than the "foreign market value." The foreign market value was determined by the Commerce Department based on information provided by CEMEX Venezuela each quarter. CEMEX Venezuela was required to report to the Commerce Department sales in the U.S. market, costs of production and related data. During its sunset review of the Anti-Dumping Suspension Agreement, the ITC determined that terminating the Agreement would not be likely to lead to a continuation or recurrence of injury to the U.S. market, and voted to terminate the Anti-Dumping Suspension Agreement on October 5, 2000. Consequently, on November 5, 2000, the Commerce Department published a notice terminating the Anti-Dumping Suspension Agreement in the Federal Register.

U.S. Anti-Dumping Sunset Reviews

Under the U.S. anti-dumping and countervailing duty laws, the Commerce Department and the ITC are required to conduct "sunset reviews" of outstanding anti-dumping and countervailing duty orders and suspension agreements every five years. At the conclusion of these reviews, the Commerce Department is required to terminate the order or suspension agreement unless the agencies have found that termination is likely to lead to continuation or recurrence of dumping, or a countervailable subsidy in the case of countervailing duty orders, and material injury. Under special transition rules, the first sunset reviews for the cases involving gray Portland cement and clinker from Mexico and Venezuela, which had orders and agreements issued before 1995, were commenced in August 1999 and concluded by the Commerce Department in July 2000 and by the ITC in October 2000. In the case of Mexico, in July 2000, the Commerce Department determined not to revoke the anti-dumping order. On October 5, 2000, the ITC also determined not to revoke the anti-dumping order. Thus, the order remains in place. In the case of Venezuela, in July 2000, the Commerce Department determined to continue the Anti-Dumping Suspension Agreement. However, on October 5, 2000, the ITC terminated the Anti-Dumping Suspension Agreement, as described under "U.S. Anti-Dumping Rulings — Venezuela," and on November 5, 2000, the Commerce Department published a notice terminating the Anti-Dumping Suspension Agreement in the Federal Register.

Tax Matters

As of December 31, 2000, we and some of our Mexican subsidiaries have been notified of several tax assessments determined by the Mexican tax office in respect to the tax years from 1992 through 1994. These tax assessments total approximately Ps3,325 million. The tax assessments are based primarily on claims of: (i) disallowed deductions resulting from social security expenses; and (ii) recalculation of the inflationary tax deductions. We have filed an appeal for each of these tax claims before the Mexican federal tax court, and the appeals are pending resolution. Although we have not received an opinion of counsel, based on our experience with regard to the resolution of a number of similar claims, we believe that the resolution of these claims will not have a material adverse effect on us. However, an adverse resolution of these claims could have a material adverse effect on our results of operations.

In addition to the tax assessments described above, during 2001, one of our Mexican subsidiaries was notified of two tax assessments determined by the Mexican tax office in respect of the 1995 fiscal year. In March 2001, a tax assessment in the amount of Ps302 million, including interest and penalties, was received based primarily on claims of improper deductions for the inflationary components of some items, including interest that was deducted during that fiscal year. In April 2001, a second tax assessment in the amount of Ps98 million, including interest and penalties, was received by our subsidiary, based primarily on claims of improperly consolidated losses generated by several of our subsidiaries. We have filed an appeal for each of these claims before the Mexican federal tax court and the appeals are pending resolution. Although we have not received an opinion of counsel, based on our experience with regard to the resolution of a number of similar claims, we believe that the resolution of these claims will not have a material adverse effect on us. However, an adverse resolution of these claims could have a material adverse effect on our results of operations.

On January 26, 2000, we obtained a favorable resolution by the Domestic Taxes and Customs Office of Colombia, dismissing the tax assessment that was served on three of our Colombian subsidiaries in 1998.

Other Legal Proceedings

In May 1999, several companies filed a civil liability suit in the civil court of the circuit of Ibagué, Colombia, against two of our Colombian subsidiaries, alleging that these subsidiaries were responsible for deterioration in the rice production capacity of land of the plaintiffs, caused by pollution emanating from our cement plants located in Ibagué, Colombia. The plaintiffs have asked for relief in the amount of U.S.$12.6 million. This proceeding has reached the evidentiary stage. Typically, proceedings of this nature continue for several years before final resolution.

In February 2000, one of our U.S. subsidiaries received two claims from the general contractor for the expansion project of its cement plant located in Victorville, California. The contractor has requested additional compensation in excess of the guaranteed contract amount to cover costs associated with structural steel and related items. The original amount of the claims was approximately U.S.$5.0 million, but has increased to over U.S.$14.0 million. CEMEX California Cement has rejected the claims based on its belief that it is not responsible for the increased costs. Any payments as a result of the claim would be included as part of the capitalized cost of the project and amortized over the life of the project. We believe that any payments made as a result of the claim would not have a material adverse effect on us.

In March 2001, 42 transporters filed a civil liability suit in the civil court of Ibagué, Colombia, against three of our Colombian subsidiaries. The plaintiffs content that these subsidiaries are responsible for the alleged damages caused by plaintiffs' breach of raw material transportation contracts. The plaintiffs have asked for relief in the amount of U.S.$60 million . This proceeding has not yet reached the evidentiary stage, since our subsidiaries have denied plaintiffs' complaint. Upon resolution thereof, the evidentiary stage will begin. Typically, proceedings of this nature continue for several years before final resolution.

In the ordinary course of our business, we are party to various legal proceedings. Other than as disclosed herein, we are not currently involved in any litigation or arbitration proceedings, including any such proceedings which are pending or threatened of which we are aware, which we believe will have, or have had, a material adverse effect on us, nor, so far as we are aware, are any proceedings of that kind threatened.

CEMEX Dividends

A declaration of any dividend by CEMEX is made by our shareholders at a general ordinary meeting. Any dividend declaration is usually based upon the recommendation of our board of directors. However, the shareholders are not obligated to approve the board's recommendation. We may only pay dividends from retained earnings included in financial statements that have been approved by our shareholders, after all losses have been paid for, a legal reserve equal to 5% of our paid-in capital has been created and our shareholders have approved the relevant dividend payment. According to 1999 Mexican tax reforms, all shareholders, excluding Mexican corporations, that receive a dividend in cash or in any other form are subject to a withholding tax. See Item 10 — "Additional Information — Taxation — Mexican Tax Considerations." Since we conduct our operations through our subsidiaries, we have no significant assets of our own except for our investments in those subsidiaries. Consequently, our ability to pay dividends to our shareholders is dependent upon our ability to receive funds from our subsidiaries in the form of dividends, management fees, or otherwise. Some of our credit agreements and debt instruments and some of those of our subsidiaries contain provisions restricting our ability, and that of our subsidiaries, as the case may be, to pay dividends if some financial covenants are not maintained. As of December 31, 2000, we and our subsidiaries were in compliance with, or had obtained waivers in connection with, those covenants. See Item 3 — "Key Information — Risk Factors — We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs, ADSs, ADWs and appreciation warrants" and "— Our use of equity derivative financing may have adverse effects on the market for our securities and our subsidiaries' securities and may adversely affect our ability to achieve operating efficiencies as a combined group."

Although our board of directors currently intends to continue to recommend an annual dividend on the common stock, the recommendation whether to pay and the amount of those dividends will continue to be based upon, among other things, earnings, cash flow, capital requirements and our financial condition and other relevant factors. On April 26, 2001, at our annual shareholders' meeting our board of directors recommended and our shareholders approved our most recent dividend, equal to Ps1.8 per CPO.

Owners of ADSs on the applicable record date will be entitled to receive any dividends payable in respect of the A shares and the B shares underlying the CPOs represented by those ADSs. The depositary will fix a record date for the holders of ADSs in respect of each dividend distribution. Unless otherwise stated, the depositary has agreed to convert cash dividends received by it in respect of the A shares and the B shares underlying the CPOs represented by ADSs from Pesos into Dollars and, after deduction or after payment of expenses of the depositary, to pay those dividends to holders of ADSs in Dollars. We cannot assure holders of our ADSs that the depositary will be able to convert dividends received in Pesos into Dollars.

The following table sets forth the amounts of annual cash dividends paid in Pesos, on a per share basis, and a convenience translation of those amounts into Dollars based on the CEMEX accounting rate as of December 31, 2000. Dividends declared at each year's annual shareholders' meeting are reflected as dividends of the preceding year.

	Dividends Per Share	
	Constant Pesos	Dollars
1996	—	—
1997	0.40	0.04
1998	0.45	0.05
1999	0.52	0.05
2000	0.60	0.06

At our 2000 annual shareholders' meeting, which took place on April 26, 2001, our board of directors recommended and the stockholders approved a cash dividend of Ps1.80 (U.S.$0.19) per CPO; instead of receiving that dividend in cash, shareholders were entitled to elect to receive a stock dividend per CPO of Ps1.80 worth of additional CPOs at a price of Ps38.16 per additional CPO. As a result of that dividend, approximately 70 million additional CPOs were issued and an aggregate of Ps82.7 million was paid in cash.

At our 1999 annual shareholders' meeting, which took place on April 27, 2000, our board of directors recommended and the shareholders approved a dividend of Ps1.54 (U.S.$0.16) per CPO; instead of receiving that dividend in cash, shareholders were entitled to elect to receive a stock dividend per CPO of Ps1.54 worth of additional CPOs at a price of Ps32.96 per additional CPO. As a result of that dividend, approximately 59 million additional CPOs were issued and an aggregate of Ps261 million was paid in cash.

At our 1998 annual shareholders' meeting, which took place on April 29, 1999, our board of directors recommended and the shareholders approved a dividend of Ps0.45 (U.S.$0.05) per share; shareholders were entitled to elect to receive additional shares instead of receiving that dividend in cash, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps11.72 per additional share. As a result of that dividend, 142,137,348 additional shares were issued and an aggregate of Ps265 million was paid in cash.

At our 1997 annual shareholders' meeting, which took place on April 23, 1998, our board of directors recommended and the shareholders approved a dividend of Ps0.40 (U.S.$0.04) per share; shareholders were entitled to elect to receive additional shares instead of receiving that dividend in cash, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps13.02 per additional share. As a result of that dividend, 98,634,951 additional shares were issued and an aggregate of Ps346 million was paid in cash.

We did not declare or pay dividends in 1996. Rather, management recommended and our shareholders approved a share repurchase program. As a result of that share repurchase program, as of December 31, 1997, we had repurchased 72.3 million CEMEX shares for an amount of approximately Ps1.2 billion.

Significant Changes

No significant change has occurred since the date of our consolidated financial statements included in this annual report.

Item 9 - Offer and Listing

Market Price Information

A shares, B shares, CPOs and appreciation warrants are listed on the Mexican Stock Exchange. Our CPOs trade under the symbol "CEMEX.CPO" and our appreciation warrants trade under the symbol "CMX212EDC059." As a result of the 1999 exchange offer of CPOs for A shares and B shares, the trading of our A shares and B shares substantially declined and were last traded on the Mexican Stock Exchange on December 28, 1999, under the symbols "CEMEX.A" and "CEMEX.B," respectively. ADSs, each of which represents five CPOs, and ADWs, each of which represents five appreciation warrants, are listed on the NYSE. Our ADSs trade under the symbol "CX" and our ADWs trade under the symbol "CX.WS." The following table sets forth, for the periods indicated, the reported highest and lowest market quotations in nominal Pesos for CPOs and appreciation warrants on the Mexican Stock Exchange and the high and low sales prices in Dollars for ADSs and ADWs on the NYSE. Although our A shares and B shares are listed on the Mexican Stock Exchange, because of the lack of trading volume in the A shares and B shares, market quotations are not available.

Calendar Period	A Shares(1)		B Shares(1)		CPOs(1)		ADSs(2)		appreciation warrants(3)		ADWs(4)	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1996	Ps10.23	Ps7.93	Ps11.13	Ps8.57	Ps30.90	Ps23.80	—	—	—	—	—	—
1997	14.47	7.90	16.53	7.97	43.40	19.00	—	—	—	—	—	—
1998	14.27	5.31	17.13	6.10	43.40	16.00	—	—	—	—	—	—
1999							—	—	—	—	—	—
First quarter	13.17	5.97	13.38	6.63	39.10	17.90	—	—	—	—	—	—
Second quarter	16.60	12.92	16.77	13.00	50.00	38.70	—	—	—	—	—	—
Third quarter	16.50	13.05	16.70	12.85	49.75	38.50	U.S.$24.38	U.S.$22.50	—	—	—	—
Fourth quarter	15.20	13.54	15.20	13.54	53.10	37.50	28.13	19.25	Ps8.26	Ps5.00	U.S.$4.13	U.S.$2.56
2000												
First quarter	—	—	—	—	53.80	39.20	28.75	20.88	8.50	5.50	4.75	2.50
Second quarter	—	—	—	—	46.20	37.80	24.63	19.50	7.20	4.00	3.50	2.44
Third quarter	—	—	—	—	49.05	37.80	25.88	19.81	6.30	4.00	3.25	1.75
Fourth quarter	—	—	—	—	41.35	32.50	21.81	17.19	4.50	2.00	2.38	1.00
2001												
First quarter	—	—	—	—	45.34	34.50	23.48	17.63	4.20	2.00	2.15	1.00
January	—	—	—	—	42.88	34.50	22.25	17.63	3.90	2.00	1.99	1.00
February	—	—	—	—	41.80	38.65	21.50	20.00	3.50	3.10	1.99	1.60
March	—	—	—	—	45.34	39.55	23.48	20.59	4.20	3.20	2.15	1.50
Second quarter	—	—	—	—								
April	—	—	—	—	43.40	39.25	23.75	20.67	3.35	2.80	1.70	1.50
May	—	—	—	—	49.90	42.00	27.75	22.80	4.80	2.80	2.60	1.55

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Source: Based on data of the Mexican Stock Exchange and the NYSE.

(1) As of December 31, 2000, approximately 92.4% of our outstanding share capital was represented by CPOs (including CPOs held in the form of ADSs).

(2) The ADSs began trading on the NYSE on September 15, 1999.

(3) The appreciation warrants began trading on the Mexican Stock Exchange on December 13, 1999.

(4) The ADWs began trading on the NYSE on December 13, 1999.

On June 26, 2001, the reported closing price for CPOs on the Mexican Stock Exchange was Ps47.53 per CPO; and the reported closing price for ADSs on the NYSE was U.S.$26.32 per ADS.

Item 10 - Additional Information

Memorandum and Articles of Association

General

Pursuant to the requirements of the Mexican corporation law, our articles of incorporation and by-laws, or estatutos sociales, have been registered with the Mercantile Section of the Public Register of Property and Commerce in Monterrey, Mexico, under the entry number 21 since June 11, 1920. We are a holding company engaged, through our operating subsidiaries, primarily in the production, distribution, marketing and sale of cement, ready-mix concrete and clinker. We are a global cement manufacturer, with operations in North, Central and South America, Europe, the Caribbean, Asia and Africa. We plan to continue focusing in the production and sale of cement and ready-mix concrete, as we believe that this strategic focus has enabled us to grow our existing businesses and to expand our operations internationally.

We have two series of common stock, the series A common stock, with no par value, or A shares, which can only be owned by Mexican nationals, and the series B common stock, with no par value, or the B shares, which can be owned by both Mexican and non-Mexican nationals. Our articles of association state that the A shares may not be held by non-Mexican persons, groups, units or associations that are foreign or have participation by foreign governments or their agencies. Our articles of association also state that the A shares shall at all times account for a minimum of 64% of our total outstanding voting stock. Other than as described above, holders of the A shares and the B shares have the same rights and obligations.

At an extraordinary general meeting of our shareholders held on April 28, 1994, our shareholders, upon recommendation of our board of directors, authorized:

- our transformation from a fixed capital corporation to a variable capital corporation in accordance with Mexican corporation law;
- three-for-one split of all our outstanding capital stock; and
- creation of a variable capital account which resulted in the issuance of one share of variable capital stock of the same series for each eight shares of fixed capital stock held by any shareholder, after giving effect to the stock split.

As a result of these actions, our corporate name was changed from CEMEX, S.A. to CEMEX, S.A. de C.V., and a fixed capital account and a variable capital account were established. Each of our fixed and variable capital accounts are comprised of A shares and B shares. Any holder of shares representing variable capital is entitled to have those shares redeemed at that holder's option for a price equal to the lower of:

- 95% of the average market value of those shares on the Mexican Stock Exchange obtained for a period of 30 trading days preceding the date on which the exercise of the redemption option is effective; and the book value of those shares at the end of the fiscal year that includes the date that shareholder exercises its option to have its shares redeemed as set forth in our annual financial statements approved at the ordinary meeting of the shareholders.

If a shareholder exercises its redemption option during the first three quarters of a fiscal year, that exercise is effective at the end of that fiscal year, but if a shareholder exercises its redemption option during the fourth quarter, that exercise is effective at the end of the next succeeding fiscal year. The redemption price is payable as of the day following the annual ordinary meeting of shareholders at which the relevant annual financial statements were approved. Shareholder authorization is required to increase or decrease either the fixed capital account or the variable capital account. Shareholder authorization to increase or decrease the fixed capital account must be obtained at an extraordinary meeting of shareholders. Shareholder authorization to increase or decrease the variable capital account must be obtained at an ordinary general meeting of shareholders. The market does not distinguish between the fixed and variable capital stock of a particular series. For example, the fixed and variable A shares trade as a single series on the Mexican Stock Exchange.

On September 15, 1999, we effected a further stock split. For every one of our shares of any series we issued two series A shares and one series B share. All share and per share amounts have been adjusted to give retroactive effect to this stock split. Concurrently with the stock split, we also consummated an exchange offer to exchange ADSs and CPOs for our then existing A shares, B shares and ADSs and converted our then existing CPOs into CPOs. As a result, as of December 31, 2000, approximately 92.4% of our outstanding share capital was represented by CPOs.

As of December 31, 2000, our capital stock consisted of 5,087,350,263 shares. A shares represented 66.6% of our capital stock, or 3,391,566,842 shares, of which 3,074,913,688 shares were subscribed and paid, 181,962,004 shares were treasury shares, 6,172,000 were repurchased shares which have been subscribed and paid but have not yet been cancelled and 128,519,150 were authorized for issuance pursuant to our stock option plans, but which had not yet been paid. B shares represented 33.3% of our capital stock, or 1,695,783,421 shares, of which 1,537,456,844 were subscribed and paid, 90,981,002 shares were treasury shares, 3,086,000 were repurchased shares which have been subscribed and paid but have not yet been cancelled and 64,259,575 were authorized for issuance pursuant to our employee stock option plans, but which had not yet been paid. Of the total of our A shares and B shares, 3,267,000,000 shares correspond to the fixed portion of our capital stock and 1,820,350,263 shares correspond to the variable portion of our capital stock.

Changes in Capital Stock and Preemptive Rights

Our articles of association allow for a change in the amount of our capital stock if it is approved by our shareholders at a shareholders' meeting, as long as the A shares represent at least 64% of the ordinary common stock. Additional shares of our capital stock, having no voting rights or limited corporate rights, are authorized by our articles of association and may be issued upon the approval of our shareholders at a shareholders' meeting, with the prior approval of the Mexican securities authority.

Our articles of association provide that shareholders have preemptive rights in proportion to the number of shares of our capital stock they possess, before any increase in the number of outstanding A shares, B shares, or any other existing series of shares, as the case may be except in the case of common stock issued in connection with mergers or upon the conversion of convertible notes and debentures or as set forth in Article 81 of the Mexican securities market law. Preemptive rights give shareholders the right, upon any issuance of shares by CEMEX, to purchase a sufficient number of shares to maintain their existing ownership percentages. Preemptive rights must be exercised within the period and under the conditions established for that purpose by the shareholders, and the articles of association provide that this period must be within 15 days following the publication of the notice of the capital increase in the Periódico Oficial del Estado. With the prior approval of the Mexican securities authority, an extraordinary shareholders' meeting may approve the issuance of common stock to be issued in connection with a public offering. At that meeting, holders of our common stock may waive preemptive rights by the affirmative vote of 50% of the capital stock, and the resolution duly adopted in this manner will be effective for all shareholders. If holders of at least 25% of our capital stock vote against an increase cannot be effected.

In accordance with our articles of association, our board of directors must authorize in advance any transfer of voting shares of our capital stock which would result in any person or group becoming a holder of 2% of more of our shares. If our board of directors denies that authorization, it must designate an alternative buyer for those shares, at a price equal to the price quoted on the Mexican Stock Exchange.

Repurchase Obligation

In accordance with Mexican securities authority regulations, our majority shareholders are obligated to make a public offer for the purchase of stock to the minority shareholders if the listing of our stock with the Mexican Stock Exchange is canceled, either by resolution of CEMEX or by an order of the Mexican securities authority. The price at which the stock must be purchased by the majority shareholders is the higher of:

- the average quotation price for the 30 days prior to the date of the offer; or

- the book value, as reflected in the last quarterly report filed with the Mexican securities authority and the Mexican Stock Exchange.

The majority shareholders are not bound to make the repurchase if all our shareholders agree to waive that right. This provision has been included in our articles of association, and may not be amended without the consent of holders of at least 95% of our capital stock and the prior approval of the Mexican securities authority.

Shareholders' Meetings and Voting Rights

Shareholders' meetings may be called by:

- our board of directors or statutory auditors;

- shareholders representing at least 33% of the then outstanding shares of our capital stock by requesting our board of directors or the statutory auditors to call a meeting;

- any shareholder if no meeting has been held for two consecutive years or when the matters referred to in Article 181 of the Mexican corporation law have not been dealt with; or

- a Mexican court in the event our board of directors or the statutory auditors do not comply with the valid request of the shareholders indicated above.

Notice of shareholders' meetings must be published in the official gazette for the state of Nuevo León, México or any major newspaper located in the City of Monterrey, Nuevo León, México. That notice must be published at least 15 days prior to the date of any shareholders' meeting.

General shareholders' meetings can be ordinary or extraordinary. At every general shareholders' meeting, each holder of A shares and B shares is entitled to one vote per share. Shareholders may vote by proxy duly appointed in writing. Under the CPO trust agreement, holders of CPOs who are not Mexican nationals cannot exercise voting rights corresponding to the A shares represented by their CPOs.

An annual general ordinary shareholders' meeting must be held during the first four months after the end of each of our fiscal years to consider the approval of a report of our board of directors regarding our performance and our financial statements for the preceding fiscal year and to determine the allocation of the profits for the preceding year. At the annual general shareholders' meeting, any shareholder or group of shareholders representing 10% or more of our outstanding voting stock has the right to appoint one regular and one alternate director in addition to the directors elected by the majority. The alternate director appointed by the minority holders may only substitute for the director appointed by that minority.

Extraordinary shareholders' meetings may be called at any time to deal with any of the matters specified by Article 182 of the Mexican corporation law, which include, among other things:

- extending our corporate existence;

- our early dissolution;

- increasing or reducing our fixed capital stock;

- changing our corporate purpose;

- changing country of incorporation;

- changing our capital structure;

- a proposed merger;

- issuing preferred shares;
- redeeming our own shares and issuing preferred shares;
- any other amendment to our articles of association; and
- any other matter for which a special quorum is required by law or by our articles of association.

The foregoing matters may only be dealt with at extraordinary shareholders' meetings.

In order to vote at a meeting of shareholders, shareholders must appear on the list that Indeval, and the Indeval participants holding shares on behalf of the shareholders, prepare prior to the meeting or must deposit prior to that meeting the certificates representing their shares at our offices or in a Mexican credit institution or brokerage house, or foreign bank approved by our board of directors to serve this function. The certificate of deposit with respect to the share certificates must be presented to our company secretary at least 48 hours before a meeting of shareholders. Our company secretary will verify that the person in whose favor any certificate of deposit was issued is named in our share registry and will issue an admission pass authorizing that person's attendance at the meeting of shareholders.

A shareholders' resolution is required to take action on any matter presented at a shareholders' meeting. At an ordinary meeting of shareholders, the affirmative vote of the holders of a majority of the shares present at the meeting is required to adopt a shareholders' resolution. At an extraordinary meeting of shareholders, the affirmative vote of at least 50% of the capital stock is required to adopt a shareholders' resolution.

Under Mexican law, holders of at least 33% of our outstanding capital stock entitled to vote on a particular matter may seek to have any shareholder action with respect to that matter set aside, by filing a complaint with a court of law within 15 days after the close of the meeting at which that action was taken and showing that the challenged action violates Mexican law or our articles of association. Relief under these provisions is only available to holders who were entitled to vote on, or whose rights as shareholders were adversely affected by, the challenged shareholder action and whose shares were not represented when the action was taken or, if represented, voted against it.

Under Mexican law, an action for civil liabilities against directors may be initiated by a shareholders' resolution. In the event shareholders decide to bring an action of this type, the persons against whom that action is brought will immediately cease to be directors. Additionally, shareholders representing not less than 33% of the outstanding shares may directly exercise that action against the directors; provided that:

- those shareholders shall not have voted against exercising such action at the relevant shareholders' meeting; and
- the claim covers all of the damage alleged to have been caused to CEMEX and not merely the damage suffered by the plaintiffs.

Any recovery of damage with respect to these actions will be for the benefit of CEMEX and not that of the shareholders bringing the action.

Registration and Transfer

Our common stock is evidenced by share certificates in registered form with registered dividend coupons attached. Our shareholders may hold their shares in the form of physical certificates or through institutions that have certificates deposited with Indeval. Accounts may be maintained at Indeval by brokers, banks and other entities approved by the Mexican securities authority. We maintain a stock registry, and, in accordance with Mexican law, only those holders listed in the stock registry and those holding certificates issued by Indeval indicating ownership are recognized as our shareholders.

Redemption

Our capital stock is subject to redemption upon approval of our shareholders at an extraordinary shareholders' meeting.

Directors' and Shareholders' Conflict of Interest

Under Mexican law, any shareholder that has a conflict of interest with respect to any transaction must abstain from voting on that transaction at the relevant shareholders' meeting. A shareholder who votes on a transaction in which its interest conflicts with ours may be liable for damages in the event the relevant transaction would not have been approved without that shareholder's vote.

Under Mexican law, any director who has a conflict of interest with us in any transaction must disclose that fact to the other directors and abstain from voting. Any director who violates those provisions will be liable for damages. Additionally, our directors and statutory auditors may not represent shareholders in the shareholders' meetings.

Withdrawal Rights

Whenever the shareholders approve a change of corporate purposes, change of nationality of the corporation or transformation from one form of corporate organization to another, the Mexican corporation law provides that any shareholder entitled to vote on that change that has voted against it may withdraw from CEMEX and receive the amount calculated as specified in the Mexican general corporation law attributable to its shares, provided that it exercises that right within 15 days following the adjournment of the meeting at which the change was approved.

Dividends

At the annual ordinary general meeting of shareholders, our board of directors submits our financial statements together with a report on them by our board of directors and the statutory auditors, to our shareholders for approval. The holders of our shares, once they have approved the financial statements, determine the allocation of our net income, after provision for income taxes legal reserve and statutory employee profit sharing payments, for the preceding year. All shares of our capital stock outstanding and fully paid at the time a dividend or other distribution is declared are entitled to share equally in that dividend or other distribution.

Liquidation Rights

In the event we are liquidated, the surplus assets remaining after payment of all our creditors will be divided among our shareholders in proportion to the respective shares held by them. The liquidator may, with the approval of our shareholders, distribute the surplus assets in kind among our shareholders, sell the surplus assets and divide the proceeds among our shareholders or put the surplus assets to any other uses agreed to by a majority of our shareholders voting at an extraordinary shareholders' meeting.

Repurchase Option

If our shareholders decide at a general extraordinary shareholders' meeting that we should do so, we may purchase our outstanding shares for cancellation. We may also repurchase our equity securities on the Mexican Stock Exchange at the then prevailing market prices in accordance with the Mexican securities market law. Our articles of association provide for the possibility of share redemptions, where approved by our board of directors. When we make a share repurchase, our capital stock must be reduced accordingly. The requirements described in this paragraph do not apply to purchases of our equity securities by our subsidiaries and affiliates.

Material Contracts

On September 28, 2000, we entered into an Agreement and Plan of Merger, or the Merger Agreement, with CENA Acquisition Corp., a Delaware corporation and indirect subsidiary of CEMEX, and Southdown, Inc. Pursuant to the terms of the Merger Agreement, we acquired Southdown as an indirect subsidiary.

On November 6, 2000, we established U.S.$1.5 billion in preferred equity financing arrangements to provide funds for our acquisition of Southdown. The preferred equity financing arrangements consist of:

- a framework agreement among CEMEX, Sunward Acquisitions N.V., a Dutch subsidiary of CEMEX, Milaco, S.A., a Belgian subsidiary of CEMEX, New Sunward Holding B.V., a newly formed Dutch subsidiary of CEMEX, Compañía Valenciana de Cementos Portland, S.A., a Spanish subsidiary of CEMEX through which CEMEX holds the majority of its non-Mexican businesses, Stichting Administratiekantoor Aandelen New Sunward Holding B.V., Rey Holdings (Jersey) Limited, a newly formed special purpose company in which CEMEX does not have any interest, Rey Holdings (Luxembourg) S.A., a newly formed special purpose company in which CEMEX does not have any interest and a subsidiary of Rey Holdings (Jersey), and Chase Manhattan International Limited, as investor agent;
- an 18-month U.S.$1.5 billion term loan facility agreement among Rey Holdings (Jersey), as borrower, Rey Holdings (Luxembourg), the banks and financial institutions referred to therein, as lenders, Chase Manhattan PLC and Deutsche Bank Securities Inc., as the joint lead arrangers and joint bookmanagers, and Chase Manhattan International Limited, as facility agent and as the security trustee; and
- a U.S.$1.38 billion intercompany loan agreement between Rey Holdings (Jersey), as lender, and Rey Holdings (Luxembourg), as borrower.

Under the facility agreement, Rey Holdings (Jersey) borrowed U.S.$1.5 billion from a group of banks. Rey Holdings (Jersey) applied these borrowings into (1) make a U.S.$1.38 billion loan to Rey Holdings (Luxembourg) pursuant to the intercompany loan agreement, and (2) subscribe for shares in Rey Holdings (Luxembourg) for U.S.$120 million. Under the framework agreement, Rey Holdings (Luxembourg) used these funds to subscribe for preferred equity of New Sunward Holding. Prior to Rey Holdings (Luxembourg)'s acquisition of the preferred equity, Sunward Acquisitions contributed its 85.15% interest in Valenciana to New Sunward Holding in exchange for all of the ordinary shares of New Sunward Holding. The U.S.$1.5 billion received by New Sunward Holding from Rey Holdings (Luxembourg) for the issuance of the preferred equity was used by New Sunward Holding to subscribe for further shares in Valenciana. Valenciana, in turn, used these funds in connection with our acquisition of Southdown.

The preferred equity financing arrangements are non-recourse to CEMEX and its subsidiaries, except in respect of indemnification obligations on the part of CEMEX. In addition, in the framework agreement, CEMEX and some of its subsidiaries have given various representations, warranties and undertakings to Chase Manhattan International Limited in its capacity as investor agent, Rey Holdings (Jersey), Rey Holdings (Luxembourg), the lenders under the facility agreement and Chase Manhattan International Limited in its capacity as facility agent and security trustee. All debt service payments to be made by Rey Holdings (Jersey) under the facility agreement will be derived from payments made in respect of the preferred equity in New Sunward Holding acquired by Rey Holdings (Luxembourg), and by the debt service payments to be made by Rey Holdings (Luxembourg) to Rey Holdings (Jersey) pursuant to the intercompany loan agreement.

Sunward Acquisitions and Rey Holdings (Luxembourg) are bound by the provisions of the framework agreement, New Sunward Holding's Articles of Association regulating Sunward Acquisitions' and Rey Holdings (Luxembourg)'s interests in New Sunward Holding and setting forth each of their respective rights under the preferred equity and the ordinary shares. The framework agreement provides for the liquidation of New Sunward Holding upon the occurrence of a notice event, which includes the failure to make payments with respect to the preferred equity, a change of control of Valenciana or CEMEX, a sale of substantially all of the business or assets of Valenciana or any of its material subsidiaries, CEMEX ceasing to own 100% of Sunward Acquisitions, non-compliance with financial tests, the occurrence of a material adverse change and other breaches of representations and agreements. Sunward Acquisitions has the option to acquire the preferred equity at a purchase price sufficient to enable Rey Holdings (Luxembourg) to repay all amounts due under the intercompany loan agreement and, therefore, to enable Rey Holdings (Jersey) to repay all amounts due under facility agreement. This option may be exercised at any time up to the banking day preceding the date of the meeting of New Sunward Holding convened to consider the resolution to put it into liquidation. The liquidation procedures triggered by the occurrence of a notice event contemplate selling New Sunward Holding's assets (principally the Valenciana shares) at market prices in an amount sufficient to satisfy the liquidation preference of the preferred equity.

Rey Holdings (Jersey)'s borrowings under the facility agreement are to be repaid as follows:

(a) as to U.S.$300 million, in the following installments:

- U.S.$100 million in August 2001;
- U.S.$100 million in November 2001; and
- U.S.$100 million in February 2002; and

(b) as to U.S.$1.2 billion or, if different, the balance of the loan outstanding under the facility agreement, in May 2002.

The framework agreement provides for corresponding payments to be made by New Sunward Holding to Rey Holdings (Luxembourg) on the same dates by way of distribution of interim dividends and/or repayments from New Sunward Holding's share premium reserves from free distributable reserves. In addition, corresponding payments are to be made by Rey Holdings (Luxembourg) to Rey Holdings (Jersey) on the same dates pursuant to the intercompany loan agreement, provided that U.S.$1.08 billion or, if different, the balance of the loan outstanding under that agreement, is to be paid in May 2002.

The interest rate payable on Rey Holdings (Jersey)'s borrowing under the facility agreement and on Rey Holdings (Luxembourg)'s borrowing under the intercompany loan agreement is the aggregate of the London Interbank Offered Rate, or LIBOR, plus the applicable margin referred to below, plus applicable regulatory capital costs. The applicable margin is initially set at 162.5 basis points, and, absent a notice event, it will fluctuate quarterly between 112.5 basis points and 187.5 basis points depending on Valenciana's Total Debt to EBITDA ratio. Corresponding payments are to be made by New Sunward Holding to Rey Holdings (Luxembourg) in respect of the preferred equity.

Sunward Acquisitions has the option to purchase from Rey Holdings (Luxembourg) preferred equity in an aggregate amount not exceeding the outstanding balance of the loan made by Rey Holdings (Jersey) to Rey Holdings (Luxembourg) pursuant to the intercompany loan agreement. Any payment received by Rey Holdings (Luxembourg) upon exercise of this option is to be used by it to repay an equal amount of its borrowings under the intercompany loan agreement, and, in turn, by Rey Holdings (Jersey) to repay an equal amount of its borrowings under the facility agreement. The framework agreement requires New Sunward Holding to make mandatory payments on the preferred equity from the net proceeds of any disposal of assets or shares by Valenciana or any of its subsidiaries in excess of U.S.$25 million to the extent that such net proceeds are not used to acquire fixed assets to replace the assets disposed of or used to repay borrowed money.

Exchange Controls

See Item 3 — "Key Information — Mexican Peso Exchange Rates."

Taxation

Mexican Tax Considerations

General

The following is a summary of certain Mexican federal income tax considerations relating to the ownership and disposition of our CPOs or ADSs, and the ownership and disposition, mandatory redemption and maturity of the appreciation warrants or ADWs.

This summary is based on the Mexican income tax law that is in effect on the date of this annual report which is subject to change. This summary is limited to non-residents of Mexico, as defined below, who own our ADSs or ADWs. This summary does not address all aspects of Mexican income tax law. Holders are urged to consult their tax counsel as to the tax consequences that the purchase, ownership, disposition, mandatory redemption or redemption at maturity of the appreciation warrants or the ADWs, or the purchase, ownership and disposition of our CPOs or ADSs, may have.

For purposes of Mexican taxation, an individual is a resident of Mexico if he or she has established his or her home in Mexico, unless he or she has resided in another country for more than 183 calendar days during the calendar year and can demonstrate that he or she has become a resident of that country for tax purposes. A legal entity is a resident of Mexico if it is organized under the laws of Mexico or if it maintains the principal administration of its business or the effective location of its management in Mexico. A Mexican citizen is presumed to be a resident of Mexico for tax purposes unless such person or entity can demonstrate otherwise. If a legal entity or an individual is deemed to have a permanent establishment or fixed base in Mexico for tax purposes, such individual or entity shall be required to pay taxes in Mexico on Mexican source income attributable to such permanent establishment or fixed base, in accordance with relevant tax provisions. A non-resident of Mexico is a legal entity or individual that does not satisfy the requirements to be considered a resident of Mexico for Mexican federal income tax purposes. The term U.S. Shareholder shall have the same meaning ascribed below under the section "— U.S. Federal Income Tax Considerations."

Taxation of Dividends

Dividends, either in cash or in any other form (except for stock dividends), paid with respect to A shares or B shares represented by the CPOs (or in the case of holders who hold CPOs represented by ADSs), will be subject to a 5% Mexican withholding tax based on the amount of the distributed dividend, multiplied by a factor of 1.5385, which produces a net Mexican withholding tax of approximately 7.7% applicable to holders of CPOs who are non-residents of Mexico. Under the Convention Between the United States and Mexico for Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Income Taxes, and a Protocol thereto (the "U.S.-Mexico Income Tax Treaty"), a U.S. Shareholder who owns less than 10% of our stock and is otherwise eligible for benefits under such treaty will, in no event, be subject to more than a 10% withholding tax.

Disposition of CPOs or ADSs

As discussed below, gains on the sale or disposition of CPOs or ADSs by a holder who is a non-resident of Mexico generally will be exempt from Mexican taxation. Deposits of CPOs in exchange for ADSs and withdrawals of CPOs in exchange for ADSs will not give rise to any Mexican tax or transfer duties.

Gain from the sale of securities or stock effected by non-residents of Mexico are not subject to tax provided such stock or securities are held by the investment public at large. The Secretaría de Hacienda y Crédito Público, the Mexican Ministry of Finance and Public Credit, has determined that CPOs are held by the investment public at large. Therefore, gains from the sale of CPOs effected by non-residents of Mexico through the Mexican Stock Exchange or any other stock exchange or securities market in Mexico or abroad that is recognized by the Ministry of Finance and Public Credit, as the case may be, generally will be exempt from Mexican income taxation. If, however, the Ministry of Finance and Public Credit withdraws that determination, sales of CPOs by non-residents of Mexico may be subject to Mexican income tax at a rate of 20% of the gross sales price, unless the seller is a resident of a qualifying country, including, among others, the United States, appoints a representative in Mexico for income tax purposes related to the sale and elects to pay Mexican federal income tax at a rate of 40% of the gain on the sale. The sale or disposition of ADSs by a non-resident of Mexico will not be subject to Mexican taxes.

Under the U.S.-Mexico Income Tax Treaty, a U.S. Shareholder who owns less than 25% of our stock and is otherwise eligible for benefits under such tax treaty will not be subject to Mexican tax on any gain derived from the disposition of ADSs or CPOs. In the case of non-residents of Mexico, other than U.S. Shareholders, gains derived from the disposition of ADSs or CPOs may also be exempt, in whole or in part, from Mexican taxation under a treaty to which Mexico is a party.

Commissions paid in brokerage transactions for the sale of CPOs on the Mexican Stock Exchange are subject to a value-added tax of 15%.

Estate and Gift Taxes

There are no Mexican inheritance, gift, succession or value-added taxes applicable to the ownership, transfer, exchange or disposition of ADSs or CPOs by holders that are non-residents of Mexico, although gratuitous transfers of CPOs may, in some circumstances, cause a Mexican federal tax to be imposed upon a recipient (who is a Mexican resident). There are no Mexican stamp, issue, registration or similar taxes or duties payable by holders of ADSs or CPOs.

Disposition of Appreciation Warrants or ADSs

Gains on the sale or other disposition of appreciation warrants or ADWs by non-residents of Mexico will generally be exempt from Mexican income taxes, if such sale is made through the Mexican Stock Exchange or any other stock exchange or securities market in Mexico or abroad that is recognized by the Mexican Ministry of Finance and Public Credit.

Mandatory redemption, maturity and purchase of Appreciation Warrants or ADWs

Because the appreciation warrants have been registered on the Mexican Stock Exchange (a securities market recognized by the Ministry of Finance and Public Credit) and refer to the CPOs (i.e., the value of the appreciation warrants is based on the value of the CPOs) that have been deemed placed among the investment public at large by the Ministry of Finance and Public Credit, income received by a non-resident of Mexico resulting from a mandatory redemption or maturity of the appreciation warrants and ADWs will be exempt from taxation under Mexican federal income tax law.

U.S. Federal Income Tax Considerations

General

The following is a summary of the material U.S. federal income tax consequences relating to the ownership and disposition of our CPOs and ADSs, including CPOs or ADSs received upon mandatory redemption or redemption at maturity of the appreciation warrants or ADWs, and the ownership, disposition, mandatory redemption, redemption at maturity of and lapse of appreciation warrants or ADWs.

This summary is based on provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations promulgated under the Code, and administrative rulings, and judicial interpretations of the Code, all as in effect on the date of this annual report and all of which are subject to change, possibly retroactively. This summary is limited to U.S. Shareholders (as defined below) who hold our ADSs, CPOs, appreciation warrants, or ADWs, as the case may be. This summary does not discuss all aspects of U.S. federal income taxation which may be important to an investor in light of its individual circumstances, for example, an investor subject to special tax rules (e.g., partnerships, banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, expatriates, tax-exempt investors, or holders whose functional currency is not the Dollar or U.S. Shareholders who hold a CPO or an ADS, or appreciation warrants or an ADW as a position in a "straddle," as part of a "synthetic security" or "hedge," as part of a "conversion transaction" or other integrated investment, or as other than a capital asset). In addition, this summary does not address any aspect of state, local or foreign taxation.

For purposes of this summary, a "U.S. Shareholder" means a beneficial owner of CPOs, ADSs, appreciation warrants, or ADWs who is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation created or organized in the United States or under the laws of the United States or any state thereof (including the District of Columbia);
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of such trust.

Ownership of CPOs or ADSs in general

In general, for U.S. federal income tax purposes, U.S. Shareholders who own ADSs will be treated as the beneficial owners of the CPOs represented by those ADSs, and each CPO will represent a beneficial interest in two A shares and one B share.

Taxation of dividends with respect to CPOs and ADSs

Distributions of cash or property with respect to the A shares or B shares represented by CPOs, including CPOs represented by ADSs, generally will be includible in the gross income of a U.S. Shareholder as foreign source dividend income on the date the distributions are received by the CPO trustee, to the extent paid out of our current or accumulated earnings and profits. These dividends will not be eligible for the dividends-received deduction allowed to corporate U.S. Shareholders. To the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of the U.S. Shareholder's adjusted tax basis in the CPOs or ADSs and thereafter as capital gain.

Dividends paid in Pesos will be includible in the income of a U.S. Shareholder in a Dollar amount calculated by reference to the exchange rate in effect the day the Pesos are received by the CPO trustee, including the amount of Mexican withholding tax thereon, whether or not they are converted into Dollars on that day. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date such payment is converted into US dollars will be treated as ordinary income or loss. Such gain or loss will generally be income from sources within the United States for foreign tax credit limitation purposes.

A U.S. Shareholder may elect to deduct in computing its taxable income or, subject to specific complex limitations on foreign tax credits generally, credit against its U.S. federal income tax liability, Mexican withholding tax imposed on such shareholder. For purposes of calculating the U.S. foreign tax credit, dividends paid by us generally will constitute foreign source "passive income," or in the case of some U.S. Shareholders "financial services income." U.S. Shareholders should consult their tax advisors regarding the availability of, and limitations on, any such foreign tax credit.

Taxation of capital gains on disposition of CPOs or ADSs

The sale or exchange of CPOs or ADSs will result in the recognition of gain or loss by a U.S. Shareholder for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and the U.S. Shareholder's tax basis therein. That gain or loss recognized by a U.S. Shareholder will be long-term capital gain or loss if the U.S. Shareholder's holding period for the CPOs or ADSs exceeds one year at the time of disposition. Gain from the sale or exchange of the CPOs or ADSs usually will be treated as U.S. source for foreign tax credit purposes; losses will generally be allocated against U.S. source income. Deposits and withdrawals of CPOs by U.S. Shareholders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Ownership, disposition, mandatory redemption and maturity of Appreciation Warrants or ADWs

In general, for U.S. federal income tax purposes, a U.S. Shareholder will be treated as the beneficial owner of the appreciation warrants represented by the ADWs.

A U.S. Shareholder generally will recognize gain or loss on the sale or exchange of appreciation warrants or ADWs measured by the difference between the amount realized and the tax basis of the appreciation warrants or ADWs, as applicable. Any gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. Shareholder's holding period of the appreciation warrants or ADWs exceeds one year at the time of the sale or exchange.

Although the matter is not free from doubt, a U.S. Shareholder generally should not recognize taxable income on receipt of CPOs or ADSs upon the mandatory redemption or maturity of the appreciation warrants or ADWs, except to the extent cash is received in lieu of a fractional CPO or ADS. Such U.S. Shareholder's tax basis in the CPOs or ADSs so acquired should be equal to the tax basis of the appreciation warrants or ADWs redeemed, as applicable, less the portion of such tax basis, if any, allocable to any fractional CPO or ADS for which cash is received. The holding period of the CPOs and ADSs so acquired generally should include the holding period of the appreciation warrants or ADWs redeemed therefor.

We intend to maintain records that are reasonably necessary to support the treatment described in the preceding paragraph. However, there can be no assurance that the IRS will not take, and a court would not sustain the IRS in taking, the position that the receipt of CPOs or ADSs upon a mandatory redemption or maturity of appreciation warrants or ADWs results in the recognition of taxable gain or loss. If a U.S. Shareholder is required to recognize gain or loss upon a mandatory redemption or maturity of the appreciation warrants or ADWs, the determination of the amount of gain or loss is uncertain, and such U.S. Shareholder should consult its tax advisor for such determination.

A U.S. Shareholder who receives cash, including cash in lieu of acquiring a fractional CPO or ADS upon the mandatory redemption or maturity of the appreciation warrants or ADWs, generally will recognize gain or loss in an amount equal to the difference between the amount of cash received and the U.S. Shareholder's allocable tax basis in the fractional interest for which cash was received. Any gain or loss generally will be capital gain or loss and will be long-term capital gain if the U.S. Shareholder's holding period of the appreciation warrants or ADWs exceeds one year at the time of the receipt of cash.

If the U.S. Shareholder's appreciation warrants or ADWs have not been previously redeemed and expire on the maturity date without payment, the U.S. Shareholder will recognize a loss equal to the amount of the basis of the appreciation warrants or ADWs, as applicable. Such expiration will be deemed a sale or exchange as of the maturity date and the loss, if any, will be considered a loss from the sale or exchange of property which has the same character as would the CPOs or ADSs if acquired by the U.S. Shareholder. Any loss upon the expiration of the appreciation warrants or ADWs will be a long-term capital loss if the U.S. Shareholder's holding period of the appreciation warrants or ADWs exceeds one year at the time of expiration.

Adjustments to the Strike Price

Certain adjustments to the strike price of the appreciation warrants or ADWs may result in a deemed distribution taxable to U.S. Shareholders of appreciation warrants or ADWs pursuant to Section 305 of the Code if the Adjustments have the effect of increasing the U.S. Shareholder's proportionate interest in the earnings and profits or assets of CEMEX.

United States Backup Withholding and Information Reporting

Payments made by a U.S. broker to a U.S. Shareholder may be subject to information reporting to the IRS and backup withholding with respect to dividends or the proceeds of a sale or other disposition of the CPOs, appreciation warrants, ADSs or ADWs, unless such holder (i) is a corporation or comes within certain exempt categories, and demonstrates this fact when so required, or (ii) provides a correct taxpayer identification number and certifies that it is not subject to backup withholding rules. Any amount withheld under these rules will be creditable against the U.S. Shareholder's federal income tax liability.

Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance with these requirements, file reports and information statements and other information with the Securities and Exchange Commission. These reports and information statements and other information filed by us with the Securities and Exchange Commission can be inspected and copied at the Public Reference Section of the Securities and Exchange Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Securities and Exchange Commission located at Seven World Trade Center, 13th Floor, New York, New York, 10048 and 500 West Madison Street, Suite 1400, Chicago Illinois 60661. Copies of these materials can be obtained from the Public Reference Section of the Securities and Exchange Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates.

Item 11 - Quantitative and Qualitative Disclosures About Market Risk

See Item 5 — "Operating and Financial Review and Prospects — Derivatives and Other Hedging Instruments."

Item 12 - Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13 - Defaults, Dividend Arrearages and Delinquencies

None.

Item 14 - Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15 - [Reserved]

Item 16 - [Reserved]

PART III

Item 17 - Financial Statements

Not applicable.

Item 18 - Financial Statements

See pages F-1 through F-78 incorporated herein by reference.

Item 19 - Exhibits

1.1 Articles of Association for CEMEX, S.A. de C.V.*

2.1 Form of Trust Agreement between CEMEX, S.A. de C.V., as founder of the trust, and Banco Nacional de Mexico, S.A. regarding the CPOs*

2.2 Form of CPO Certificate*

2.3 Form of Second Amended and Restated Deposit Agreement (A and B share CPOs) among CEMEX, S.A. de C.V., Citibank, N.A. and holders and beneficial owners of American Depositary Shares*

2.4 Form of American Depositary Receipt (included in Exhibit 2.3)*

2.5 Form of Certificate for shares of Series A Common Stock of CEMEX, S.A. de C.V.*

2.6 Form of Certificate for shares of Series B Common Stock of CEMEX, S.A. de C.V.*

2.7 Form of appreciation warrant deed**

2.8 Form of CPO Purchasing and Disbursing Agreement**

2.9 Form of appreciation warrant certificate**

2.10 Form of Warrant Deposit Agreement among CEMEX, S.A. de C.V., Citibank, N.A. and holders and beneficial owners of American Depositary Warrants**

2.11 Form of American Depositary Warrant Receipt (included in Exhibit 2.10)**

4.1 Citibank, N.A. Forward Contract, dated as of December 13, 1999***

4.2 ING Bank, N.V. Forward Contract, dated as of December 13, 1999***

4.3 Deutsche Bank AG, London Branch, Forward Contract, dated as of December 13, 1999***

4.4 Credit Suisse Financial Products Forward Contract, dated as of December 13, 1999***

4.5 ABN AMRO Special Corporate Services B.V. Forward Contract, dated as of December 13, 1999***

4.6 Société Générale Forward Contract, dated as of December 13, 1999***

4.7 The Chase Manhattan Bank Forward Contract, dated as of December 13, 1999***

4.8 Indenture, dated as of July 18, 2000 by and among CEMEX, S.A. de C.V. as Issuer, CEMEX México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V. as guarantors, and U.S. Bank Trust National Association, as trustee, relating to the issuance of U.S.$500,000,000 principal amount of 8.625% Notes due 2003.

4.9 Agreement and Plan of Merger, dated as of September 28, 2000, among CEMEX, S.A. de C.V., CENA Acquisition Corp. and Southdown, Inc.****

4.10 Framework Agreement, dated as of November 6, 2000, by and among CEMEX, S.A. de C.V., Sunward Acquisitions N.V., Milaco, S.A., New Sunward Holding B.V., Rey Holdings (Jersey) Limited, Rey Holdings (Luxembourg) S.A., Compañía Valenciana de Cementos Portland, S.A., Stichting Administratiekantoor Aandelen New Sunward Holding B.V., and Chase Manhattan International Limited, relating to a U.S.$1,500,000,000 18-month loan preference equity financing agreement.*****

4.11 Supplemental Agreement, dated as of March 9, 2001, by and among CEMEX, S.A. de C.V., Sunward Acquisitions N.V., Milaco, S.A., New Sunward Holding B.V., Rey Holdings (Jersey) Limited, Rey Holdings (Luxembourg) S.A., Compañía Valenciana de Cementos Portland, S.A., Stichting Administratiekantoor Aandelen New Sunward Holding B.V., and Chase Manhattan International Limited, relating to the Framework Agreement.*****

4.12 Credit Facility Agreement, dated as of November 6, 2000, by and among Rey Holdings (Jersey) Limited as the Borrower, Rey Holdings (Luxembourg) S.A., Chase Manhattan PLC and Deutsche Bank Securities as the joint lead arrangers and joint book managers, The Chase Manhattan Bank and Bankers Trust Company as lenders, Chase Manhattan International Limited as the facility agent and as the security trustee, relating to a U.S.$1,500,000,000 18-month loan preferred equity financing agreement.*****

4.13 Amended and restated U.S.$500,000,000 364-Day Credit Agreement, dated as of December 21, 2000, by and among Southdown, Inc., as borrower, Citibank, N.A., as administrative agent, The Chase Manhattan Bank, as syndication agent, Banco Bilbao Vizcaya Argentaria, S.A., Deutsche Bank Securities Inc., and Bank of America, N.A. as documentation agents, and Salomon Smith Barney Inc., and Chase Securities Inc. as joint lead arrangers and the lenders named therein.*****

4.14 Amended and restated U.S.$350,000,000 364-Day Credit Agreement, dated as of December 21, 2000, by and among Southdown, Inc., as borrower, Citibank, N.A., as the initial issuing bank and as the administrative agent, The Chase Manhattan Bank, as syndication agent, Banco Bilbao Vizcaya Argentaria, S.A., Deutsche Bank Securities Inc., and Bank of America, N.A. as documentation agents, and Salomon Smith Barney Inc., and Chase Securities Inc. as joint lead arrangers and the lenders named therein.*****

4.15 Amended and restated U.S.$550,000,000 364-Day Credit Agreement, dated as of December 21, 2000, by and among Southdown, Inc., as borrower, Citibank, N.A., as administrative agent, The Chase Manhattan Bank, as syndication agent, Banco Bilbao Vizcaya Argentaria, S.A., Deutsche Bank Securities Inc., and Bank of America, N.A. as documentation agents, and Salomon Smith Barney Inc., and Chase Securities Inc. as joint lead arrangers and the lenders named therein.*****

4.16[(1)] Note and Guarantee Agreement dated as of March 15, 2001, by and among CEMEX, Inc., as issuer, Valenciana, as parent guarantor and Sandworth Plaza Holding B.V., Cemex Caracas Investments B.V., Cemex Caribe Investments B.V., Cemex Manila Investments B.V., Valcem International B.V., as subsidiary guarantors, and the several purchasers named therein, in connection with the offering and issuance by CEMEX, Inc. of U.S.$315,000,000 aggregate principal amount of Series A Guaranteed Senior Notes due 2006, €50,000,000 aggregate principal amount of Series B Guaranteed Senior Notes due 2006 and U.S.$396,000,000 aggregate principal amount of Series C Guaranteed Senior Notes due 2008.*****

4.17 Credit Agreement dated as of June 11, 2001, by and among, CEMEX, S.A. de C.V., as borrower, Bank of America, N.A., as administrative agent, J.P. Morgan Securities Inc., as documentation agent, Bank of America Securities LLC and J.P. Morgan Securities Inc., as co-syndication agents, joint lead arrangers and joint bookruners, and the several banks and other financial institutions named therein, as lenders, for an aggregate principal amount of U.S.$600,000,000.

8.1 List of subsidiaries of CEMEX*****

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* Incorporated by reference to the Registrant's Registration Statement on Form F-4 (Registration No. 333-10682), filed with the Securities and Exchange Commission on August 10, 1999.

** Incorporated by reference to the Registrant's Registration Statement on Form F-1 (Registration No. 333-11150), filed with the Securities and Exchange Commission on November 16, 1999.

*** Incorporated by reference to the Registrant's Registration Statement on Form F-1 (Registration No. 333-11382), filed with the Securities and Exchange Commission on January 21, 2000.

**** Incorporated by reference to Exhibit 2.1 to Southdown Inc.'s Current Report on Form 8-K (Commission File No. 1-6117), filed with the Securities and Exchange Commission on September 29, 2000.

***** Filed herewith.

(1) Denotes confidential information that has been omitted from the exhibit and filed separately, accompanied by a confidential treatment request, with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

SIGNATURES

CEMEX, S.A. de C.V. hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign the annual report on its behalf.

CEMEX, S.A. de C.V.

By: /s/ Rafael Garza
Name: Rafael Garza
Title: Chief Comptroller

June 29, 2001.

CEMEX México, S.A. de C.V. hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign the annual report on its behalf.

CEMEX México, S.A. de C.V.

By: /s/ Rafael Garza
Name: Rafael Garza
Title: Chief Comptroller

June 29, 2001.

Empresas Tolteca de México, S.A. de C.V. hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign the annual report on its behalf.

Empresas Tolteca de México, S.A. de C.V.

By: /s/ Rafael Garza
Name: Rafael Garza
Title: Chief Comptroller

June 29, 2001.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Cemex, S.A. de C.V.:

We have audited the consolidated balance sheets of Cemex, S.A. de C.V and subsidiaries as of December 31, 1999 and 2000, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of certain consolidated subsidiaries which statements reflect total assets of 11% and 2% in 1999 and 2000, respectively, and total revenues constituting 9%, 9% and 0% in 1998, 1999 and 2000, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely upon the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in the United States and Mexico. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cemex, S.A. de C.V. and subsidiaries at December 31, 1999 and 2000, and the consolidated results of their operations, the changes in their stockholders' equity and the changes in their financial position for each of the years in the three-year period ended December 31, 2000, in accordance with generally accepted accounting principles in Mexico.

Generally accepted accounting principles in Mexico vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected results of operations for each of the years in the three-year period ended December 31 2000, and stockholders' equity as of December 31, 1999 and 2000, to the extent summarized in note 20 to the consolidated financial statements.

KPMG Cárdenas Dosal, S.C.

Rafael Gómez Eng

January 17, 2001, except for note 20,
which is as of June 8, 2001.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Balance Sheets
(Thousands of constant Mexican pesos as of December 31, 2000)

		December 31, 1999	December 31, 2000
Assets			
Cash and temporary investments	**Ps**	3,177,248	2,963,725
Trade accounts receivable, less allowance for doubtful accounts Ps523,122 in 1999 and Ps436,710 in 2000		5,163,652	6,305,138
Other receivables (note 3)		2,288,250	2,170,972
Inventories (note 4)		5,409,134	6,897,734
Other current assets (note 5)		591,458	948,880
Total current assets		16,629,742	19,286,449
Investments and Noncurrent Receivables (note 6)			
Investments in affiliated companies		5,984,208	5,126,447
Other investments		804,506	985,020
Other accounts receivable		874,956	1,749,151
Total investments and noncurrent receivables		7,663,670	7,860,618
Property, Machinery and Equipment (note 7)			
Land and buildings		32,611,633	37,873,113
Machinery and equipment		93,680,074	107,359,270
Accumulated depreciation		(61,876,266)	(63,568,217)
Construction in progress		2,963,301	5,243,990
Total property, machinery and equipment		67,378,742	86,908,156
Deferred Charges (note 8)		23,819,972	37,549,821
Total Assets	Ps	115,492,126	151,605,044
Liabilities and Stockholders' Equity			
Current Liabilities			
Bank loans (note 9)	Ps	1,867,145	19,709,210
Notes payable (note 9)		405,770	4,576,769
Current maturities of long-term debt (notes 9 and 10)		7,753,928	4,206,204
Trade accounts payable		3,772,244	5,383,221
Other accounts payable and accrued expenses		3,978,437	3,837,326
Total current liabilities		17,777,524	37,712,730
Long-Term Debt (note 10)			
Bank loans		22,564,660	12,345,502
Notes payable		17,707,195	17,922,022
Current maturities of long-term debt		(7,753,928)	(4,206,204)
Total long-term debt		32,517,927	26,061,320
Other Noncurrent Liabilities			
Pension, seniority premium and other postretirement benefits (note 11)		540,881	323,557
Deferred income taxes (note 14)		1,071,713	12,777,121
Other noncurrent liabilities		946,509	1,149,565
Total other noncurrent liabilities		2,559,103	14,250,243
Total liabilities		52,854,554	78,024,293
Stockholders' Equity (note 12)			
Majority interest:			
Common stock-historical cost basis		49,312	51,238
Common stock-accumulated inflation adjustments		2,989,268	2,989,349
Additional paid-in capital		20,427,681	22,399,938
Deficit in equity restatement		(41,858,350)	(46,237,826)
Cumulative initial deferred income tax effects (note 14)		-	(4,808,819)
Retained earnings		59,369,476	66,507,587
Net income		9,467,323	9,613,442
Total majority interest		50,444,710	50,514,909
Minority interest		12,192,862	23,065,842
Total stockholders' equity		62,637,572	73,580,751
Total Liabilities and Stockholders' Equity	Ps	115,492,126	151,605,044

See accompanying notes to consolidated financial statements.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Income

(Thousands of constant Mexican pesos as of December 31, 2000, except for earnings per share)

		Years ended December 31,	
	1998	**1999**	**2000**
Net sales .... Ps	43,776,752	46,997,515	54,072,312
Cost of sales	(25,311,456)	(26,184,799)	(30,214,955)
Gross profit	18,465,296	20,812,716	23,857,357
Operating expenses:			
Administrative	(4,712,125)	(5,090,517)	(5,978,863)
Selling	(1,804,724)	(1,738,735)	(1,968,641)
Total operating expenses.	(6,516,849)	(6,829,252)	(7,947,504)
Operating Income	11,948,447	13,983,464	15,909,853
Comprehensive financing cost:			
Financial expense	(4,924,071)	(4,748,741)	(4,491,268)
Financial income	108,930	396,864	162,488
Foreign exchange result, net	(2,246,463)	268,656	(289,489)
Monetary position result	5,720,514	3,801,615	2,946,209
Net comprehensive financing cost	(1,341,090)	(281,606)	(1,672,060)
Other expense, net	(1,543,364)	(2,889,750)	(2,253,838)
Income before income taxes, employees' statutory profit sharing and equity in income of affiliates	9,063,993	10,812,108	11,983,955
Income tax and business assets tax, net (note 14).	(468,748)	(665,669)	(1,519,418)
Employees' statutory profit sharing (note 14)	(205,140)	(372,679)	(344,462)
Total income tax, business assets tax and employees' statutory profit sharing	(673,888)	(1,038,348)	(1,863,880)
Income before equity in income of affiliates	8,390,105	9,773,760	10,120,075
Equity in income of affiliates	158,993	242,176	243,329
Consolidated net income	8,549,098	10,015,936	10,363,404
Minority interest net income	400,378	548,613	749,962
Majority interest net income .... Ps	8,148,720	9,467,323	9,613,442
Basic earnings per share (see notes 2A and 17) .... Ps	2.15	2.51	2.33
Diluted earnings per share (see notes 2A and 17) .... Ps	2.15	2.50	2.32

See accompanying notes to consolidated financial statements.

CEMEX, S.A. DE C.V. AND CEMEX, S.A. DE C.V. AND SUBSIDIARIES

Statements of Changes in Stockholders' Equity

(Thousands of constant Mexican pesos as of December 31, 2000)

		Common stock Series A	Common stock Series B	Additional paid-in capital	Deficit in equity restatement	Cumulative initial deferred	Retained earnings	Net income	Total majority interest	Minority interest	Total stockholders' equity
Balances at December 31, 1997	Ps	1,861,960	1,173,206	16,770,152	(38,070,062)	–	46,920,157	7,915,682	36,571,095	12,288,427	48,859,522
Dividends (Ps0.40 pesos per share)		1,469	–	1,468,684	–	–	(1,683,230)	–	(213,077)	–	(213,077)
Appropriation of net income from prior year		–	–	–	–	–	7,915,682	(7,915,682)	–	–	–
Issuance of common stock (note 12B)		–	14	10,582	–	–	–	–	10,596	–	10,596
Result from holding nonmonetary assets		–	–	–	(814,482)	–	–	–	(814,482)	–	(814,482)
Restatement of investments and other transactions rrrelating relating to minority interest		–	–	–	–	–	–	–	–	1,645	1,645
Investment by subsidiaries (note 6)		–	–	–	(4,267,082)	–	–	–	(4,267,082)	–	(4,267,082)
Net income		–	–	–	–	–	–	8,148,720	8,148,720	400,378	8,549,098
Balances at December 31, 1998		1,863,429	1,173,220	18,249,418	(43,151,626)	–	53,152,609	8,148,720	39,435,770	12,690,450	52,126,220
Dividends (Ps0.45 pesos per share)		1,802	–	1,829,495	–	–	(1,931,853)	–	(100,556)	–	(100,556)
Appropriation of net income from prior year		–	–	–	–	–	8,148,720	(8,148,720)	–	–	–
Issuance of common stock (note 12B)		–	129	96,007	–	–	–	–	96,136	–	96,136
Issuance of appreciation warrants (note 12G)		–	–	252,761	–	–	–	–	252,761	–	252,761
Result from holding nonmonetary assets		–	–	–	(3,282,016)	–	–	–	(3,282,016)	–	(3,282,016)
Restatement of investments and other transactions relating to minority interest		–	–	–	–	–	–	–	–	(1,046,201)	(1,046,201)
Investment by subsidiaries (note 6)		–	–	–	4,575,292	–	–	–	4,575,292	–	4,575,292
Net income		–	–	–	–	–	–	9,467,323	9,467,323	548,613	10,015,936
Balances at December 31, 1999		1,865,231	1,173,349	20,427,681	(41,858,350)	–	59,369,476	9,467,323	50,444,710	12,192,862	62,637,572
Dividends (Ps0.52 pesos per share)		2,045	–	1,982,358	–	–	(2,208,073)	–	(223,670)	–	(223,670)
Appropriation of net income from prior year		–	–	–	–	–	9,467,323	(9,467,323)	–	–	–
Issuance of common stock (note 12B)		–	66	47,219	–	–	–	–	47,285	–	47,285
Issuance of appreciation warrants (note 12G)		–	–	(57,320)	–	–	–	–	(57,320)	–	(57,320)
Acquisitions of shares under repurchase program (note 12A)		(69)	(35)	–	–	–	(121,139)	–	(121,243)	–	(121,243)
Result from holding nonmonetary assets		–	–	–	(2,680,250)	–	–	–	(2,680,250)	–	(2,680,250)
Restatement of investments and other transactions		–	–	–	–	–	–	–	–	10,123,018	10,123,018
Cumulative initial deferred income tax effects		–	–	–	–	(4,808,819)	–	–	(4,808,819)	–	(4,808,819)
Investment by subsidiaries (note 6)		–	–	–	(1,699,226)	-	–	–	(1,699,226)	–	(1,699,226)
Net income		–	–	–	–	-	–	9,613,442	9,613,442	749,962	10,363,404
Balances at December 31, 2000	Ps	1,867,207	1,173,380	22,399,938	(46,237,826)	(4,808,819)	66,507,587	9,613,442	50,514,909	23,065,842	73,580,751

See accompanying notes to consolidated and parent company only financial statements.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Statements of Changes in Stockholders' Equity, continued
Consolidated Comprehensive Net Income
(Thousands of constant Mexican pesos as of December 31, 2000)

For U.S. GAAP purposes, SFAS 130 requires the display of certain items resulting from the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owners to be presented as a separate component of stockholders' equity and net income. The following table illustrates the comprehensive income and accumulated other comprehensive income under Mexican GAAP as of and for the years ended December 31, 1998, 1999 and 2000.

		Years ended on December 31,		
		1998	1999	2000
Majority interest net income	Ps	8,148,720	9,467,323	9,613,442
Other comprehensive income;				
Foreign currency translation adjustment		6,016,012	(845,223)	(807,245)
Foreign exchange gains (losses) accounted as a hedge of a net Investment		(3,083,537)	610,569	(168,181)
Effects from holding non-monetary assets		(3,913,892)	(2,923,239)	(2,930,373)
Other hedge derivative instruments		(287,885)	(146,017)	85,442
Valuation in Marketable Securities		---	435,162	199,083
Deferred income tax of the year charged directly to stockholders' equity		---	---	941,024
Cumulative initial deferred income tax effects		---	---	(4,808,819)
Other comprehensive income (loss)		(1,269,302)	(2,868,748)	(7,489,069)
Comprehensive income (loss) for the year		6,879,418	6,598,575	2,124,373
Accumulated other comprehensive income:				
Balance at beginning of year		(20,446,242)	(21,715,544)	(24,584,292)
Balance at end of year	Ps	(21,715,544)	(24,584,292)	(32,073,361)

The Company has not presented the individual components of the accumulated balance of other comprehensive income disclosure requirements of SFAS 130 as permitted when it is impracticable to obtain this information.

For Mexican GAAP purposes, deficit in equity restatement includes (i) foreign currency translation adjustments, (ii) foreign exchange losses derived from debt identified as hedge of a net investment, (iii) the accumulated effect of holding non-monetary assets, (iv) certain other hedge derivative instruments and (v) investments by subsidiaries in the Parent Company. For SFAS 130 purposes, all of the foregoing, except for investments by subsidiaries in the Parent Company, are considered to be part of comprehensive income.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Changes in Financial Position
(Thousands of constant Mexican pesos as of December 31, 2000)

		Years ended December 31,		
		1998	**1999**	**2000**
Operating activities				
Majority interest net income	Ps	8,148,720	9,467,323	9,613,442
Charges to operations which did not require resources:				
Depreciation of property, machinery and equipment		3,074,300	3,380,953	3,573,619
Amortization of deferred charges and credits, net		911,914	839,611	1,130,379
Impairment of assets		-	648,614	-
Pensions and seniority premium		304,884	296,070	289,244
Deferred income tax charged to results		-	-	556,340
Equity in income of affiliates		(158,993)	(242,176)	(243,329)
Minority interest		400,378	548,613	749,962
Resources provided by operating activities		12,681,203	14,939,008	15,669,657
Changes in working capital, excluding acquisition effects:				
Trade accounts receivable, net		(810,295)	499,428	622,772
Other receivables and other assets		(321,156)	106,778	(67,249)
Inventories		(529,589)	100,937	165,395
Trade accounts payable		385,713	323,798	871,928
Other accounts payable, and accrued expenses		944,347	(963,315)	(567,264)
Net change on working capital		(330,980)	67,626	1,025,582
Net resources provided by operating activities		12,350,223	15,006,634	16,695,239
Financing activities				
Proceeds from bank loans (repayments), net		3,117,486	(3,164,214)	7,622,907
Notes payable, net, excluding foreign exchange effect (note 2D)		(7,132,258)	(4,199,839)	2,582,185
Investment by subsidiaries		(2,524,766)	4,867,228	(1,635,400)
Dividends paid		(1,683,230)	(1,931,853)	(2,208,073)
Issuance of common stock from reinvestment of dividends		1,470,153	1,831,297	1,984,403
Issuance of preferred stock by subsidiaries		2,536,197	-	14,556,480
Other financing activities, net		(434,613)	(3,328,440)	(2,698,723)
Acquisition of shares under repurchase program		-	-	(121,243)
Issuance of common stock		10,596	348,897	47,285
Resources provided by (used in) financing activities		(4,640,435)	(5,576,924)	20,129,821
Investing activities				
Property, machinery and equipment, net		(3,307,722)	(2,587,985)	(3,831,364)
Acquisition of subsidiaries and affiliates		(2,574,694)	(9,619,005)	(25,083,333)
Disposal of assets		2,444,595	-	1,340,178
Minority interest		(877,817)	(1,417,128)	(5,097,319)
Deferred charges		(41,371)	(895,549)	(275,251)
Other investments and monetary foreign currency effect		(3,182,749)	4,140,161	(4,091,494)
Resources used in investing activities		(7,539,758)	(10,379,506)	(37,038,583)
(Decrease) increase in cash and temporary investments		170,030	(949,796)	(213,523)
Cash and temporary investments at beginning of year		3,957,014	4,127,044	3,177,248
Cash and temporary investments at end of year	Ps	4,127,044	3,177,248	2,963,725

See accompanying notes to consolidated financial statements.

1.- DESCRIPTION OF BUSINESS

Cemex, S.A. de C.V. (Cemex or the Company) is a Mexican controlling entity (parent), of companies engaged in the production and marketing of cement and concrete in the construction industry.

2.- SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

The accompanying financial statements have been prepared in accordance with Generally Accepted Accounting Principles in Mexico (Mexican GAAP), which include the recognition of the effects of inflation on the financial information.

For purposes of disclosure, when reference is made to pesos or "Ps," it means Mexican pesos; when reference is made to dollars or U.S. dollars, it means currency of the United States of America. Except when specific references are made to "millions of pesos," "U.S.$," "U.S. dollars thousand," "earnings per share" and "number of shares," all amounts included in these notes are stated in thousands of constant pesos as of the balance sheet date.

On September 14, 1999, the Company concluded an exchange offer and a stock split for new Ordinary Participation Certificates ("CPO's"), of its old series "A" and series "B" shares, as well as its old CPO's. As a result, holders of the old series "A" and "B" shares and old CPO's, received for each of those securities a new CPO, which represents, the participation in two new series "A" shares and one new series "B" share of the Company. The proportional equity interest participation of the shareholders in the Company's common stock did not change as a result of the exchange offer and the stock split mentioned above. Earnings per share, prices per share, and the number of shares outstanding disclosed in these notes for the year ended December 31, 1998, as well as the transactions, which occurred in 1999 prior to September 14, 1999, have been restated to give effect to the stock split.

"ADSs" refers to the "American Depositary Shares" of the Company, listed on the New York Stock Exchange ("NYSE"). Each ADS includes 5 CPO's.

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

In accordance with Bulletin B-15, "Foreign Currency Transactions and Translation of Foreign Currency Financial Statements," the inflation restatement factors applied to the financial statements of prior periods were calculated based upon a weighted average index, which takes into consideration the inflation rates of the countries in which the subsidiaries operate, and the fluctuation in the exchange rate of each country relative to the Mexican peso.

	1998	1999	2000
Inflation restatement factor using weighted average index..................	1.2581	1.0011	1.0236
Inflation restatement factor for inflation in Mexico............................	1.1861	1.1232	1.0903

Common stock and additional paid-in capital are restated by Mexican inflation. The weighted average index was used for all other inflation restatement adjustments to stockholders' equity.

C) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of Cemex and the subsidiary companies in which Cemex holds a majority interest and/or has control.

All significant related parties' balances and transactions have been eliminated in consolidation.

(Thousands of constant Mexican Pesos as of December 31, 2000)

The main operating subsidiaries, ordered by holding company, country of origin and percentage of equity interest directly held, are as follows:

Subsidiary		Country	% equity interest
Cemex México, S. A. de C.V.	**1**	Mexico	97.4
Assiut Cement Company		Egypt	92.9
Compañía Valenciana de Cementos Portland, S.A.	**2**	Spain	99.3
Cemex Venezuela, S.A.C.A.		Venezuela	75.7
Cemex USA, Inc.		United States	100.0
Cementos del Pacífico, S.A.		Costa Rica	98.2
Southdown, Inc.	**3**	United States	100.0
CEMEX Colombia, S.A.	**4**	Colombia	98.2
Cemento Bayano, S.A.		Panama	99.2
Cementos Nacionales, S.A.		Dominican Republic	99.7
Cemex Asia Holdings Ltd.		Singapore	77.4
Rizal Cement Company, Inc.	**5**	Philippines	70.0
APO Cement Corporation	**5**	Philippines	99.9
Latin Networks Holding, N.V.	**6**	Netherlands	100.0

1. Does not include an additional 2.5% equity interest held by a trust in benefit of the Company (see note 12G). During 1999, CEMEX México was created as a result of a merger of most of the cement subsidiaries in Mexico, including Tolmex, S.A. de C.V. and Serto Construcciones, S.A. de C.V. Likewise, CEMEX México holds a 99.9% equity interest of Empresas Tolteca de México, S.A. de C.V. ("ETM").
2. Compañía Valenciana is a subsidiary of New Sunward Holdings, B.V., a holding company in which the Company holds a 90% equity interest. In addition, included is a 7.93% equity interest of Valenciana, related to a financial transaction in which the Company holds 100% of the economic rights (see note 13A).
3. Represents ownership of Southdown after its merger into CENA Acquisition Corp. (see note 6).
4. Considers the Company's ownership of 99.3% of total common stock ordinary shares.
5. Represents Cemex Asia Holdings' economic benefits in these companies.
6. Latin Networks Holding is the controlling entity of companies engaged in the development of the Company's Internet strategy.

D) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION OF FOREING CURRENCY FINANCIAL STATEMENTS

Transactions denominated in foreign currencies are recorded at the exchange rates prevalent on the dates of their execution or liquidation. Monetary assets and liabilities denominated in foreign currencies are adjusted into pesos at the exchange rates prevailing at the balance sheet date. The resulting foreign exchange fluctuations are reflected in the results of operations as part of the comprehensive financing income (cost) or as a charge directly to stockholders' equity when the indebtedness is directly related to the acquisition of a foreign subsidiary.

The financial statements of consolidated foreign subsidiaries are restated for inflation in their functional currency based on the subsidiary country's inflation rate and subsequently translated to pesos by using the foreign exchange rate at the end of the corresponding reporting period for balance sheet and income statement accounts.

The exchange rate of the peso against the U.S. dollar used by the Company is based on a weighted average of the free market rates available to settle its foreign currency transactions.

E) CASH AND TEMPORARY INVESTMENTS

Temporary investments include fixed-income securities with original maturities of three months or less, as well as marketable securities easily convertible in to cash.

Investments in fixed-income securities are stated at cost plus accumulated interest. Investments in marketable securities are stated at market value. Gains or losses resulting from changes in market values, accrued interest and the effects of inflation are included in the accompanying statements of income as part of the comprehensive financing result.

F) INVENTORIES AND COST OF SALES (note 4)

Inventories are stated at the lower of replacement cost or market value. Replacement cost is based upon the latest purchase price or production cost. Cost of sales reflects replacement cost of inventories at the time of sale, expressed in constant pesos as of the date of the latest balance sheet.

Land available for sale in the short-term held by real state subsidiaries is stated at estimated realizable value.

G) INVESTMENTS AND NONCURRENT RECEIVABLES (note 6)

Investments in affiliated companies are accounted for by the equity method, when the Company holds between 10% and 50% of the issuer's capital stock, and does not have effective control. Under the equity method, after acquisition, the investments original cost are adjusted for the proportional interest of the holding company in the affiliates equity and earnings, considering the inflation effects.

Investments available for sale, which the Company has no intention of selling in the short-term, are carried at market value, and valuation effects are recognized in stockholders' equity. The presentation of the accumulated effect in the income statement will occur at the time of sale.

H) PROPERTY, MACHINERY AND EQUIPMENT (note 7)

Property, machinery and equipment are presented at their restated values in accordance with the fifth amendment to Bulletin B-10, which allows the restatement of the historical cost of fixed assets using the inflation index of the assets' origin country and the change in the foreign exchange rate between the country of origin currency and the functional currency.

Net comprehensive financing cost incurred during the construction or installation period of fixed asset additions is capitalized, as part of the value of the assets.

Depreciation of property, machinery and equipment is provided on the straight-line method over the estimated useful lives of the assets less salvage value. The useful lives of the assets are as follows:

	Years
Administrative buildings	50
Industrial buildings, machinery and equipment	10 to 35

The company continuously evaluates the physical state and performance of its machinery and equipment, and analyzes the impact of its sales and production forecast over expected future cash flows for these assets, in order to determine if there are judgment elements indicating that the book values of these assets need to be adjusted for impairment. The provision for impairment is recorded in the income statement when determined.

I) DEFERRED CHARGES AND AMORTIZATION (note 8)

Deferred charges are adjusted to reflect current values. Amortization of deferred charges is determined using the straight-line method based on the current value of the assets.

The excess of cost over book value of subsidiaries acquired (goodwill) is amortized under the present worth or sinking fund method, which is intended to provide a better matching of the goodwill amortization with the revenues generated from the acquired companies. The amortization periods are as follows:

	Years
Goodwill from years before 1992	40
Goodwill generated starting January 1, 1992	20

The Company evaluates the recoverability of goodwill when, in its judgment, circumstances warrant, such as the occurrence of a significant adverse event, change in the environment in which the business operates and expectations of operating results for each subsidiary. Such an evaluation would be made to determine if there are judgment elements indicating that the goodwill balance may not be recovered. An impairment loss would be recorded in the period when such determination is made.

Deferred financing costs associated with the Company's financing operations are amortized as part of the effective interest rate of each transaction over its maturity. These costs include discounts in debt issuance, fees paid to attorneys, printers and consultants, as well as commissions paid to banks in the credit approval process. Deferred financing costs are adjusted to reflect current values.

J) PENSION PLANS, SENIORITY PREMIUM AND OTHER POSTRETIREMENT BENEFITS (note 11)

The costs related to the benefits to which employees are entitled by pension plans, accumulated seniority premium and other postretirement benefits legally or by Company grant, are recognized in the results of operations on the basis of the present value of the benefit determined under actuarial estimations, as services are rendered. The amortization of unrecognized prior service cost, changes in assumptions and adjustments based on experience that have not been recognized, is based on the employee's estimated active service life.

As part of the established pension plans, in some cases, certain irrevocable trust funds have been created to cover future benefit payments under these plans. The actuarial assumptions utilized in the determination of the pension plan liability are based upon "real" rates (nominal rates discounted by inflation).
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Other benefits to which employees may be entitled, principally severance benefits and vacations, are primarily recognized as an expense in the year in which they are paid. In some circumstances, however, provisions have been made for these benefits.

K) INCOME TAX ("IT"), BUSINESS ASSETS TAX ("BAT"), EMPLOYEES' STATUTORY PROFIT SHARING ("ESPS") AND DEFERRED INCOME TAXES (note 14)

IT, BAT and ESPS expense recognize the amounts incurred, and the effects of deferred IT and ESPS, in accordance with the new Bulletin D-4 Accounting treatment of income tax, business assets tax and employees' profit sharing ("Bulletin D-4"), effective beginning January 1, 2000.

The new Bulletin D-4 requires the determination of deferred IT by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable values of the assets and liabilities, applying when available, tax loss carryforwards, as well as recoverable taxes or other tax credits. Likewise, it is required to determine the effect of deferred ESPS for those temporary differences arising from the reconciliation of the net income of the period and the taxable income for ESPS, which are of a non-recurring nature.

The cumulative initial deferred income tax effects, arising from the adoption of the new Bulletin, have to be recognized in stockholders' equity under the caption "Cumulative initial deferred income tax effects". The effect of a change in the statutory tax rate is recognized in the results of operations in the period the change occurs and is officially declared.

L) MONETARY POSITION RESULT

The monetary position result, which represents the gain or loss from holding monetary assets and liabilities in inflationary environments, is calculated by applying the inflation rate of each country in which the Company has operations, to the net monetary position in that country.

M) DEFICIT IN EQUITY RESTATEMENT

The deficit in equity restatement includes the accumulated effect from holding non-monetary assets as well as the foreign currencies translation effects from foreign subsidiaries' financial statements. Such translation effects consider the foreign exchange result arising from foreign currency debt related to the acquisition of foreign subsidiaries (see note 12E).

N) DERIVATIVE FINANCIAL INSTRUMENTS (note 13)

The Company uses derivative financial instruments such as interest rate and currency swaps, forward contracts, options and futures in order to reduce its exposure to market risks from changes in interest rates, foreign exchange rates, the price of the Company's shares, the price of energy, as well as to impact future cash flows and/or as a financing alternative. Some financial instruments have been designated as hedges of the Company's cost, debt or equity and their economic effects are recognized as part of the cost of sales, comprehensive financing result or in stockholders' equity, according to their designation. Premiums paid or received on derivative instruments are deferred and amortized to the income statement or stockholders' equity, according to their designation, over the life of the underlying hedged instrument or immediately when they are settled.

Equity derivatives on the Company's common stock are recorded as equity instruments and their results are recognized in stockholders' equity at settlement. At maturity, these contracts provide for physical or net cash settlement at the Company's option.

Foreign currency forward instruments that have been designated as, and are effective as, a hedge of the Company's net investments in foreign subsidiaries are recorded at their estimate fair value in the balance sheets. The realized or unrealized gains or losses are recognized in stockholders' equity as part of the foreign currency translation result.

The economic effects of interest rate swaps and/or foreign currency swaps negotiated over existing specific financing transactions are recognized in the balance sheets as part of the specific financing, and in the income statements within the financial expense, as part of the corresponding effective interest rate, and the currency exchange effects as part of foreign exchange result.

The results of other derivative financial instruments acquired as part of a financial or business strategy are accounted at settlement in the results of operations as financial income or expense.

O) REVENUE RECOGNITION

Revenue is recorded upon shipment of the cement and ready-mix concrete to customers.

(Thousands of constant Mexican Pesos as of December 31, 2000)

P) CONTINGENCIES AND COMMITMENTS

Obligations or material losses, related to contingencies and commitments, are recognized when present obligations exist, as a result of past events, it is probable that the effects will materialize and there are reasonable elements for quantification. If there are no reasonable elements for quantification, they are included as a disclosure in the notes to the financial statements. The Company does not recognize contingent revenues, income or assets.

Q) USE OF ESTIMATES

The preparation of financial statements in conformity with Mexican GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

R) CONCENTRATION OF CREDIT RISK

The Company sells its products primarily to distributors in the construction industry, with no specific geographic concentration within the countries in which the Company operates. No single customer accounted for a significant amount of the Company’s sales and there were no significant account receivables from a single customer at December 31, 1999 and 2000. The Company performs evaluations of its customers’ credit histories and establishes an allowance for doubtful accounts based upon the credit risk of specific customers and historical trends. In addition, there is no concentration of suppliers from the purchase of raw material.

S) RECLASSIFICATIONS

Certain amounts reported in the notes to the consolidated financial statements as of December 31, 1998 and 1999 have been reclassified to conform to the 2000 presentation.

3.- OTHER RECEIVABLES

Other current receivables consist of:

	December 31,	
	1999	2000
Non-trade receivables	Ps 1,573,756	Ps 1,857,120
Refundable income tax	397,388	238,748
Other refundable taxes	317,106	75,104
	Ps 2,288,250	Ps 2,170,972

As of December 31, 1999 and 2000, non-trade receivables primarily consist of interest receivable, notes receivable, advances to employees for travel expenses, loans made to employees and receivables from the sale of assets.

(Thousands of constant Mexican Pesos as of December 31, 2000)

4.- INVENTORIES

Inventories are summarize as follows:

	December 31,	
	1999	**2000**
Finished goods	Ps 762,199	Ps 1,940,906
Work-in-process	600,312	868,099
Raw materials	526,286	728,278
Suppliers and spare parts	2,819,380	2,911,560
Advances to suppliers	428,286	200,392
Inventory in transit	120,595	153,565
Real estate held for sale	152,076	94,934
	Ps 5,409,134	Ps 6,897,734

As of December 31, 1999 and 2000, real estate held for sale consisted of undeveloped land in different tourist locations in Mexico, originally acquired by the Company for tourism projects.

In June 2000, the Company sold real estate in Puerto Vallarta, Mexico for Ps29,187, resulting a net loss of Ps(25,554), which was included in other expenses, net.

5.- OTHER CURRENT ASSETS

Other current assets include Ps131,813 and Ps104,460, as of December 31, 1999 and 2000, respectively, of non-cement related assets which are intended to be sold in the short-term, and that are stated at their estimated realizable value. These assets include securities and assets for lines of business other than the Company's cement business, mainly originated from (i) non-cement related assets acquired in the purchase of international subsidiaries, and (ii) assets held for sale including land and buildings received from customers as payment of trade receivables.

During 1999, the Company recognized in other expenses, net, a loss of approximately Ps202.2 million, from the partial sale of an uncompleted real estate project in Spain and a subsequent impairment provision of this asset, which at the time of sale had a book value of approximately Ps430.7 million. The remaining book value for this asset was combined with the Company's subsidiary in Spain and is presented under property, machinery and equipment.

6.- INVESTMENTS AND NONCURRENT RECEIVABLES

A) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in shares of subsidiaries and affiliated companies are accounted for by the equity method, which considers the results of operation and the stockholders' equity of the investees. Investment in subsidiaries and affiliated companies are summarized as follows:

	December 31,	
	1999	**2000**
Contribution or book value at acquisition date	Ps 4,361,850	Ps 3,546,131
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies	1,622,358	1,580,316
	Ps 5,984,208	Ps 5,126,447

Investment held by subsidiaries in the Parent Company, amounting to Ps6,194,269 (113,625,709 CPO's and 3,663,615 warrants) and Ps5,142,997 (147,777,454 CPO's and 3,361,585 warrants) as of December 31, 1999 and

2000, respectively, are offset against majority interest stockholders' equity in the accompanying financial statements. In 1999, as part of a hedge transaction (see note13A), a total of 105 million CPO's held by subsidiaries in the Parent Company were sold.

The Company's principal acquisitions and divestitures during 1999 and 2000, are the following:

I. On October 5, 2000, through its indirect subsidiary CENA Acquisition Corp. ("CENA"), the Company began a public tender offer to purchase the outstanding shares of Southdown, Inc. ("Southdown"), at the cash offer price of U.S.$73.00 per share. On November 6, 2000, the Company successfully completed its tender offer and accepted for purchase and payment 33,023,207 shares of the issued and outstanding stock of Southdown, representing approximately 91.7% of the total outstanding shares. On November 16, 2000, CENA merged into Southdown. As a result of the merger, any outstanding shares of Southdown's common stock not tendered for payment in the offer, by operation of law, were converted into the right to receive U.S.$73.00 per share in cash, resulting in the Company owning 100% of the outstanding shares of the merged entity. The amount paid for Southdown shares was approximately U.S.$2,628.3 million (Ps25,290 million), representing the purchase of the 91.7%, and the payment obligation arising from the remaining shares not tendered in the offer. As of December 31, 2000, the consolidated financial statements include the balance sheet of Southdown as of December 31, 2000 and the results of the two-month period ended December 31, 2000.

II. In October 2000, as part of the capitalization agreements with institutional investors in Asia, entered into during 1999 to co-invest in Cemex Asia Holdings Ltd. ("CAH"), a capital contribution of approximately U.S.$324 million (Ps3,116.9 million) was made to CAH. These funds were utilized by CAH, principally to acquire from a subsidiary of the Company its 25.53% equity interest in PT Semen Gresik (persero), Tbk. ("Gresik"), an Indonesian cement company, as well as other cement assets in Asia. The equity interest of Gresik was originally acquired during 1999 and 1998 for approximately U.S.$240.6 million. As a result of this transaction, the indirect participation of the Company in Gresik through CAH decreased to approximately 19.76%.

During 1999, minority investors had contributed capital to CAH for approximately U.S.$142.9 million, and the Company, through its subsidiaries, contributed to CAH its economic benefit participation of its subsidiaries in the Philippines. Rizal Cement Inc. ("Rizal"), acquired during 1998 and 1997 for approximately U.S.$223 million, representing 70% of Rizal's economic benefits, and APO Cement Corporation ("APO"), acquired on February 1999 for approximately U.S.$400 million, representing 99.9% of APO's economic benefits. As a result of the minority investors' contributions to CAH during 2000 and 1999, the indirect participation of the Company in the economic benefits of Rizal and APO decreased to 54.2% and 77.3%, respectively. As of December 31, 1999, the consolidated financial statements of the Company included the balance sheet and results of APO for the year ended December 31, 1999.

III. In June 2000, the Company sold to Marriott International for a total amount of U.S.$113 million, properties in the tourism industry including its 100% equity interest in the Marriott Casa Magna hotels in Cancun and Puerto Vallarta, resulting a net loss of approximately Ps63.5 million representing the difference between the price received and the book value of these assets, which was recorded in other expenses, net. As of December 31, 2000, the consolidated income statements of the Company include the hotels' result of operations for the five-month period ended May 31, 2000.

IV. In June 2000, through the exercise of a call option agreement, the Company acquired a 13% equity interest in Assiut Cement Company ("Assiut"), subsidiary of the Company in Egypt. In November 1999, the Company acquired from the Egyptian government a 77% equity interest in Assiut for approximately U.S.$318.8 million. In November 2000, an additional 2.9% equity interest was acquired from Assiut's employees, increasing the Company's equity interest to 92.9%. The transactions carried out during 2000 were for a total of approximately U.S.$66.8 million (Ps642.6 million). As of December 31, 1999, the consolidated financial statements of the Company included the balance sheet of Assiut as of November 30, 1999, and the results of the one-month period ended November 30, 1999.

V. In September 1999, through a public tender offer, a subsidiary of the Company acquired 79.5% of the outstanding shares of Cementos del Pacífico, S.A. ("Cempasa"), a Costa Rican cement producer, for approximately U.S.$72 million. As a result, the equity interest of the Company in Cempasa increased to 95.3%. As of December 31, 1999, the consolidated financial statements of the Company, included the balance sheet of Cempasa as of December 31, 1999, and the results for the three-month period ended December 31, 1999.

(Thousands of constant Mexican Pesos as of December 31, 2000)

VI. In June 1999, the Company acquired an 11.92% equity interest in Cementos Bío Bío, S.A., Chile's largest cement producer. The total of this transaction amounted to approximately U.S.$34 million.

Certain balance sheet and income statement condensed financial information of the companies acquired during 1999 and 2000 is presented on a stand-alone basis. The financial information was consolidated in the Company's financial statements in the year of acquisition. The information is presented below:

	2000 Southdown	1999 Assiut	1999 Cempasa	1999 APO
Total assets	Ps 35,997,761	Ps 4,167,152	Ps 651,803	Ps 3,668,306
Total liabilities	21,098,536	2,776,121	260,313	1,208,760
Stockholders' equity	14,899,225	1,391,031	391,490	2,459,546
Sales	Ps 1,621,158	Ps 140,935	Ps 93,347	Ps 631,606
Operating income	247,513	15,755	20,573	113,691
Net income (loss)	(80,720)	(7,370)	(18,146)	74,945

As of December 31, 1999 and 2000, the main affiliated companies, the percentage of equity interest held by their direct holding company, as well as the investment accounted for under the equity method was as follows:

	% of equity interest	1999	2000
PT Semen Gresik (persero), Tbk.	25.5	Ps 2,779,873	Ps 2,117,762
Control Administrativo Mexicano, S.A. de C.V.	49.0	1,360,788	1,119,754
Cementos Bío Bío, S.A.	11.9	301,067	311,558

In addition, the Company participates as investor in companies engaged in the incubation and development of Internet projects in Latin America, through a commitment to invest in PuntoCom Holdings and PuntoCom Investments, for approximately U.S.$20 and 30 million, respectively.

B) LONG-TERM ACCOUNTS RECEIVABLE

As of December 31, 1999 and 2000, the caption other investments in the balance sheets includes marketable securities available for sale, which the Company has no intention of selling in the short-term.

In addition, in relation to the equity forward contracts on the Company's own shares, there are advance payments against the final price of certain contracts that will be liquidated at maturity for an approximate amount of Ps503,304 in 1999 and Ps1,279,680 in 2000 (see note 13A).

7.- PROPERTIES, MACHINERY AND EQUIPMENT

During 1999, based on future sales projections and to avoid excess production, the Company decided to cease operations in 4 cement assets located in Mexico and Colombia, as well as partially close 4 other cement assets located in the same countries. As a result, the Company estimated that the expected cash flows to be generated by such assets would not be sufficient to recover their book value; therefore, an impairment provision of approximately Ps648.6 million was determined, and is reflected in the consolidated income statement in other net expenses. As of

(Thousands of constant Mexican Pesos as of December 31, 2000)

December 31, 2000, the assets subject to impairment described above are valued at their estimated realizable value, net of the expenses estimated for their disposal, and their depreciation has been suspended. The remaining book value of these assets is approximately Ps312 million and it is the Company's intention to dispose of those that were completely closed. The impact of having suspended depreciation of these assets on 1999 and 2000 results was approximately Ps30.9 million and Ps34.0 million, respectively.

The Company continues with its assessment process of its subsidiaries' fixed assets; therefore, the possibility of future provisions for impairment of assets exists.

In 1998, the Company sold a cement plant and its related assets of its Spanish subsidiary, which included the ready-mix concrete, mortar and aggregate operations, for approximately U.S.$260 million (Ps2,638 million), resulting in a gain in the consolidated income statement of approximately Ps333.2 million.

8.- DEFERRED CHARGES

Deferred charges are summarized as follows:

	1999	2000
Excess of cost over book value of subsidiaries and affiliated companies acquired	Ps 24,916,276	Ps 36,605,919
Terminal installation costs and other intangibles	60,520	80,788
Deferred financing costs	545,237	965,594
Deferred income taxes	-	1,866,578
Others	3,515,096	4,364,092
Accumulated amortization	(5,217,157)	(6,333,150)
	Ps 23,819,972	Ps 37,549,821

As of December 31, 1999 and 2000, as a result of the acquisitions made by the Company (see note 6), goodwill increased approximately U.S.$249 million (Ps2,424 million) and U.S.$1,132 million (Ps10,917 million), respectively, in relation to the prior year.

9.- SHORT-TERM BANK LOANS AND NOTES PAYABLE

Short-term debt is summarized by currency as of December 31, 1999 and 2000, as follows:

Consolidated

	1999	Rate	2000	Rate
Dollars	Ps 8,007,849	5.4% - 10.8%	Ps 18,615,754	5.5% – 9.5%
Euros	1,091,410	3.5% - 4.1%	9,342,417	5.4% - 6.2%
Egyptian Pounds	689,957	10.5%	410,023	11.4%
Philippine Pesos	232,061	13.0% - 15.7%	59,781	16.8%
Other currencies	5,566	19.8%	64,208	12.8% - 19.9%
	Ps 10,026,843		Ps 28,492,183	

As of December 31, 2000, short-term dollar denominated debt includes, among others, Ps4,377,100 of commercial paper programs, Ps2,597,400 of Euro-Notes and Ps5,291,000 of a bridge loan related to Southdown's acquisition. Likewise, Euro denominated debt includes Ps9,039,664 of a bridge loan acquired for the liquidation of a syndicated loan.

(Thousands of constant Mexican Pesos as of December 31, 2000)

10.- LONG-TERM BANK LOANS AND NOTES PAYABLE

The consolidated long-term debt as of December 31, 1999 and 2000, is summarized as follows:

	1999	Rate	2000	Rate
A) Bank Loans				
1. Syndicated loans in foreign currency, due from 2001 to 2006	Ps 13,771,010	4.1% - 9.5%	Ps 8,954,991	7.4% - 8.2%
2. Bank loans in foreign currency, due from 2001 to 2007	4,899,876	3.5% - 15.7%	3,390,511	5.4% - 16.8%
3. Revolving line of credit in foreign currency, due 2000	3,893,774	7.1%	-	-
	22,564,660		12,345,502	
B) Notes Payable				
4. Euro medium-term Notes in foreign currency, due from 2001 to 2006	14,451,920	8.5% - 12.8%	14,465,437	3.2% - 12.8%
5. Commercial paper in foreign currency with revolving maturities every one or two years	1,625,651	7.3%	-	-
6. Medium-term Notes programs, due from 2001 to 2007	801,144	8.4%	2,143,167	2.7% - 8.4%
7. Other notes payable in foreign currency, due from 2001 to 2009	828,480	7.1% - 8.9%	1,313,418	4.8% - 11.5%
	17,707,195		17,922,022	
	40,271,855		30,267,524	
Current maturities	(7,753,928)		(4,206,204)	
	Ps 32,517,927		Ps 26,061,320	

1. Syndicated loans denominated in foreign currency had a weighted average floating interest rate of 6.2% in 1999 and 7.9% in 2000. These loans had a weighted average spread based on London Interbank Offering Rate ("LIBOR") of 98 basis points ("bps") in 1999 and 134 bps in 2000.
2. Bank loans denominated in foreign currency, of which 48% in 1999 and 94% in 2000 were floating rate with a weighted average interest rate of 5.4% and 6.5%, respectively. These loans had a weighted average spread based on LIBOR of 45 bps in 1999 and 71 bps in 2000.
3. Revolving line of credit in foreign currency with an average floating rate of 7.1% in 1999. This loan had a spread based on LIBOR of 125 bps. This line of credit was paid in 2000.
4. Euro medium-term Notes programs denominated in foreign currency with a weighed average fixed rate of 10.3% in 1999 and 8% in 2000.
5. Commercial paper programs denominated in foreign currency with revolving maturities every one or two years with a weighted average floating interest rate of 7.3% in 1999. These loans had a spread based on LIBOR of 116 bps in 1999.
6. Medium-term notes programs and Yankee Notes, with a weighted fixed rate of 8.375% in 1999 and 3.4% in 2000.
7. Other notes payable denominated in foreign currency of which Ps127,100 in 1999 and Ps77,980 in 2000 were floating rate with a weighted average interest rate of 5.9% and 7.6%, respectively. These loans had a weighted

(Thousands of constant Mexican Pesos as of December 31, 2000)

average spread based on LIBOR of 16 bps in 1999 and 131 bps in 2000, respectively. The remaining Ps701,380 in 1999 and Ps1,235,438 in 2000 were fixed rate with a weighted average interest rate of 6.4% and 6.3%, respectively.

Long-term debt is summarized by currency as of December 31, 1999 and 2000, as follows:

December 31,	1999	2000
Dollars	Ps 25,711,942	Ps 17,227,138
Japanese Yen	-	7,334,924
Egyptian Pounds	1,596,943	1,032,494
Euros	4,967,331	442,926
Philippine pesos	202,068	23,838
Colombian pesos	39,643	-
	Ps 32,517,927	Ps 26,061,320

The maturities of long-term debt as of December 31, 2000 are as follows:

		Total
2002	Ps	4,735,298
2003		6,877,342
2004		6,775,508
2005		1,272,899
2006 and thereafter		6,400,273
	Ps	26,061,320

During 2000, the Company entered into Cross Currency Swap contracts to convert the interest rate and the underlying amount of U.S.$808.2 million (Ps7,775 million) of debt contracted in 2000, to the Japanese Yen. From this amount, U.S.$208.2 million (Ps2,004 million) and U.S.$600 million (Ps5,772 million) were originally contracted in pesos and dollars, respectively. The above is part of a strategy oriented to balance the currencies in which debt is denominated with those of the countries were cash flows are generated, and the Company considers that the Japanese Yen has a direct relation with Southeast Asia's currencies, a region in which Cemex has operations. The results of these derivative instruments are recognized in the balance sheet as part of long-term debt, and in the income statement as part of the financial expense and the foreign exchange result, according to its components.

As of December 31, 1999 and 2000, the Company had negotiated interest rate swaps for up to U.S.$450 million (Ps4,329 million), exchanging fixed for floating rate. Additionally, in 1999 the Company had negotiated interest rate collars for 2,500 million pesetas (Ps134.5 million) and forward range swaps contracts for up to U.S.$80 million (Ps769.6 million), in relation to debt negotiated at floating rates, which were terminated in 2000. The company holds these hedge and derivative instruments as part of its strategy to reduce the financial cost. The results of these instruments are periodically recognized as part of the interest expense.

In addition, in December 2000, the Company sold to financial institutions, call options to exchange floating for fixed interest rate for a notional amount of U.S.$800 million (Ps7,696 million), receiving a premium for the sale of the call options of approximately U.S.$11 million (Ps105.8 million). These options have different maturities between December 2001 and June 2002, and grant the counterparties the option to elect at maturity and on market conditions, receive from the Company fixed rate and pay the Company variable rate for a five year period starting on the exchange date. Currently, the Company can not predict if market conditions prevailing at maturity of these options would cause the counterparties to exercise them.

(Thousands of constant Mexican Pesos as of December 31, 2000)

As of December 31, 2000, the Company's maturity dates, interest rates being hedged or exchanged, current interest rates and estimated market value related to interest rate swaps and cross currency swaps are as follows:

	Maturity date	Interest rate hedged or exchanged	Effective interest rate		Estimated market value
Interest rate swaps					
Debt denominated in Dollars (U.S.$250 million)	June 2002	9.15%	10.28%	Ps	15,387
Debt denominated in Dollars (U.S.$200 million)	October 2009	9.63%	9.4%		44,863
					60,250
Cross currency swaps					
Pesos to Yen (Ps1,004 million)	June 2005	8.65%	2.95%		31,717
Pesos to Yen (Ps1,000 million)	December 2005	15.6%	2.68%		(26,540)
Dollars to Yen (U.S.$100 million)	June 2003	9.4%	5.18%		30,701
Dollars to Yen (U.S.$500 million)	July 2003	8.75%	3.15%		452,285
					488,163
				Ps	548,413

As of December 31, 1999, the estimated market value of the existing interest rate swaps showed a loss of approximately Ps117,641.

The estimated market values of derivative instruments used for the exchange of interest rates and/or currencies, will fluctuate over time and will be determined by the market future pricing of the rates and currencies. These values should not be viewed in isolation, but rather in relation to the market values of the underlying transactions, and as part of the overall Company exposure to fluctuations in interest rates and foreign exchange rates. The notional amounts of derivative instruments do not necessarily represent amounts exchanged by the parties and, consequently, there is no direct measure of the Company's exposure for the use of these derivatives. The amounts exchanged are calculated on the basis of the notional amounts and the other items included in the derivatives instruments.

As of December 31, 2000, the Company and its subsidiaries have the following lines of credit, both committed and subject to the banks' availability, at annual interest rates ranging from 3.2% to 12.8%, in accordance with the negotiated currency:

	Line of Credit	Available
European commercial paper (U.S.$600 million)	Ps 5,772,000	-
Medium-term Notes programs (U.S.$520 million)	5,000,000	3,006,039
Euro medium-term Notes (U.S.$450 million)	4,329,000	1,731,600
Short-term lines of credit (U.S.$300 million)	2,886,000	2,693,600
U.S. commercial paper (U.S.$250 million)	2,405,000	336,700
Current line of credit (U.S.$250 million)	2,405,000	163,540
Lines of credit of foreign subsidiaries	5,898,190	4,841,319
Other lines of credit from foreign banks	4,244,839	1,911,892
Other lines of credit from Mexican banks	1,635,400	962,000
	Ps 34,575,429	15,646,690

As of December 31, 1999 and 2000, CEMEX México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V., jointly, fully and unconditionally guarantee indebtedness of the Company for an aggregated amount of U.S.$2,090 million and U.S.$1,520 million, respectively. The combined summarized financial information of these guarantors as of December 31, 1999 and 2000 are as follows:

(Thousands of constant Mexican Pesos as of December 31, 2000)

		1999	2000
Assets	Ps	50,783,508	46,361,971
Liabilities		31,834,852	34,134,855
Stockholders' equity		18,948,656	12,227,116
Net sales	Ps	20,994,418	21,302,928
Operating income		9,628,191	10,329,891
Net income		6,803,530	3,012,213

In the consolidated balance sheet at December 31, 1999, there were short-term debt transactions amounting to U.S. $226 million, classified as long-term debt, due to the ability and intention of the Company to refinance such indebtedness with the available amounts of the committed long-term lines of credit. In addition, there were cash deposits established in trusts amounting to U.S.$120 million (Ps1,168.1 million), committed to repay certain short-term and long-term indebtedness, which have been offset for presentation purposes. Of this amount, U.S.$30 million was short-term and U.S.$90 million was long-term, deposited to partially cover the Yankee Notes' purchase offer which occurred in January 2000.

Certain credit agreements are guaranteed by the Company and/or some of its subsidiaries, and contain restrictive covenants that limit the sale of assets, maintenance of controlling interest on certain subsidiaries, limit the establishment of liens, and require the Company to comply with certain financial ratios. When a default event has occurred, the Company has obtained the respective waivers.

11.- PENSION PLANS, SENIORITY PREMIUM AND OTHER POSTRETIREMENT BENEFITS

The following table presents the net periodic cost of pension plans, seniority premium and other post-retirement benefits, as of December 31, 1998, 1999 and 2000 (see note 2J), and are as follows:

		1998	1999	2000
Components of net periodic cost:				
Service cost	Ps	158,168	174,730	212,998
Interest cost		129,836	116,324	150,477
Actuarial return on plan assets		(5,732)	(24,097)	(100,962)
Amortization of prior service cost, changes in assumptions and experience adjustments		22,612	29,113	26,731
	Ps	304,884	296,070	289,244

The following table represents the reconciliation of the present value of postretirement benefit obligations and the funded status (see note 2J), including the acquired obligations as a result of the Southdown acquisition (see note 6) as of December 31, 1999 and 2000:

(Thousands of constant Mexican Pesos as of December 31, 2000)

		1999	2000
Change in benefit obligation:			
Projected benefit obligation ("PBO") at beginning of year	Ps	1,352,162	1,694,806
Service cost		174,730	212,998
Interest cost		116,324	150,477
Amendments		1,062	-
Actuarial result		81,766	362,034
Acquisitions		4,002	2,166,853
Foreign exchange fluctuations and inflation adjustments		48,520	53,433
Benefits paid		(83,760)	(161,266)
Projected benefit obligation ("PBO") at end of year		1,694,806	4,479,335
Change in plan assets:			
Fair value of plan assets at beginning of year		188,407	741,893
Actuarial return on plan assets		24,097	100,961
Actuarial differences		165,485	(303,486)
Acquisitions		819	2,716,841
Foreign exchange fluctuations and inflation adjustments		25,604	72,507
Employer contribution		337,481	409,812
Benefits paid from the funds		-	(29,563)
Fair value of plan assets at end of year		741,893	3,708,965
Amounts recognized in the balance sheets consist of:			
Funded status		952,913	770,370
Unrecognized prior service cost		(628,163)	(636,715)
Unrecognized net actuarial results		82,565	(639,606)
Accrued benefit liability (prepayment)		407,315	(505,951)
Additional minimum liability		133,566	829,508
Net liability recognized in the consolidated balance sheet	Ps	540,881	323,557

The actual benefit obligation ("ABO"), as of December 31, 1999 and 2000, amounted to Ps1,400,702 and Ps3,730,330, respectively, of which the vested portion was Ps699,575 in 1999 and Ps2,854,560 in 2000.

Prior service cost and net actuarial results are amortized over the estimated service life of the employees under plan benefits. The estimated service life for pension plans is between 21.2 and 26.2 years, and for seniority premium 11.3 years (only in Mexico).

As of December 31, 1999 and 2000, the plan assets are mainly composed of fixed return instruments and stock of companies traded in formal stock exchanges.

The most significant assumptions used in the determination of the net periodic costs were the following:

	1998	1999	2000
Range of discount rates used to reflect the obligations' present value	4.5 % - 6.0%	4.5% - 6.0%	3.5% - 7.8%
Rate of return on plan assets	7%	6%	8%

The Company applies real rates (nominal rates discounted for inflation) in the actuarial assumptions used to determine the pension plan and seniority premium benefits. With the use of real rates, there is a decrease in the difference between the ABO and the PBO. As a result of the use of real rates, the initial valuation in Mexico as of January 1, 1998, and according to GAAP, the Company recognized a minimum liability against an intangible asset, which as of December 31, 1999 and 2000 were Ps133,566 and Ps636,715, respectively, and a stockholders' equity reduction in 2000 of Ps192,793.

(Thousands of constant Mexican Pesos as of December 31, 2000)

12.- STOCKHOLDERS' EQUITY

A) CAPITAL STOCK

The authorized capital stock of the Company as of December 31, 2000 is as follows:

	Series A (1)	Series B (2)
Subscribed and paid shares	3,074,913,688	1,537,456,844
Treasury shares (3)	188,134,004	94,067,002
Unissued shares authorized for Executive Stock Option Plans	128,519,150	64,259,575
	3,391,566,842	1,695,783,421

(1) Series "A" or Mexican shares represent at least 64% of capital stock.
(2) Series "B" or free subscription shares represent at most 36% of capital stock.
(3) Includes the acquisition of shares under repurchase program.

Of the total amount of shares, 3,267,000,000 correspond to the fixed portion and 1,820,350,263 correspond to the variable portion.

During 2000, at the annual shareholders' meeting, a dividend program was established through which shareholders approved a dividend of Ps0.50 (nominal amount) per share. Instead of receiving the dividend in cash, shareholders were entitled to elect to receive a stock dividend per share of Ps0.50 of additional shares at a price of Ps10.73 (nominal amount) per additional share. As a result of the program, a total of 118,037,996 series "A" shares and 59,018,998 series "B" shares were issued, generating an additional paid-in capital of Ps1,982,358, and an aggregate of Ps261 million was paid in cash.

On September 15, 2000, the Company's board of directors authorized a stock repurchase program through the Mexican Stock Exchange ("MSE"), for up to U.S.$500 million. This program will be active, in accordance with the procedures established by the Banking and Exchange National Commission, from October 2000 to December 2001. The program will be funded with resources from the repurchase reserve. As of December 31, 2000, under this program, a total of 3,086,000 CPO's have been acquired and cancelled, resulting in a reduction in the capital stock and the repurchase reserve of Ps104 and Ps121,139, respectively.

B) EXCECUTIVE STOCK OPTION PLAN

The Company has adopted an Executive Stock Option Plan ("ESOP") for shares of the variable portion of the capital stock. Through this program, the Company grants to eligible executives, designated by a Technical Committee, stock option rights to subscribe up to 72,100,000 new CPO's. As of December 31, 1999 and 2000, the stock option balances are as follows:

	1999		2000	
	Number of CPO'S	Exercise price *	Number of CPO'S	Exercise price *
Granted	47,000,318	Ps 34.91	64,364,683	Ps 35.99
Canceled	(55,608)	43.22	(55,608)	43.22
Exercised	(5,924,788)	26.19	(7,840,425)	27.91
Outstanding	41,019,922		56,468,650	

***** Weighted average exercise price per CPO

The option rights may be exercised up to 25% of the total number of options during the first four years after having been granted. The option rights expire after a maximum of ten years or when the employee leaves the Company. A portion of the options has an exercise maturity period of five years, which can be extended to ten years if certain conditions are met during the first five years. Under this type of program, the Company has no obligation to recognize a liability for the amount of options.

(Thousands of constant Mexican Pesos as of December 31, 2000)

During 1999 and 2000, the total number of options granted was 16,601,313 and 17,364,365 at a weighted average price per CPO of Ps38.97 and Ps41.04, respectively; and the options exercised were 3,443,594 and 1,915,637 at a weighted average price per CPO of Ps25.28 and Ps35.09 in 1999 and 2000, respectively. The balances of CPO's available for the ESOP as of December 31, 1999 and 2000 were 25,099,682 CPO's and 7,735,317 CPO's, respectively. As of December 31, 2000, the outstanding options have a remaining average exercise period of approximately 6.5 years. The CPO's issued upon the exercise of options were paid at their purchase price per CPO, generating an additional paid-in capital of Ps10,582, Ps96,007 and Ps47,219 in 1998, 1999 and 2000, respectively.

The Company's obligations under the ESOP include the issuance of CPO's representing capital stock of the Company on each exercise date, which will result in an increase in capital.

In addition, during 1998 and 1999, the Company established voluntary stock option plans through which executives elected to purchase options for up to 7,293,675 ADS's of the Company. These options are exercisable quarterly over a period of 5 years, and have a predefined exercise price which increases quarterly in dollars, taking into account the funding cost in the market. For the sale of the options, the Company received a premium equivalent to a percentage of the ADS price at the beginning of the program. As of December 31, 2000, there are options not exercised for 4,415,576 ADS's.

C) RETAINED EARNINGS

Retained earnings as of December 31, 2000, include Ps49,198,080 of earnings generated by subsidiaries and affiliated companies, which may be distributed by the Company when the respective dividends are declared by these companies. Furthermore, retained earnings include the stock repurchase reserve in the amount of Ps10,829,076.

Net income for the year is subject to a 5% allocation to constitute a legal reserve, until such reserve equals one fifth of the capital stock. As of December 31, 2000, the legal reserve amounted to Ps1,262,030.

Earnings distributed as dividends in excess of tax earnings will be subject to tax as defined by the Mexican Income Tax Law, in which case, only 65% of retained earnings may be distributed to the shareholders. Dividends paid to national individuals or foreigners are subject to 5% income tax retention.

D) EFFECTS OF INFLATION

The effects of inflation on the majority interest stockholders' equity as of December 31, 2000 are summarized as follows:

	Historical cost	Inflation adjustment	Total
Common stock ... Ps	51,238	2,989,349	3,040,587
Additional paid in capital	11,145,876	11,254,062	22,399,938
Deficit in equity restatement	-	(46,237,826)	(46,237,826)
Cumulative initial deferred income tax effects	(4,697,947)	(110,872)	(4,808,819)
Retained earnings	36,478,264	30,029,323	66,507,587
Net income of the year	9,395,778	217,664	9,613,442

(Thousands of constant Mexican Pesos as of December 31, 2000)

E) FOREIGN CURRENCY TRANSLATION

The Company has recorded net foreign currency translation results in the stockholders' equity amounting to Ps2,932,476, Ps(234,654) and Ps(975,426) in 1998, 1999 and 2000, respectively, and are summarized as follows:

		1998	1999	2000
Foreign currency translation adjustment	Ps	6,016,013	(845,223)	(807,245)
Foreign exchange gain (loss) (1)		(3,083,537)	610,569	(168,181)
	Ps	2,932,476	(234,654)	(975,426)

The foreign currency translation adjustment includes foreign exchange results from financing related to the acquisition of foreign subsidiaries generated by the subsidiary of the Company in Spain of Ps463,668, Ps(1,921,186) and Ps(610,648), in 1998, 1999 and 2000, respectively.

(1) Foreign exchange results from the financing identified with the acquisitions of foreign subsidiaries in accordance with Bulletin B-15.

F) PREFERRED STOCK

In November 2000, a Dutch subsidiary of the Company issued preferred stock for an amount of U.S.$1,500 million (Ps14,430 million) in connection with the financing required for the Southdown acquisition (see note 6). The preferred stock is mandatorily redeemable at the end of 18 months, and grants its holders 10% of the subsidiary's voting rights, as well as the right to receive a variable guaranteed preferred dividend. In accordance with the issuance terms, the preferred stock must be redeemed for a total of U.S.$300 million, in three installments of U.S. dollars 100 million each, at the end of months 9, 12 and 15, and the balance at the end of month 18. As part of the shareholders' agreements, holders of the preferred stock have the option, in certain circumstances, to subscribe additional preferred or common shares for up to 51% of the voting interest of the subsidiary. This transaction is included as minority interest.

In May 1998, a subsidiary of the Company in Spain issued U.S.$250 million of preferred shares at an annual dividend rate of 9.66%. The Company has an option to repurchase the balance of the instrument on November 15, 2004, or on any other subsequent dividend payment date. Additionally, the holders of the instrument have the right to sell the instrument to the Company on May 15, 2005. This transaction is recorded as minority interest.

G) OTHER EQUITY TRANSACTIONS

In December 1999, by means of a public offer in the MSE and the NYSE, the Company issued 105 million warrants at a subscription cash price in pesos of Ps3.2808 per warrant. The warrants allow the holder to benefit from the future increment in the market price of the Company's CPO above the strike price, which originally was U.S.$6.20 per warrant, within certain limits and subject to technical antidilution adjustments. The benefit, should any exist, will be paid in CPO's of the Company. The warrants were issued for a term of three years and their exercise is at maturity. The warrants were subscribed as American Depositary Warrants ("ADW's") in the NYSE; each ADW is equivalent to 5 warrants. The premium received from the warrants issuance during 1999, net of related expenses, was Ps252,761.

As of December 31, 1999 and 2000, there are financial transactions totaling U.S.$604.6 million (Ps5,885 million) and U.S.$100.7 million (Ps968.7 million), respectively, which include certain guarantees and that have been offset for presentation purposes in the Company's consolidated balance sheets. These financial transactions have been offset as follows: U.S.$500 million in 1999, for a minority interest without voting rights or dividends rights of the subsidiary in Spain and U.S.$104.6 and 100.7 million, in 1999 and 2000, respectively, for the transfer of assets to a trust. Some of the contracts require certain collateral guarantees. The outstanding transaction matures in 2007, and the Company has the option to reacquire the related assets at different dates.

As of December 31, 2000, the Company has recognized valuation effects in stockholders' equity for Ps734,849, related to investments available for sale (see note 2E).

13.- DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2000, the Company has entered into various derivative financial instrument transactions in order to reduce the risks resulting from changes in interest rates and foreign exchange rates of negotiated debt and as alternative to reduce its financial cost (see note 10). In addition, the Company had foreign exchange derivative instruments to hedge its net investment in foreign subsidiaries, as well as equity forwards contracts to hedge the price of its common shares and as a financing alternative. These instruments have been negotiated with major domestic and international institutions and corporations, which have a solid financial capacity. Therefore, the Company considers that the risk of non-compliance of the obligations agreed upon by such counterparties is minimum. The notional amount, as well as the estimated fair value of the derivative instruments as of December 31, 1999 and 2000, is as follows:

	U.S. dollars thousands			
	1999		2000	
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
A) Equity forward contracts	828,724	212,340	1,088,819	(113,948)
B) Foreign exchange forward contracts	410,000	12,423	421,000	6,826
C) Call options	51,530	(15,791)	-	-
D) Third parties equity forward	-	-	62,411	14,870

A) As of December 31, 1999 and 2000, the Company had executed equity forward contracts related to its outstanding common stock for a notional amount of U.S.$828.7 million and U.S.$1,088.8 million, respectively. At maturity, these agreements provide for physical or net cash settlement at the Company's option, and the gains or losses are recognized in stockholder's equity.

The contracts described above include forwards executed in order to cover the voluntary executives' stock option plans for up to U.S.$116 million and U.S.$105 million, in 1999 and 2000, respectively (see note 12B). In addition, in 1999, a subsidiary of the Company, entered into forward contracts covering 105 million CPO's and 33.8 million shares of the Company's subsidiary in Spain, for a period of three years, to hedge the future exercise of the warrants program transaction (see note 12G). The shares under this forward were sold by the Company during 1999 for approximately U.S.$905.7 million, and simultaneously prepaid toward the forward's final price, approximately U.S.$439.9 million (Ps4,231.8 million). In the financial statements as of December 31, 1999 and 2000, the anticipated effect has been recorded related to the liquidation of the forward for the portion corresponding to the Spanish' subsidiary shares, due to the prepayment and the withholding of all economic and voting rights over such shares.

B) The Company has entered into foreign exchange forward contracts in order to protect itself from variations in foreign exchange rates. These contracts have been designated as a hedge on the Company's net investment in foreign subsidiaries for up to U.S.$410 and U.S.$421 million as of December 31, 1999 and 2000, respectively. The fair value effects arising from these instruments are recorded for as part of the translation effect of foreign subsidiaries (see note 12E).

C) At December 31, 1999, the Company had outstanding call options on 1,229,260 of its ADS's. The Company exercised these call options during 2000.

D) At December 31, 2000, the Company had third party equity forward contracts for a notional amount of U.S.$62.4 million (Ps600.3 million), with a fair value of U.S.14.9 million (Ps143.3 million).

(Thousands of constant Mexican Pesos as of December 31, 2000)

The estimated fair values of derivative financial instruments used to hedge the Company's risks will fluctuate over time, and are based on estimated settlement costs or quoted market prices. Fair values should not be viewed in isolation, but rather in relation to the fair values of the underlying instruments and the overall reduction in the Company's exposure to adverse fluctuations in foreign exchange rates and price of shares. The notional amounts of derivatives summarized above do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of the exposure of the Company though the use of its derivatives. The amounts exchanged are calculated on the basis of the notional amounts and the other items of the derivatives, which relate to interest rates, foreign exchange rates or other financial indexes.

14.- INCOME TAX (IT), BUSINESS ASSETS TAX (BAT), EMPLOYEES' STATUTORY PROFIT SHARING (ESPS) AND DEFERRED INCOME TAXES

In accordance with present tax legislation in Mexico, corporations must pay either income tax ("IT") or business assets tax ("BAT") depending on which amount is greater for their operations in Mexico. Both taxes recognize the effects of inflation, in a manner different from Mexican GAAP. Employees' statutory profit sharing ("ESPS") is calculated on similar basis as IT, but without recognizing the effects of inflation.

A) IT, BAT AND ESPS

The Company and its subsidiaries in Mexico generate IT or BAT on a consolidated basis. Beginning in 1999, the determination of the consolidated IT for the Mexican companies considers 100% of holding company's taxable income or loss, and a maximum of 60% of the taxable income or loss of each of the subsidiaries. For the period of 1999 and after, the taxable income of the subsidiaries that have tax loss carryforwards generated before 1999, will be included according to its equity participation at the end of the period. Therefore, the amounts of these items included in the accompanying financial statements, with respect to the Mexican subsidiaries, represent the consolidated result of these taxes. For ESPS purposes, the amount presented is the sum of the individual results of each company.

As of December 31, 1988, 1999 and 2000, IT (expense) benefit is summarized as follows:

		1998	1999	2000
Current income tax	Ps	(1,609,819)	(4,307,916)	(963,077)
Deferred IT		-	(5,632)	(556,341)
Tax loss carryforwards amortized		1,049,631	3,604,503	-
Effects of inflation (note 2B)		91,440	43,376	-
	Ps	(468,748)	(665,669)	(1,519,418)

Total consolidated IT includes Ps297,243, Ps348,108 and Ps1,145,792 from foreign subsidiaries, and Ps171,505, Ps317,561 and Ps373,627 from Mexican subsidiaries, for 1998, 1999 and 2000, respectively. The Company, as a holding company, prepares its IT and BAT returns on a consolidated basis for its operations in Mexico, which resulted in tax benefits of Ps1,919,993 in 1998, Ps70,657 in 1999 and Ps281,045 in 2000, without including deferred taxes.

For its operations in Mexico, the Company has accumulated IT loss carryforwards which, restated for inflation, can be amortized against taxable income in the succeeding ten years according to Income Tax Law:

Year in which tax loss occurred		Amount of Carryforwards	Year of expiration
1995	Ps	1,589,864	2005
2000		10,479	2010
	Ps	1,600,343	

The Company and its subsidiaries in Mexico must generate taxable income to preserve the benefit of the tax loss carryforwards generated beginning in 1999.

(Thousands of constant Mexican Pesos as of December 31, 2000)

The BAT Law establishes a 1.8% tax levy on assets, indexed for inflation in the case of inventory, property, plant and equipment after deducting certain liabilities. BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT incurred exceeds BAT in such period.

The recoverable BAT as of December 31, 2000 is as follows:

Year in which BAT exceeded IT		Amount of Carryforwards	Year of expiration
1997	Ps	145,325	2007
1999		52,472	2009
2000		417,480	2010
	Ps	615,277	

B) DEFERRED IT AND ESPS

Starting January 1, 2000, deferred income taxes are determined under the asset and liability method in accordance with the new Bulletin D-4 (see note 2K). The cumulative initial deferred income tax effects derived from the adoption of the Bulletin D-4, are recognized in stockholders' equity under the caption "Cumulative initial deferred income tax effects". The deferred income tax charged or credited to the income statement is determined by the difference between the beginning of year balance and the year end balance of the deferred asset or liability, and is recognized in nominal pesos.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2000 are presented below:

		Consolidated
Deferred tax assets:		
Tax loss carryforwards and other tax credits	Ps	2,031,907
Accounts payable and accrued expenses		255,750
Trade accounts receivables		25,158
Property, plant and equipment		134,631
Others		(141,858)
Total deferred tax assets		2,305,588
Less – valuation allowance		(439,010)
Net deferred tax assets		1,866,578
Deferred tax liability:		
Tax loss carry forwards and other tax credits		1,410,689
Accounts payable and accrued expenses		392,622
Trade accounts receivables		35,270
Other investments		6,682
Property, plant and equipment		(13,384,509)
Inventories		(1,271,520)
Others		184,757
Total deferred tax liabilities		(12,626,009)
Less – valuation allowance		(151,112)
Net deferred tax liabilities		(12,777,121)
Net deferred tax		(10,910,543)
Less – deferred income taxes of acquired subsidiaries at date of acquisition		(5,414,694)
Total effect of deferred income tax in stockholders' equity		(5,495,849)
Less – net deferred income tax recognized as of December 31, 1999		(1,071,713)
Less – accumulated initial effect of deferred income taxes in stockholders' equity		(4,808,819)
Change in deferred income tax for the period	Ps	384,683

(Thousands of constant Mexican Pesos as of December 31, 2000)

Bulletin D-4 does not allow the offsetting of deferred tax assets and liabilities relating to different tax jurisdictions.

As of December 31, 1999, the Company had recorded a deferred income tax provision for the temporary differences, over which it was reasonably estimated that in a defined period, a benefit or liability for tax purposes would be originated, in the amount of Ps1,071,713. The Company considered this provision, which had already been accounted for in retained earnings, as part of the amount determined in accordance with the new methodology. As a result, the cumulative initial deferred income tax effects presented in the table above are net of this amount.

Management considers that there is existing evidence that, in the future, it will generate sufficient taxable income to realize the tax benefit associated with deferred income tax assets and operating tax loss carryforwards prior to their expiration. In the event that present conditions change, and it is determined that future operations would not generate enough taxable income, or that tax strategies are no longer viable, the deferred tax assets' valuation allowance would be charged against net income.

As of December 2000, the components of consolidated deferred income tax for the period are as follows:

		2000
Deferred income tax charged to the income statement	Ps	(556,341)
Deferred income tax applied directly to stockholders' equity		941,024
	Ps	384,683

Bulletin D-4 states that the deferred tax effects of temporary differences related to transactions whose effects are recorded directly in stockholders' equity, must be recorded net of this effect.

The effects of inflation are not recognized for income tax purposes in some countries in which the Company operates or are recognized differently from the methodology used for financial reporting. These effects, as well as other differences between the book and the income tax basis, arising from the several income tax rates and laws to which the Company is subject in the countries in which it has operations, give rise to temporary and permanent differences in 1998 and 1999, and permanent differences starting in 2000, between the statutory tax rate and the effective tax rate presented in the income statement, as follows:

	December 31,		
	1998	**1999**	**2000**
	%	**%**	**%**
Approximated consolidated statutory tax rate	34.0	35.0	35.0
Utilization of tax loss carryforwards	(14.9)	(27.9)	-
Additional deductions and tax credits for income tax purposes	(20.0)	8.0	(1.9)
Expenses and other non-deductible items	5.9	(9.1)	3.4
Non-taxable sale of marketable securities and fixed assets	0.4	(2.4)	0.2
Difference between book and tax inflation	(6.9)	2.4	(15.0)
Minimum taxes	2.1	3.7	(0.1)
Depreciation	2.8	3.5	0.3
Inventories	(1.5)	(6.6)	0.2
IT effect on stockholders' equity	-	-	(5.0)
Others	3.3	(0.4)	(4.4)
Effective consolidated tax rate	5.2	6.2	12.7

Additionally, as of December 31, 2000, temporary differences between net income of the period and taxable income for ESPS generated a deferred ESPS expense of Ps45,721, presented in the income statement.

15.- FOREIGN CURRENCY POSITION

The exchange rate of the Mexican peso to the dollar as of December 31, 1998, 1999 and 2000 was Ps9.90, Ps9.51 and Ps9.62 pesos per dollar, respectively. As of January 17, 2001, the exchange rate was Ps9.89 pesos per dollar.

For the year ending December 31, 2000, the principal balances denominated in foreign currencies, as well as non-monetary assets in Mexico of foreign origin are presented as follows:

	U.S. dollars thousands		
	Mexico	**Foreign**	**Total**
Current assets	226,740	1,503,515	1,730,255
Non current assets	719,235 (1)	9,420,978	10,140,213
Total assets	945,975	10,924,493	11,870,468
Current liabilities	1,267,150	2,631,940	3,899,090
Long-term liabilities	1,656,155	1,457,740	3,113,895
Total liabilities	2,923,305	4,089,680	7,012,985

(1) Non-monetary assets in Mexico of foreign origin.

Additionally, the Company's Mexican operations in foreign currencies during 1998, 1999 and 2000, are summarized as follows:

	U.S. dollars thousands		
	1998	**1999**	**2000**
Export sales	$ 92,170	83,190	105,101
Import purchases	36,563	29,954	18,577
Interest income	24,035	14,575	17,433
Interest expense	$ 202,748	221,057	191,305

(Thousands of constant Mexican Pesos as of December 31, 2000)

16.- GEOGRAPHIC SEGMENT DATA

The Company is engaged principally in the construction industry segment through the production and marketing of cement and concrete. For operating analysis purposes, the Company's management has considered that concrete operations are an integrated part of the cement distribution process. The following table presents in accordance with the information analyzed for decision making by the Company's management, selected condensed financial information of the Company by geographic area for the years ended December 31, 1998, 1999 and 2000:

	Net Sales			Operating Income		
	1998	**1999**	**2000**	**1998**	**1999**	**2000**
Mexico ....Ps	19,776,719	22,701,101	25,995,807	7,990,057	10,053,471	11,143,765
Spain	9,120,172	7,508,439	8,266,961	2,480,619	2,443,349	2,331,730
United States	5,484,022	5,811,607	7,492,053	770,612	1,199,826	1,129,608
Venezuela.................	5,295,101	4,678,431	4,520,414	1,777,362	1,276,958	1,255,253
Colombia..................	2,674,035	1,636,734	2,023,071	113,291	387,700	817,321
Caribbean and Central America.....	2,678,591	3,591,950	4,527,001	448,858	657,241	724,549
Philippines................	-	1,191,956	1,363,510	-	24,443	119,539
Egypt........................	-	140,935	1,661,198	-	15,755	616,069
Other	2,810,570	3,787,965	3,548,833	(1,632,352)	(2,075,279)	(2,227,981)
	47,839,210	51,049,118	59,398,848	11,948,447	13,983,464	15,909,853
Eliminations	(4,062,458)	(4,051,603)	(5,326,536)	-	-	-
Consolidated ....Ps	43,776,752	46,997,515	54,072,312	11,948,447	13,983,464	15,909,853

	Depreciation and Amortization		
	1998	**1999**	**2000**
Mexico ....Ps	1,476,623	1,482,407	1,209,912
Spain	795,519	576,398	481,693
United States	205,947	222,752	615,902
Venezuela.................	530,718	566,473	613,823
Colombia..................	533,022	311,032	417,987
Caribbean and Central America.....	175,635	189,834	210,961
Philippines................	-	235,861	216,767
Egypt........................	-	20,793	193,460
Other	268,750	615,014	743,493
Consolidated ....Ps	3,986,214	4,220,564	4,703,998

In order to present integrally the operations of each operating unit, net sales between operating units are presented under the caption "eliminations".

(Thousands of constant Mexican Pesos as of December 31, 2000)

	Total Assets		Investment in Fixed Assets (2)	
	1999	2000	1999	2000
Mexico .... Ps	47,823,955	47,335,238	879,918	856,252
Spain	20,641,041	19,693,616	327,252	440,453
United States	6,833,786	42,531,761	158,063	622,377
Venezuela......................	10,866,442	10,651,965	361,465	224,487
Colombia.......................	8,364,642	7,596,988	74,520	84,246
Caribbean and Central America.....................	5,684,204	6,463,772	244,153	483,609
Philippines.....................	7,906,693	7,392,491	176,743	242,386
Other Asian	2,301,692	2,209,152	-	136,152
Egypt	6,142,937	6,128,144	-	442,519
Others (1)	28,510,552	37,947,353	241,563	280,458
	145,075,944	187,950,480	2,463,677	3,812,939
Eliminations	(29,583,818)	(36,345,436)	-	-
Consolidated.................. Ps	115,492,126	151,605,044	2,463,677	3,812,939

(1) Includes, in addition to trade maritime operating assets and other assets, related party balances of the Parent Company of Ps25,336,936 and Ps24,797,979 in 1999 and 2000, respectively, which are eliminated in consolidation.

(2) Corresponds to fixed assets' investments not considering the effects of inflation. As a result, this balance differs from the amount presented as investing activities in the Statement of Changes in the Financial Position in "Property, machinery and equipment, net", which considers the inflation effects in accordance with Bulletin B-10.

17.- EARNINGS PER SHARE

Basic earnings per share are calculated by dividing majority interest net income for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects, on the weighted average number of common shares outstanding, the effects of any transaction carried out by the company, which have a potentially diluting effect in such number of shares.

The weighted average number of shares utilized in the calculation is as follows:

	Basic (1)	Diluted
December 31, 1998	3,786,281,775	3,797,376,945
December 31, 1999	3,767,646,462	3,787,200,759
December 31, 2000	4,123,703,259	4,143,760,773

(1) In 1998, the number of shares includes 118,919,607 shares, deposited in a trust in guaranty of a financial transaction of U.S. dollars 80 million, which for accounting purposes were considered owned by third parties. This transaction was liquidated during 1999.

The difference between the basic and diluted number of shares in 1998, 1999 and 2000 is attributable to the additional shares issued under the Company's executive stock option plan (see note 12B).

18.- CONTINGENCIES AND COMMITMENTS

A) GUARANTEES

As of December 31, 2000, CEMEX, S.A. de C.V. has signed as guarantor of loans made to certain subsidiaries for approximately U.S.$80 million.

B) TAX ASSESSMENTS

As of December 31, 2000, the Company and some of its subsidiaries in Mexico have been notified of several tax assessments determined by the Tax Authorities related to years prior to 1996. These tax assessments total approximately Ps3,325 million. The tax assessments result primarily from: (i) disallowed deductions resulting from social security expenses; and (ii) recalculation of the inflationary tax deduction, since the tax authorities purport that "Advance Payments to Suppliers" are not by their nature credits. The companies involved are using all the available defense actions granted by Law in order to cancel the tax claims.

On January 26, 2000, the Company obtained a favorable resolution by the Domestic Taxes and Customs Office of Colombia ("DIAN"), dismissing special tax assessments, which at year end 1999 amounted to approximately U.S.$143 million, and that were received during 1998 by three indirect subsidiaries of the Company in Colombia, corresponding to the 1995 fiscal year.

C) ANTI-DUMPING DUTIES

In 1990, the United States Department of Commerce ("DOC") imposed an anti-dumping duty order on imports of gray Portland cement and clinker from Mexico. As a result, certain subsidiaries of the Company, as importers of record, have been subject to payment of anti-dumping duty deposits estimated on imports of gray Portland cement and clinker from Mexico since April 1990. The order is likely to continue for an indefinite period, until the United States government determines, taking into consideration the World Trade Organization new rules, that the conditions for imposing the order no longer exist and the cancellation or suspension of the order would follow. In the last quarter of 2000, the United States government determined the order’s continuation, a resolution that will prevail until a new review is made by it, which is expected to occur during 2001. As of the date of the financial statements, the Company cannot assure that this new review will take place, or what the resolution would be.

As of December 31, 2000, the Company has accrued a liability of U.S.$52.4 million, including accrued interest, for the difference between the amount of anti-dumping duties paid on imports and the latest findings by the DOC in its administrative reviews for all of the reviewed periods.

As of December 31, 2000, the Company is in the tenth administrative review period by the DOC, and expects a preliminary resolution in the second half of 2001. With respect to the first four review periods, the DOC has issued a final resolution of the anti-dumping duties. With respect of the remaining review periods, the final resolutions are suspended until all the procedures before the NAFTA Panel have been concluded. As a result, the final amounts may be different from those recorded in the accompanying consolidated financial statements. The Company and its subsidiaries have defended their position in this matter and will continue to do so through the available means in order to determine the actual dumping margins within each period of the administration reviews carried out by the DOC.

D) LEASES

The Company has entered into various non-cancelable operating leases, primarily for the lease of operating facilities, cement storage and distribution facilities and certain transportation and other equipment, which require annual rental payments plus the payment of certain operating expenses. Future minimum rental payments due under such leases are summarized as follows:

Year ending December 31,	U.S. dollars thousand
2001	$ 68,663
2002	54,803
2003	46,489
2004	40,342
2005	33,459
2006 and thereafter	150,666
	$ 394,422

Rental expense for the years ended December 31, 1998, 1999, and 2000 was approximately U.S.$25, U.S.$41 and U.S.$52 million, respectively.

E) PLEDGE ASSETS

At December 31, 2000, there are liabilities amounting to U.S.$52.8 million secured by property, plant and equipment.

F) COMMITMENTS

As of December 31, 2000, subsidiaries of the Company have future commitments for the purchase of raw materials for an approximate amount of U.S.$75.8 million.

As of December 31, 1999, the Company has entered into agreements with an international partnership, which will build and operate an electrical energy generating plant. These agreements establish that when the plant begins operations, the Company will purchase, starting in the second half of 2002, all of the energy generated by the plant for a term of no less than 20 years. As part of these agreements, the Company will supply the plant with all fuel necessary for its operation. This commitment will be covered by a 20-year agreement that the Company has with Petróleos Mexicanos. Through these agreements, the Company expects to have significant decreases in its electrical energy costs, and the supply will provide approximately 60% of the electrical energy needs of 12 cement plants in Mexico. The Company is not required to make any capital investment in the project.

Under the terms of the agreement between the Company and the Indonesian government in connection with its investment in Gresik, the Indonesian government has an option until October 2001 to require the Company to purchase its 51% interest in Gresik for approximately U.S.$418 million (Ps4,021 million), plus accrued interest from October 1998 at 8.2% per annum.

G) OTHER CONTINGENCIES

As of December 31 2000, CEMEX, Inc. (formerly Southdown, Inc.), a newly acquired subsidiary of the Company based in the United States of America (see note 6), has accrued liabilities specifically relating to environmental matters in the aggregate amount of U.S.$22 million. The environmental matters relate to a) in the past, in accordance with industry practice, disposing of various materials, which might be categorized as hazardous substances or wastes, and b) the cleanup of sites used for or operated by the Company, including discontinued operations, in regard to the disposal of hazardous substances or wastes, either individually or jointly with other parties. Most of the proceedings are in the preliminary stage, and a final resolution might take several years. For purposes of recording the provision, the subsidiary considers that it is probable that a liability has been incurred and the amount of the liability is reasonably estimable, whether or not claims have been asserted, and without giving effect to any possible future recoveries. Based on information developed to date, the subsidiary does not believe it will be required to spend significant sums on these matters in excess of the amounts previously recorded. Until all environmental studies, investigations, remediation work, and negotiations with or litigation against potential sources of recovery have been completed, however, the ultimate cost that might be incurred to resolve these environmental issues cannot be assured.

In February 2000, a subsidiary of Southdown received two claims from the general contractor for the expansion project of its cement plant located in Victorville, California. The contractor has requested additional compensation in excess of the guaranteed contract amount to cover costs associated with structural steel and related items. The original amount of the claims was approximately U.S.$5 million, but has been increased to over U.S.$14 million. The subsidiary has rejected the claims based on its belief that it is not responsible for the increased costs. Any payments as a result of the claim would be included as part of the capitalized cost of the project and amortized over the life of the project. The Company believes that any payments made as a result of the claim would not have a material effect on its financial condition or results of operation.

In October 2000, a subsidiary of Southdown received a claim from the general contractor for the recent expansion of its cement plant located in Louisville, Kentucky. The contractor is claiming approximately U.S.$18.5 million in additional compensation in excess of the guaranteed contract amount. The Company is only beginning its evaluation of the claim, and at this time is unable to predict how much, if any, it may have to pay with respect to the claim. Any payments as a result of the claim would be included as part of the capitalized cost of the project and amortized over the life of the project. The Company believes that any payments made as a result of the claim would not have a material effect on its financial condition or results of operations.

19.- NEW ACCOUNTING PRONOUNCEMENTS

Starting January 1, 2001, Bulletin C-2, Financial Instruments ("Bulletin C-2"), will be mandatory for all public companies, which report under Mexican GAAP. Among the most relevant issues of Bulletin C-2, is the requirement to recognize the fair values of all financial derivative instruments as assets or liabilities in the balance sheet. Changes in valuation of these instruments must be recorded in the income statement. Likewise, the effects originated by a financial instrument, which in substance is an equity transaction, must be recorded in the stockholders' equity. The Company is currently evaluating the impact that the adoption of this Bulletin might have in the consolidated financial statements.

20. DIFFERENCES BETWEEN MEXICAN AND UNITED STATES ACCOUNTING PRINCIPLES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Mexico (Mexican GAAP), which differ in certain significant respects from those applicable in the United States (U.S. GAAP).

The Mexican GAAP consolidated financial statements include the effects of inflation as provided for under Bulletin B-10 and Bulletin B-15, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The reconciliation to U.S. GAAP includes (i) a reconciling item for the reversal of the effect of applying Bulletin B-15 for the restatement to constant pesos for the years ended December 31, 1998 and 1999, and (ii) a reconciling item to reflect the difference in the carrying value of machinery and equipment of foreign origin and related depreciation between the methodology set forth by the fifth amendment to Bulletin B-10 (modified) and the amounts that would be determined by using the historical cost/constant currency method. As described below, these provisions of inflation accounting under Mexican GAAP do not meet the requirement of Rule 3-20 of Regulation S-X of the Securities and Exchange Commission. The reconciliation does not include the reversal of other Mexican GAAP inflation accounting adjustments as these adjustments represent a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

(Thousands of constant Mexican Pesos as of December 31, 2000)

The other principal differences between Mexican GAAP and U.S. GAAP and the effect on consolidated net income and consolidated stockholders' equity are presented below, with an explanation of the adjustments.

		Year ended December 31,		
		1998	**1999**	**2000**
	Net income as reported under Mexican GAAP	Ps 8,148,720	9,467,323	9,613,442
	NCPI inflation adjustment	1,589,616	616,911	—
	Net income as reported under Mexican GAAP after NCPI adjustments	9,738,336	10,084,234	9,613,442
	Approximate U.S. GAAP adjustments:			
1.	Amortization of goodwill (see 20(a))	421,814	(67,487)	(63,138)
2.	Deferred income taxes (see 20(b))	(2,204,782)	(3,485,544)	(161,560)
3.	Deferred employees' statutory profit sharing (see 20(b))	(471,022)	(365,003)	(69,050)
4.	Other employee benefits (see 20(c))	6,799	(77,769)	(40,929)
5.	Marketable securities (see 20(d))	338,861	—	—
6.	Capitalized interest (see 20(e))	(4,438)	84,524	(73,208)
7.	Minority interest (see 20(f)):			
	a) Financing Transactions	(220,079)	232,488	65,723
	b) Effect of U.S. GAAP adjustments	35,893	(24,612)	176,144
8.	Hedge accounting (see 20(m))	(3,399,947)	(1,822,274)	(1,405,388)
9.	Depreciation (see 20(g))	60,427	151,321	(50,943)
10.	Accruals for Contingencies (see 20(h))	(35,953)	(2,865)	(110,996)
11.	Equity in net income of affiliated companies (see 20(i))	(64,086)	(24,491)	(56,474)
12.	Inflation adjustment of machinery and equipment (see 20(j))	(95,693)	(416,669)	(405,979)
13.	Other U.S. GAAP adjustments (see 20(l))	114,101	(118,436)	174,019
14.	Monetary effect of U.S. GAAP adjustments	1,906,742	1,699,138	1,087,019
	Total approximate U.S. GAAP adjustments	(3,611,363)	(4,237,679)	(934,760)
	Approximate net income under U.S. GAAP	Ps 6,126,973	5,846,555	8,678,682
	Basic U.S. GAAP earnings per share	Ps 1.62	1.55	2.10
	Diluted U.S. GAAP earnings per share	Ps 1.61	1.54	2.09

		Year ended December 31,	
		1999	**2000**
	Total stockholders' equity reported under Mexican GAAP	Ps 62,637,572	73,580,751
	NCPI inflation adjustment	4,081,598	—
	Total stockholders' equity after NCPI adjustment	66,719,170	73,580,751
	Approximate U.S. GAAP adjustments:		
1.	Goodwill net (see 20(a))	(3,165,098)	(3,486,971)
2.	Deferred income taxes (see 20(b))	(9,170,908)	(3,557,011)
3.	Deferred employees' statutory profit sharing (see 20(b))	(3,068,834)	(2,839,611)
4.	Other employee benefits (see 20(c))	(260,002)	(277,706)
5.	Capitalized interest (see 20(e))	(479,009)	(425,748)
6.	Minority interest—effect of financing transactions (see 20(f))	(6,269,202)	(968,975)
7.	Minority interest—U.S. GAAP presentation (see 20(f))	(9,521,076)	(23,535,661)
8.	Depreciation (see 20(g))	164,171	(115,290)
9.	Accruals for contingencies (see 20(h))	243,863	98,145
10.	Investment in net assets of affiliated companies (see 20(i))	(519,374)	(79,784)
11.	Inflation adjustment for machinery and equipment (see 20(j))	8,843,460	8,231,890
12.	Temporary equity from forward contracts (see 20(k))	(5,339,534)	(5,393,136)
13.	Other U.S. GAAP adjustments (see 20(l))	310,713	430,595

(Thousands of constant Mexican Pesos as of December 31, 2000)

Total approximate U.S. GAAP adjustments		(28,230,830)	(31,919,263)
Total approximate stockholders' equity under U.S. GAAP...................... .	Ps	38,488,340	41,661,488

For purposes of the following notes, the Mexican GAAP prior years amounts have been restated using the Mexican inflation rate instead of the weighted average index described in note 2B. Therefore the amounts shown for prior years in these notes, in respect to constant pesos, do not agree with the amounts shown in footnotes 1 to 19.

The term "SFAS" as used herein refers to Statements of Financial Accounting Standards.

(a) *Goodwill*

The Company's goodwill recognized under Mexican GAAP has been adjusted for U.S. GAAP purposes for (i) the effect of the U.S. GAAP adjustments as of the dates of acquisition on the goodwill of the subsidiaries acquired (ii) the difference between sinking fund amortization of goodwill over 20 to 40 years for Mexican GAAP purposes (see note 2I) and the straight line method over 40 years for U.S. GAAP purposes and (iii) the conversion of goodwill applicable to foreign subsidiaries in accordance with SFAS 52, utilizing inflation of each country to restate the goodwill for inflation purposes. In addition, amortization of goodwill is reflected as an operating expense for U.S. GAAP purposes versus other income and expense for Mexican GAAP purposes.

For U.S. GAAP purposes, the Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

(b) *Deferred Income Taxes and Employees' Statutory Profit Sharing*

Until December 31, 1999, Mexican GAAP provided that deferred taxes should not be recorded for those temporary differences whose origin is not specifically identifiable or whose realization is not presently determinable because upon turnaround they will be replaced by other temporary differences of a similar nature and amount.

For U.S. GAAP purposes, the Company accounts for income taxes utilizing SFAS 109 "Accounting for Income Taxes", which requires the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax asset and liabilities are recognized for the future tax consequences of "temporary differences" by applying enacted statutory tax rates applicable in future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities and operating loss carryforwards. The amount of deferred income taxes charged or credited to operations in each period for U.S. GAAP is based upon the difference between the beginning and ending balances of the deferred tax assets or liabilities for each period, expressed in nominal pesos. A monetary position gain or loss of the deferred tax assets or liabilities was also recognized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

(Thousands of constant Mexican Pesos as of December 31, 2000)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities under U.S. GAAP at December 31, 1999 and 2000 are presented below.

		December 31,	
		1999	2000
Deferred tax assets:			
Net operating loss and assets tax carryforwards	Ps	2,510,213	3,442,596
Trade accounts receivable		435,687	101,694
Investment in affiliated companies		500	6,682
Accounts payable and accrued expenses		535,964	734,878
Other		168,002	141,651
Total gross deferred tax assets		3,650,366	4,427,501
Less valuation allowance		204,251	590,122
Net deferred tax assets under U.S. GAAP		3,446,115	3,837,379
Deferred tax liabilities:			
Property, plant and equipment		15,364,270	19,356,635
Inventories		439,075	1,271,520
Other		169,351	452,141
Total gross deferred tax liability under U.S. GAAP		15,972,696	21,080,296
Net deferred tax liability under U.S. GAAP		12,526,581	17,242,917
Deferred tax recognized under Mexican GAAP affecting equity (see note 14B)		1,071,713	5,495,849
Excess of liability recognized under U.S. GAAP over that recognized under Mexican GAAP		11,454,868	11,747,068
Less—U.S. GAAP deferred income taxes of acquired subsidiaries at date of Acquisition		2,214,123	8,190,057
Inflation adjustment (note 2B)		(69,837)	—
U.S. GAAP adjustment to stockholders' equity	Ps	9,170,908	3,557,011

Management believes that it is more likely than not that it will generate taxable income sufficient to realize the tax benefit associated with future deductible temporary differences and operating tax loss carryforwards prior to their expiration. If the Company is unable to generate sufficient taxable income in the future through operating results, or alternative tax strategies are no longer viable, a valuation allowance will be required through a charge to expense.

The Company recorded a valuation allowance for the estimated amount of the recoverable tax on assets, which may not be realized due to their expiration during the carryforwards period. Through the continuous evaluation of the effects of tax strategies, among other economic factors, during 2000 the Company increased a net effect on the valuation allowance of approximately Ps403 million.

Effective December 31, 1998, the income tax rate increased from 34% to 35% for temporary differences in Mexico to give effect to the enactment of the new income tax law in Mexico. This resulted in an additional deferred tax expense of Ps269,108 for U.S. GAAP purposes in 1998.

Additionally, as it is mentioned in note 14B, beginning in 2000, new Bulletin D-4 requires the determination of deferred income tax through the balance sheet methodology, in a manner similar to U.S. GAAP. Nonetheless, there are certain specific differences in the application of Bulletin D-4 in the Company as compared to the calculation under SFAS 109 that will lead to differences in the reconciliation to US GAAP. These differences arise from i) the recognition of the accumulated initial balance as of January 1, 2000 which is recorded directly to stockholders' equity, therefore, does not consider the provisions of APB Opinion 16 for the deferred tax consequences in business combinations made before January 1, 2000, ii) some adjustments to Mexican GAAP recorded in the foreign subsidiaries for consolidation purposes are to be treated as permanent differences, and iii) for Mexican GAAP presentation purposes, deferred tax assets and liabilities should be considered as long-term items.

(Thousands of constant Mexican Pesos as of December 31, 2000)

As of December 31, 2000, a net deferred tax liability under Bulletin D-4 of Ps5,495,849, after considering a deferred income tax liability of acquired subsidiaries during 2000 recognized in Goodwill, has been reversed for purposes of the U.S. GAAP reconciliation of stockholders' equity. In the reconciliation of net income as of December 31, 2000, a deferred tax expense of Ps556,341 arising from Bulletin D-4 was eliminated.

The Company also recorded a deferred liability for U.S. GAAP purposes, related to employees' statutory profit sharing ("ESPS") in Mexico under the asset and liability method at the statutory rate of 10%. The principal effects of temporary differences that give rise to significant portions of the deferred ESPS liabilities at December 31, 1999 and 2000 are presented below:

		December 31,	
		1999	**2000**
Deferred assets:			
Employee benefits	Ps	46,041	65,593
Trade accounts receivable		12,090	11,266
Other		—	20,915
Gross deferred assets under U.S. GAAP		58,131	97,774
Deferred liabilities:			
Property, plant and equipment		2,966,775	2,739,105
Inventories		140,691	137,284
Other		19,499	60,996
Gross deferred liabilities under U.S. GAAP		3,126,965	2,937,385
Net deferred liabilities under U.S. GAAP	Ps	3,068,834	2,839,611

For purposes of the condensed financial information presented under U.S. GAAP in note 20(p), employees' statutory profit sharing expense, both current and deferred, is deducted in the determination of operating income. For Mexican GAAP presentation, ESPS expense, both current and deferred, is considered as a separate line item equivalent to income tax.

Under new Bulletin D-4, for Mexican GAAP purposes, it is required to determine the effect of deferred ESPS for those temporary differences arising from the reconciliation of the net income of the period and the taxable income for ESPS, of a non-recurring nature. As of December 31, 2000, in the reconciliation of net income to U.S. GAAP, a deferred ESPS expense of Ps45,721, determined under Mexican GAAP, was reversed.

(c) *Other Employee Benefits*

Vacations

Under Mexican GAAP, vacation expense is recognized when taken rather than during the period the employees earn it. In order to comply with SFAS 43, as of December 31, 1998, 1999 and 2000, the vacation expense recorded for U.S. GAAP purposes was Ps9,505, Ps8,876 and Ps8,156, respectively with an accrual of Ps45,488 and Ps49,687 at December 31, 1999 and 2000, respectively.

Severance

Before 1997, under Mexican GAAP, post-employment benefit expenses other than pension benefits were recorded when retirement occurred, and the Company did not provide for any severance benefits. Beginning in

1997, in accordance with Mexican GAAP (Circular 50), SFAS 112 is the supplementary accounting standard for post-employment benefits. As of December 31, 1999 and 2000, the Company did not accrue a provision for these benefits for Mexican GAAP due to their insignificance. However, under U.S. GAAP, post-employment benefits for former or inactive employees, excluding retirement benefits, are accounted for under the provisions of SFAS 112, which requires the Company to accrue the cost of certain benefits, including severance, over an employee's service life. As of December 31, 1998, 1999 and 2000, the severance provisions recorded for U.S. GAAP purposes were an expense of Ps43,676, Ps40,787 and Ps37,476, respectively with an accrual of Ps209,020 and Ps228,317 at December 31, 1999 and 2000, respectively. Severance payments relating to any specific event or restructuring are excluded from the SFAS 112 calculation.

Pension and other benefits

The Company accounts for employee pension benefits based on the net present value of the obligations determined by independent actuaries (see notes 2J and 11), in a manner similar to SFAS 87 under U.S. GAAP. Nonetheless, certain differences in assumptions led to minor differences between the amounts recognized under Mexican GAAP and their corresponding equivalents under U.S. GAAP. These discrepancies were eliminated in the actuarial computations of 2000. For purposes of the U.S. GAAP reconciliation of net income, the Company recognized income of Ps59,980 in 1998, expense of Ps28,106 in 1999 and income of Ps4,703 in 2000, and was required to reverse the adjustment, with an additional liability in the balance sheet under U.S. GAAP of Ps5,494 at December 31, 1999.

In addition, as a result of the Company's acquisition of Southdown (see note 6A), a package of employee benefits, including postretirement benefits, was assumed. At December 31, 2000, these benefits are summarized as follows:

1. *Pension* – Southdown has a defined benefit pension plan covering substantially all employees. The benefits are based on years of service and the employee's compensation is integrated with Social Security. External actuaries in accordance with SFAS 87 determine the funded status of the pension plan.
2. *Retirement Savings Plan* – Southdown maintains a retirement savings plan designed to qualify under Sections 401(a) and 401(k) of the U.S. Internal Revenue Code, in which substantially all employees are eligible to participate. Southdown contributes an amount to the savings plan equal to 75% of an employee's contributions, subject to certain limitations. Southdown's matching contributions do not vest until the employee's fifth anniversary with the company. All employee contributions are fully vested when made.
3. *Supplemental Executive Retirement Plan* – Southdown has a non-qualified plan for a group of senior line and staff management personnel. Under this plan, participants will receive an additional monthly retirement benefit, equal to the difference between the Southdown's qualified pension plan and the amount that would be calculated assuming there were no limitations imposed by the U.S. Internal Revenue Code on compensation. The plan is unfunded.
4. *Supplemental Pension Liabilities* – A small number of former employees, directors and retirees of Southdown are eligible for payments under non-qualified pension agreements, for which Southdown accrued the present value of probable future cash outlays during the expected service life of the employee and charged that amount against earnings for financial reporting purposes.
5. *Health Care and Life Insurance Benefits* – Southdown offers health care benefits to active employees and their dependents. Certain retirees under the age of sixty-five and their dependents are also offered health care benefits, which consist primarily of medical and life insurance benefits. However, Southdown reduces benefit payments for covered retirees sixty-five years of age or older by benefits paid by Medicare.

The benefit obligation at December 31, 2000, and the benefit (income) expense for the two-month period ended December 31, 2000, arising from Southdown's employee benefits mentioned above, are included in the Company's pension plans, seniority premium and other postretirement benefits consolidated information included in note 11.

Southdown's pension plan had a prepaid benefit cost of U.S.$99.6 million at December 31, 2000, with a net periodic benefit income of U.S.$(0.9) million for the two-month period ended December 31, 2000. All other Southdown benefits had an accrued benefit cost of U.S.$40.5 million at December 31, 2000, with a net periodic benefit expense of U.S.$0.6 million for the two-month period ended December 31, 2000.

Most of the Company's health care benefits, including Southdown's, are self-insured and administered on cost plus fee arrangements with major insurance companies or provided through health maintenance organizations. The Company also provides life insurance benefits to its active and retired employees. Generally, life insurance benefits for retired employees are reduced over a number of years from the date of retirement to a minimum level.

(d) *Marketable Securities*

Included in other investments, the Company holds an investment in common stock of a third party company. This investment is recorded at market value based upon its quoted price. Although the Company does not have the intention to sell these shares, this investment has been classified as available-for-sale for purposes of complying with SFAS 115. Unrealized holding gain of Ps338,861 (gain of Ps237,894, after the related deferred income tax effect which has been credited directly to stockholders' equity) for the year ended December 31, 1998, was reclassified from income and included as a component of stockholders' equity for purposes of the Company's reconciliation to U.S. GAAP. Beginning in January 1, 1999, the Company adopted the provisions of SFAS 115 under Mexican GAAP, therefore, no additional reclassification is needed for purposes of the net income reconciliation. See note 20 (x) for recent developments related to this investment after December 31, 2000.

(e) *Capitalized Interest*

Under Mexican GAAP, the Company is allowed, but not required, to capitalize interest on assets under construction. Mexican GAAP states that the amount of financing cost to be capitalized during the construction period of property, machinery and equipment must be comprehensively measured in order to include properly the effects of inflation. Therefore, the amount capitalized includes: (i) the interest cost of the debt incurred, plus (ii) any foreign currency exchange loss that results from the related debt, and less (iii) the related monetary position result recognized on the debt incurred to finance the construction project. Under U.S. GAAP, interest must be considered an additional cost of constructed assets to be capitalized in property, machinery and equipment and depreciated over the lives of the related assets.

The U.S. GAAP reconciliation removes the foreign currency gain or loss capitalized for Mexican GAAP derived from borrowings denominated in foreign currency.

(f) *Minority Interest*

Financing Transactions

For purposes of U.S. GAAP presentation, Preferred stock described in note 12F for an amount of U.S.$1,500 million (Ps14,430 million) is presented as a separate component of mezzanine items. Under Mexican GAAP these instruments are presented as part of the minority interest in stockholders' equity. Preferred dividends declared in 2000 of U.S.$17 million are recorded as part of the minority interest in the consolidated statements of income under both Mexican GAAP and U.S. GAAP.

As of December 31, 1999, the Company had U.S.$500 million under an outstanding equity financing transaction involving shares of its Spanish subsidiary. The transferred shares represented 24.8% of the outstanding capital stock of this subsidiary. During the life of the transaction, the Company considered the shares involved as if those were owned by a third party and therefore, recorded a minority interest in the consolidated balance sheet under Mexican GAAP. For U.S. GAAP purposes, this financing transaction was classified as debt in the amount of Ps5,184.4 million at December 31, 1999. This transaction was terminated on August 31, 2000. For Mexican GAAP purposes, the costs related to this transaction were recorded as part of the net financing cost in the income statement. Differences between the amount of minority interest recognized for Mexican GAAP purposes and the amount of debt for U.S. GAAP purposes for this financing transaction were reflected in the reconciliation of stockholders' equity to U.S. GAAP.

The financing transaction mentioned above bore interest at 3 month-LIBOR plus 100 basis points (approximately 7.0% at December 31, 1999), and had an original maturity schedule of U.S.$125 million of the principal due in June 2000, U.S.$125 million in December 2000, and the remaining U.S.$250 million due in June 2001.

For purposes of U.S. GAAP presentation, Putable Capital Securities described in note 12(F) are presented as a separate component of mezzanine items. Under Mexican GAAP these instruments are presented as part of the minority interest in stockholders' equity. Dividends declared are recorded as part of the minority interest in the consolidated statements of income under both Mexican GAAP and U.S. GAAP.

In December 1995, the Company entered into a financial transaction in which a subsidiary transferred some of its cement assets to a trust, while simultaneously a third party purchased a beneficial interest in the trust for approximately Ps123.5 million in exchange for notes issued by the trust. The Company has the right to reacquire these assets on various dates until 2007. As of December 31, 1999 and 2000, U.S.$104.6 million (Ps1,084.6 million) and U.S.$100.7 million (Ps968.9 million), respectively, were outstanding under this transaction. For U.S. GAAP purposes the amount outstanding under this arrangement is treated as debt. Under Mexican GAAP this transaction has been treated as minority interest (see note 12G).

U.S. GAAP adjustments

Under Mexican GAAP the minority interest in consolidated subsidiaries is presented as a separate component within the stockholders' equity section in the consolidated balance sheets. According to U.S. GAAP, minority interest is excluded from consolidated stockholders' equity and classified as a separate component between total liabilities and stockholders' equity in the consolidated balance sheets. The U.S. GAAP adjustment to stockholders' equity included herein represents the minority interests in the Company's subsidiaries determined in accordance with U.S. GAAP.

(g) *Depreciation*

One of the Company's subsidiaries in Colombia records depreciation expense utilizing the sinking fund method. This methodology for depreciation was in place before Cemex acquired the subsidiary in 1997. For Mexican GAAP purposes, the Company has decided to maintain this accounting practice due to tax consequences in Colombia arising from a change in methodology, and the immateriality of the effects in the Company's consolidated results. For U.S. GAAP purposes, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. As a result of this accounting difference, as of December 31, 1998, 1999 and 2000, an income of Ps60,427 and Ps127,438 and an expense of Ps76,042, respectively, have been adjusted to income in the U.S. GAAP reconciliation.

Additionally, as a result of the application of APB 16 in the acquisition of Rizal, one of the Company’s subsidiaries in the Philippines, for U.S. GAAP purposes the Company had reduced the value of its fixed assets by Ps275,819 in 1999 and Ps237,683 in 2000, net of depreciation, corresponding to the portion of the appraisal value related to the minority owners. The change in the fixed assets' amount for under U.S. GAAP arising from this concept led to a decrease in the depreciation expense under U.S. GAAP of Ps23,883 during 1999 and Ps25,099 during 2000.

(h) *Accruals for Contingencies*

For Mexican GAAP purposes, the Company has recorded accruals for certain contingencies that do not meet the accrual criteria of SFAS 5 of U.S. GAAP. Our Spanish subsidiary has recorded a liability for guarantees given to third parties by former subsidiaries and other general accruals. At the balance sheet dates the likelihood of a loss occurring is considered to be possible but not probable. Therefore, the Company does not consider that the criteria of SFAS 5 for accrual were met, and the recorded liabilities were reversed for U.S. GAAP purposes.

In addition, with respect to the contingencies described in note 18B and G, the Company believes that while it is reasonably possible for a loss to occur as a result of these assessments, the likelihood of a loss is not probable. Therefore, the Company does not consider that the criteria of SFAS 5 for accrual were met (see also note 20(v)).

(i) *Affiliated Companies*

The Company has adjusted its investment and equity in the earnings of affiliated companies for the Company's share of the approximate U.S. GAAP adjustments applicable to these affiliates.

(j) *Inflation Adjustment of Machinery and Equipment*

On December 2, 1997, the International Practices Task Force of the American Institute of Certified Public Accountants encouraged Mexican companies to restate their fixed assets of foreign origin by applying the inflation rate of each country in which the Company operates, instead of using the methodology included in the fifth amendment to Bulletin B-10, which consists of restating the fixed assets of foreign origin on the basis of the devaluation of the functional currency against the currency of origin and applying a factor of inflation in such foreign country. For purposes of the U.S. GAAP reconciliation, fixed assets of foreign origin were restated using the inflation factor arising from the Consumer Price Index ("CPI") of each country, and depreciation is based upon the revised amounts.

(k) *Temporary Equity from Forward Contracts*

As mentioned in notes 12G and 13A to the financial statements, the Company has entered into forward contracts in connection with its warrant offering transaction. According to EITF 96-13, forward contracts involving the Company's own stock that will be physically settled by delivering cash should be initially measured at fair value and recorded in permanent equity, and an amount equivalent to the cash redemption at the date of reporting, should be reclassified to temporary equity, which is to be considered as a mezzanine item for the balance sheet presentation under U.S. GAAP. As a result, for purposes of reconciliation the Company presents an adjustment to its stockholders' equity under Mexican GAAP of Ps5,339,534 in 1999 and Ps5,393,136 in 2000, which represents the cash obligation of the Company under the forward contract at the reporting date. This amount is presented as a mezzanine item for pusposes of note 20(p).

(l) *Other U.S. GAAP Adjustments*

Inventory costs—As permitted by Mexican GAAP, certain inventories are valued under the direct cost system, which includes material, labor and other direct costs. For purposes of complying with U.S. GAAP, inventories have been valued under the full absorption cost method, including all costs and expenses necessary for the manufacturing process. At December 31, 1998 and 1999, the Company recognized income of Ps18,206 and expense of Ps135,777, respectively, in the net income reconciliation to U.S. GAAP. Beginning January 1, 2000, the Company has adopted the full absorption cost method in all its producing facilities; therefore, as of December 31, 2000, the reconciling item arising from this concept has been cancelled, recognizing an expense of Ps62,947 in the net income reconciliation to U.S. GAAP.

Capitalization of costs of computer development Under U.S. GAAP—Statement of Position 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*", provides guidance on accounting for the costs of computer software developed or obtained for internal use. SOP 98-1 requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software and that costs related to the preliminary project stage and the post-implementation/operations stage (as defined in SOP 98-1) in an internal-use computer software development project be expensed as incurred. SOP 98-1 is effective for financial statements issued for fiscal years beginning after December 15, 1998. The estimated average useful lives period to amortize these capitalized costs is between 3 and 5 years. As of December 31, 1998, 1999 and 2000, the effect of capitalizing this costs in the reconciliation of net income to U.S. GAAP, net of amortization, led to an income of Ps202,688, Ps214,311 and Ps113,796, respectively, with a cumulative effect of income in the stockholders' equity reconciliation to U.S. GAAP at December 31, 1999 and 2000 of Ps536,562 and Ps621,176, respectively.

(Thousands of constant Mexican Pesos as of December 31, 2000)

Deferred charges—For U.S. GAAP purposes other deferred charges net of accumulated amortization, that did not qualify for deferral under U.S. GAAP had been charged to expense in the year or period incurred for Ps106,793 in 1998, Ps196,970 in 1999 and credited to income for Ps123,170 in 2000. The net effect in the stockholders' equity reconciliation to U.S. GAAP is an expense of Ps338,973 and Ps190,581 at December 31, 1999 and 2000, respectively. Mexican GAAP allowed the deferral of these expenses.

Monetary position result—Monetary position result of the U.S. GAAP adjustments is determined by (i) applying the annual inflation factor to the net monetary position of the U.S. GAAP adjustments at the beginning of the period, plus (ii) the monetary position effect of the adjustments during the period, determined with a weighted average inflation factor for the period.

Reclassifications—Real estate held for sale amounting to Ps161,986 in 1999 and Ps94,934 in 2000, and non-cement related assets amounting to Ps140,402 in 1999 and Ps104,460 in 2000, have been reclassified to long-term assets for purposes of U.S. GAAP presentation in note 20(p). These assets are stated at their estimated fair value. Estimated costs to sell these assets are not significant.

(m) *Financial Instruments*

Fair Value of Financial Instruments

The carrying amount of cash, trade accounts receivable, other accounts receivable, trade accounts payable, other accounts payable and accrued expenses and short-term debt, approximates fair value because of the short-term maturity of these financial assets and liabilities.

Marketable securities and long-term investments are accounted for at fair value, which is based on quoted market prices for these or similar instruments.

The carrying value of the Company's long-term debt and the related fair value based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities (or determined by discounting future cash flows using borrowing rates currently available to the Company) at December 31, 2000 is summarized as follows:

		Carrying Amount	Estimated Fair value
Bank loans	Ps	12,345,502	12,332,426
Notes payable		17,922,022	18,216,653

As discussed in notes 2D and 12E, the Company has designated certain debt as hedges of its investment in foreign subsidiaries and, for Mexican GAAP purposes, records foreign exchange fluctuations on such debt in equity. For purposes of the U.S. GAAP net income reconciliation, expense of Ps3,399,947 in 1998, Ps1,822,274 in 1999 and Ps1,405,388 in 2000, was recognized as foreign exchange losses since the related debt does not meet the conditions set forth in SFAS 52 for hedge accounting purposes, given that the currencies involved do not move *in tandem.*

Concentration of Credit Risk

The Company sells its products primarily to distributors for the construction industry with no specific geographic concentration within the countries in which the Company operates. No single customer accounted for a significant amount of the Company's sales, and there were no significant accounts receivable from a single customer at December 31, 1999, and 2000. The Company performs evaluations of its customers' credit histories and establishes an allowance for doubtful accounts based upon the credit risk of specific customers and historical trends. In addition, there is no concentration of suppliers for the purchases of raw materials.

(Thousands of constant Mexican Pesos as of December 31, 2000)

(n) *Stock Option Programs*

As described in note 12B, pursuant to the Company's Stock Option Plan to which eligible officers and key employees are entitled to participate in, the Company's Boards of Directors may grant stock options for up to 216,300,000 shares (72,100,000 CPOs) of authorized but unissued Series "A" and "B" common stock. Stock option activity during the periods is indicated in note 12B.

The Company applies APB Opinion No. 25 ("APB 25") in accounting for its Plan under U.S. GAAP. According to APB 25, the Company's Plan fulfills the type of a compensatory for services plan, where the price required from the employee at the measurement date is materially equal to the quoted market price of the stock; therefore, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS 123, using the Black-Scholes pricing model, the Company's net income would have been reduced to the pro forma amounts indicated below:

		1998	1999	2000
Net income, as reported (Mexican GAAP)	Ps	8,148,720	9,467,323	9,613,442
Net income, proforma		7,890,307	9,271,410	9,418,279
Basic earnings per share, as reported		2.15	2.51	2.33
Basic earnings per share, proforma	Ps	2.08	2.46	2.28

* See note 2A.

The assumptions for the Black-Scholes model were:

	1998	1999	2000
Expected dividend yield	2%	2%	2%
Volatility	30%	30%	30%
Risk free interest rate	22%	15%	12.5%
Tenure	10 years	10 years	10 years

(o) *Supplemental Cash Flow Information Under U.S. GAAP*

The Company presents a consolidated statement of changes in financial position under Mexican GAAP in accordance with Bulletin B-12, which identifies the sources and uses of resources determined based upon the differences between beginning and ending financial statements balances in constant pesos. It also requires monetary position result and unrealized foreign exchange gain and loss to be treated as cash items in the determination of resources provided by operations. U.S. GAAP requires a statement of cash flow presenting only cash movements and excluding non-cash items. SFAS 95 does not provide any specific guidance with respect to inflation-adjusted financial statements.

The classifications of cash flows under Mexican GAAP and U.S. GAAP are basically the same, in respect to the transactions presented under each caption. The nature of the differences between Mexican GAAP and U.S. GAAP in the amounts reported, is mainly due to (i) the elimination of inflationary effects of monetary assets and liabilities from financing and investing activities variations, against the corresponding monetary position result in operating activities, (ii) the elimination of exchange rate fluctuations from financing and investing activities variations, against the corresponding unrealized foreign exchange gain or loss included in operating activities, and (iii) the recognition in operating, financing and investing activities of the U.S. GAAP adjustments.

The following table summarizes the cash flow items as required under SFAS 95 provided by (used in) operating, financing and investing activities for the years ended December 31, 1998, 1999 and 2000, giving effect to the U.S. GAAP adjustments, excluding the effects of inflation required by Bulletin B-10 and Bulletin B-15. The following information is presented on a historical peso basis and is not presented in pesos of constant purchasing power.

(Thousands of constant Mexican Pesos as of December 31, 2000)

		Years ended December 31,		
		1998	**1999**	**2000**
Net cash provided by operating activities	Ps	11,779,184	10,275,197	9,651,375
Net cash provided by (used in) financing activities		(2,821,576)	148,447	19,136,615
Net cash used in investing activities		(8,027,317)	(10,351,043)	(26,767,096)

Net cash flow from operating activities reflects cash payments for interest and income taxes as follows:

		Years ended December 31,		
		1998	**1999**	**2000**
Interest paid	Ps	3,652,444	3,291,193	4,491,268
Income taxes paid		321,372	431,144	1,106,300

Non-cash activities are comprised of the following:

- Acquisition of property and equipment through capital leases amounted to Ps24,150 in 1998, Ps159,480 in 1999 and Ps749,835 in 2000.

- Liabilities assumed through the acquisition of businesses (see note 6) was Ps498,834 in 1998, Ps4,147,318 in 1999 and Ps5,984,602 in 2000.

(Thousands of constant Mexican Pesos as of December 31, 2000)

(p) *Condensed Financial Statements under U.S. GAAP*

The following table presents consolidated condensed balance sheets at December 31, 1999 and 2000 and statements of income at December 31, 1998, 1999 and 2000 of the Company as prepared under U.S. GAAP. This summarized financial information includes all differences described in this footnote as well as certain other reclassifications required for purposes of U.S. GAAP:

		At December 31,	
		1999	2000
Balance sheets			
Current assets	Ps	18,530,987	18,864,388
Investments and non-current assets		7,902,077	8,204,173
Property, machinery and equipment		79,942,410	93,958,394
Deferred charges		24,931,281	36,322,575
Total assets		131,306,755	157,349,530
Current liabilities		24,578,048	38,146,187
Long-term debt		36,864,712	26,986,369
Other non-current liabilities		16,813,891	21,864,372
Total liabilities		78,256,651	86,996,928
Mezzanine items:			
Putable capital securities (see note 12F)		2,592,188	2,405,000
Temporary equity		5,339,534	5,393,136
Preferred equity (see note 12F)		—	14,430,000
Minority interest		6,630,042	6,462,978
Total mezzanine items		14,561,764	28,691,114
Stockholders' equity		38,488,340	41,661,488
Total liabilities and stockholders' equity	Ps	131,306,755	157,349,530

		As of December 31,		
		1998	1999	2000
Statements of income				
Net sales	Ps	51,629,459	49,394,048	53,475,740
Gross profit		21,211,317	20,223,181	22,715,788
Operating income		11,565,711	10,950,765	13,015,858
Comprehensive financial income (cost)		(3,216,333)	(314,407)	(2,095,574)
Other expenses, net		550,089	(665,042)	(397,450)
Income tax (including deferred)		(2,695,181)	(4,148,269)	(1,691,298)
Equity in income of affiliates		318,632	444,751	343,898
Consolidated net income		6,522,918	6,267,798	9,175,434
Minority interest net income		395,945	421,243	496,752
Majority interest net income	Ps	6,126,973	5,846,555	8,678,682

For purposes of the consolidated condensed financial statements, the 1998 and 1999 figures were restated to constant pesos at December 31, 2000 using the Mexican inflation rate, in order to comply with current requirements of Regulation S-X.

(Thousands of constant Mexican Pesos as of December 31, 2000)

(q) *Restatement to Constant Pesos of Prior Years*

The following table presents summarized financial information under Mexican GAAP of the consolidated statements of income for the years ended December 31, 1998 and 1999, in Mexican pesos of equivalent constant purchasing power of December 31, 2000 using the Mexican inflation rate:

		1998		1999
Sales	Ps	52,316,527		50,059,975
Gross profit		22,067,425		22,168,918
Operating income		14,279,297		14,894,657
Majority interest net income		9,738,337		10,084,235
Current assets			Ps	17,713,371
Non-current assets				105,304,471
Current liabilities				18,935,947
Non-current liabilities				37,362,725
Majority interest stockholders' equity				53,731,796
Minority interest stockholders' equity				12,987,374

(r) *Environmental Costs*

Environmental expenditures related to current operations are expensed or capitalized, as appropriate. Remediation costs related to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. Prior to its acquisition in 1989, one subsidiary of the Company in the United States employed the use of underground storage tanks in their operations. Subsequently, the use of those tanks resulted in environmental remediation liabilities for several of the subsidiary's plant sites. Pursuant to a 1996 settlement agreement with the former owners, the subsidiary is responsible for 10% of remediation costs at one of the plant sites and 100% of remediation costs for the remaining sites.

As of December 31, 1999 and 2000, the subsidiary had accrued its best estimate of its obligation with respect to the sites of approximately Ps8 million in 1999 and Ps7 million in 2000, which are included in accrued liabilities.

In May 1999, several companies filed a civil liability suit against two of our Colombian subsidiaries, alleging that these subsidiaries were responsible for deterioration in the rice producing capacity of certain land of the plaintiffs, caused by pollution emanating from our cement plants located in Ibagué, Colombia. The plaintiffs have asked for relief in the amount of U.S.$12.6 million. This proceeding has not yet reached the evidentiary stage, since both parties have appealed the court's evidentiary decree. Upon resolution of the appeals, the evidentiary stage will begin. We estimate that this proceeding will continue for approximately six years before final resolution. For accounting purposes under both Mexican and U.S. GAAP, the Company believes that the accrual criteria have not been met in connection with this civil action.

In addition to the contingencies disclosed in note 18G, the Company is not currently facing other situation as those described above which might result in the recognition of an environmental remediation liability.

(s) *Supplemental Debt Information*

Classification of Short-term debt Expected to be Refinanced—In accordance with U.S. GAAP, and for purposes of the condensed information of note 20(p), at December 31, 1999, U.S.$226 million (Ps2,343 million), were reclassified from long-term debt to short-term.

(Thousands of constant Mexican Pesos as of December 31, 2000)

(t) *Impairment of Long Lived Assets*

In accordance with the provisions of SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell (see note 7).

For Mexican GAAP purposes the impairment provisions are reported in other income and expense. For purposes of note 20(p), these provisions are reported as a component of operating income.

(u) *Business combinations*

As mentioned in note 6, during November 2000, the Company acquired a majority equity interest in Southdown. For purposes of disclosure under U.S. GAAP according to APB 16, companies must provide on a pro forma basis, the effects of certain information as if consolidating the acquired companies since the beginning of the reported period. Therefore, for purposes of compliance with APB 16 disclosure requirement, the Company is providing proforma selected income statement amounts for the consolidation of Southdown, as if it had been consolidated for the full year 2000.

The approximated amounts are as follows:

		As of December 31, 1999			
		Cemex as Reported	Southdown Year-end 1999 as Reported (2)	Southdown Year end 1999 Proforma adjustments (3)	Cemex proforma
Net sales	Ps	46,997,515	13,186,980	—	60,184,495
Operating income		13,983,464	3,393,693	(576,502)	16,800,655
Majority interest net income (loss)		9,467,323	2,212,692	(2,964,426)	8,715,590
Basic earnings per share	Ps	2.51			2.31
Diluted earnings per share	Ps	2.50			2.30

		As of December 31, 2000			
		Cemex as Reported (1)	Southdown Ten-Months as Reported (2)	Southdown Ten-Months proforma adjustments (3)	Cemex proforma
Net sales	Ps	54,072,312	10,729,186	—	64,801,498
Operating income		15,909,853	2,719,574	(445,727)	18,183,700
Majority interest net income (loss)		9,613,442	1,207,310	(2,355,297)	8,465,455
Basic earnings per share	Ps	2.33			2.05
Diluted earnings per share	Ps	2.32			2.04

1) Includes Southdown results of operations for the two-month period ended December 31, 2000 (see note 6A).

2) Southdown year ended December 31, 1999 and ten-month period ended October 31, 2000, respectively, as reported in Southdown's annual audited financial statements.

3) For purposes of the proforma information presented in the tables above, "Southdown year ended 1999 proforma adjustments" and "Southdown ten-months proforma adjustments" columns, reflect the acquisition of Southdown for the year ended December 31, 1999 and the ten months ended, October 31, 2000, as if occurred at the beginning of such periods. The summary of adjustments is as follows:

3.1) The anticipated interest expense of U.S.$106.2 million in 1999 and U.S.$88.5 million in 2000, resulting from the U.S.$1,328 million debt financing assumed by CENA in connection with Southdown acquisition, which was determined with a weighted average interest rate of 8%, representative of the borrowing conditions.

3.2) The estimated amortization expense of U.S.$64.7 million in 1999 and U.S.$53.8 million in 2000, arising from the U.S. dollars 1,161.9 million goodwill recorded in the acquisition, resulting from the allocation of the net purchase price of U.S. dollars 2,720.3 million, including adjusting assets and liabilities to fair value at the date of the acquisition. The purchase price includes approximately U.S. dollars 2,628.3 million to acquire 100% of the outstanding shares of common stock and approximately U.S. dollars 48 million to liquidate stock options of Southdown, while the remainder relates primarily to change of control payments, investment banking fees and other transaction costs.

3.3) The additional estimated depreciation expense of U.S.$55.6 million in 1999 and U.S.$46.3 million in 2000, resulting from the revaluation of property, plant and equipment.

3.4) The income tax benefit at the statutory rate of U.S.$56.6 million in 1999 and U.S.$47.2 million in 2000, resulting from the additional depreciation and interest expense.

3.5) The anticipated preferred dividends of U.S.$116.0 million in 1999 and U.S.$103.3 million in 2000, resulting from U.S.$1.5 billion preferred equity financing transaction used by CEMEX for the acquisition (see note 12F).

(v) *Guaranteed debt*

In June 2000, the Company concluded the issuance of up to U.S.$200 million aggregate principal amount of 9.625% Exchange Notes due 2009 in a registered public offering in the United States of America in exchange for U.S.$200 million aggregate principal amount of its outstanding 9.625% Notes due 2009. The Exchange Notes are fully and unconditionally guaranteed, on a joint and several basis, as to payment of principal and interest by two of the Company's Mexican subsidiaries: CEMEX México, S.A. de C.V. (formerly, TOLMEX, S.A. de C.V.), and Empresas Tolteca de México, S.A. de C.V. (formerly, CEMEX Control, S.A. de C.V.). These two companies, together with their subsidiaries, account for substantially all the revenues and operating income of the Company's Mexican operations.

During 1999, through a series of mergers, the cement and ready-mix concrete operations of the Company in Mexico were integrated into CEMEX México, S.A. de C.V. ("CEMEX Mexico"). Prior to these mergers, Tolmex, S.A. de C.V., Serto Construcciones, S.A. de C.V., Cemento Portland Nacional, S.A. de C.V., Cementos Mexicanos, S.A. de C.V. and CEMEX Control, S.A. de C.V. were the guarantors of part of the indebtedness of the Company (the "Guarantors"). Concurrent with this merging process, the legal name of CEMEX Control, S.A. de C.V. was changed to Empresas Tolteca de México, S.A. de C.V. (this subsidiary was not part of the merging process described above).

As mentioned in note 10, as of December 31, 1999 and 2000, indebtedness of the Company in an aggregate amount of U.S.$2,090 million and U.S.$1,520 million, respectively, is fully and unconditionally guaranteed, on a joint and several basis, by CEMEX Mexico and Empresas Tolteca de México, S.A. de C.V. ("ETM"). The Company's indebtedness guaranteed by these two subsidiaries did not increase as a result of the exchange offer described above.

As of December 31, 2000, the Company owned a 99.9% equity interest in CEMEX Mexico, including a 2.5% equity interest held by a Mexican trust in connection with an equity financing transaction due in 2007 (see note 12G), and CEMEX Mexico owned a 99.9% equity interest in ETM. The current "General Law of Commercial

Corporations" in Mexico prescribes a minimum participation of two shareholders on the equity of a Mexican corporation; therefore, no single company or person can own 100% equity interest of another entity.

For purposes of the accompanying condensed consolidated balance sheets, income statements and statements of changes in financial position under Mexican GAAP, the first column, "CEMEX," corresponds to the parent company issuer, which has no material operations other than its investments in subsidiaries and affiliated companies. The second column, "Combined Guarantors", represents the combined amounts of CEMEX Mexico and ETM, after adjustments and eliminations relating to their consolidation. As mentioned above, the Guarantors represent substantially all the Company's Mexican operations. The third column, "Combined non-guarantors", represents the amounts of the international subsidiaries of the Company, CEMEX Mexico and ETM non-Guarantor subsidiaries, and other immaterial Mexican non-guarantor subsidiaries of the Company. The fourth column, "Adjustments and eliminations", includes all the amounts resulting from consolidation of the Company, the Guarantors and the non-guarantor subsidiaries, as well as the corresponding constant pesos adjustment as of December 31, 2000, for the periods ended December 31, 1998 and 1999 described below. The fifth column, "CEMEX Consolidated", represents the Company's consolidated amounts as reported in the audited consolidated financial statements. Additionally, all the amounts presented under the line item "Investments in affiliates" for both the balance sheet and the income statement are accounted for by the equity method.

The accompanying condensed consolidating financial information as of December 31, 1998 and for the year ended December 31, 1998, reflects the total combined equity of the Guarantors and related transactions as if the mergers described in the previous paragraphs had been completed on January 1, 1997, as a reorganization of entities under common control (similar to pooling of interest). All significant related parties balances and transactions between the Guarantors and the merged entities have been eliminated in the "Combined Guarantors" column. Such information is presented in Mexican GAAP, and net income and stockholders' equity have also been reconciled to US GAAP.

As mentioned in note 2B, according to Mexican GAAP Bulletin B-15, the financial statements of those entities with foreign consolidated subsidiaries should be presented in constant pesos as of the latest balance sheet presented, considering the inflation of each country in which the entity operates, as well as the changes in the exchange rate between the functional currency of each country vis-à-vis the reporting currency (in this case, the Mexican Peso). As a result of the aforementioned, for comparability purposes the condensed financial information of CEMEX, the "Combined Guarantors" and the "Combined non-guarantors" amounts have been adjusted to reflect constant pesos as of December 31, 2000, using the Mexican inflation index arising from the NCPI. Therefore, the corresponding inflation adjustment derived from the application of Bulletin B-15 in the consolidated amounts is presented within the "Adjustments and eliminations" column.

(Thousands of constant Mexican Pesos as of December 31, 2000)

The information is as follows:

Condensed consolidating balance sheets:

1999		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and Eliminations	CEMEX Consolidated
Current assets	Ps	818,073	9,833,662	17,872,896	(11,894,889)	16,629,742
Investment in affiliates		45,174,431	5,366,568	4,585,322	(49,142,113)	5,984,208
Other non-current assets		24,611,598	536,608	1,405,851	(24,874,595)	1,679,462
Property, machinery and equipment		1,549,355	26,821,290	43,404,119	(4,396,022)	67,378,742
Deferred charges		4,672,235	5,306,272	17,410,503	(3,569,038)	23,819,972
Total assets		76,825,692	47,864,400	84,678,691	(93,876,657)	115,492,126
Current liabilities		9,810,577	3,941,610	15,755,680	(11,730,343)	17,777,524
Long-term debt		16,547,755	308,181	17,148,286	(1,486,295)	32,517,927
Other non-current liabilities		22,650	25,779,966	1,829,188	(25,072,701)	2,559,103
Total liabilities		26,380,982	30,029,757	34,733,154	(38,289,339)	52,854,554
Majority interest stockholders' equity		50,444,710	17,834,643	38,312,092	(56,146,735)	50,444,710
Minority interest		—	—	11,633,445	559,417	12,192,862
Stockholders' equity under Mexican GAAP		50,444,710	17,834,643	49,945,537	(55,587,318)	62,637,572
Total liabilities and stockholders' equity	Ps	76,825,692	47,864,400	84,678,691	(93,876,657)	115,492,126

2000		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and Eliminations	CEMEX Consolidated
Current assets	Ps	6,353,498	5,316,680	22,351,544	(14,735,273)	19,286,449
Investment in affiliates		48,909,447	7,100,490	5,809,707	(56,693,197)	5,126,447
Other non-current assets		19,098,671	3,843,320	8,023,229	(28,231,049)	2,734,171
Property, machinery and equipment		1,544,977	24,817,230	59,737,447	808,502	86,908,156
Deferred charges		5,134,224	5,280,084	30,083,418	(2,947,905)	37,549,821
Total assets		81,040,817	46,357,804	126,005,345	(101,798,922)	151,605,044
Current liabilities		11,954,688	6,271,425	28,460,543	(8,973,926)	37,712,730
Long-term debt		18,519,416	243,030	10,809,839	(3,510,965)	26,061,320
Other non-current liabilities		51,804	27,617,305	11,214,574	(24,633,440)	14,250,243
Total liabilities		30,525,908	34,131,760	50,484,956	(37,118,331)	78,024,293
Majority interest stockholders' equity		50,514,909	12,226,044	52,710,709	(64,936,753)	50,514,909
Minority interest		—	—	22,809,680	256,162	23,065,842
Stockholders' equity under Mexican GAAP		50,514,909	12,226,044	75,520,389	(64,680,591)	73,580,751
Total liabilities and stockholders' equity	Ps	81,040,817	46,357,804	126,005,345	(101,798,922)	151,605,044

(Thousands of constant Mexican Pesos as of December 31, 2000)

Condensed consolidating income statements:

1998		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales	Ps	—	20,837,830	32,142,328	(9,203,406)	43,776,752
Operating income		(126,875)	8,929,785	4,799,864	(1,654,327)	11,948,447
Comprehensive financing result		(619,210)	(527,620)	140,023	(334,283)	(1,341,090)
Other income (expense), net		798,211	(1,382,227)	113,682	(1,073,030)	(1,543,364)
Income tax		1,919,993	(2,181,377)	(753,828)	341,324	(673,888)
Equity in income of affiliates		6,176,601	85,558	(456,025)	(5,647,141)	158,993
Consolidated net income		8,148,720	4,924,119	3,843,716	(8,367,457)	8,549,098
Minority interest		—	—	413,512	(13,134)	400,378
Majority net income	Ps	8,148,720	4,924,119	3,430,204	(8,354,323)	8,148,720

1999		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales	Ps	—	20,994,418	33,125,013	(7,121,916)	46,997,515
Operating income		(116,579)	9,625,316	5,529,318	(1,054,591)	13,983,464
Comprehensive financing result		933,163	5,233,179	2,737,521	(9,185,469)	(281,606)
Other income (expense), net		880,533	(3,982,561)	(1,300,460)	1,512,738	(2,889,750)
Income tax		70,657	(509,515)	(698,241)	98,751	(1,038,348)
Equity in income of affiliates		7,699,549	530,371	(276,805)	(7,710,939)	242,176
Consolidated net income		9,467,323	10,896,790	5,991,333	(16,339,510)	10,015,936
Minority interest		—	—	362,216	186,397	548,613
Majority net income	Ps	9,467,323	10,896,790	5,629,117	(16,525,907)	9,467,323

2000		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales	Ps	—	21,302,928	38,607,505	(5,838,121)	54,072,312
Operating income		(91,612)	5,727,691	5,711,023	4,562,751	15,909,853
Comprehensive financing result		99,498	(1,583,425)	(2,824,657)	2,636,524	(1,672,060)
Other income (expense), net		2,909,954	(790,033)	(800,301)	(3,573,458)	(2,253,838)
Income tax		852,007	(121,068)	(2,376,767)	(218,052)	(1,863,880)
Equity in income of affiliates		5,843,595	(221,898)	93,772	(5,472,140)	243,329
Consolidated net income		9,613,442	3,011,267	(196,930)	(2,064,375)	10,363,404
Minority interest		—	—	(688,248)	1,438,210	749,962
Majority net income	Ps	9,613,442	3,011,267	491,318	(3,502,585)	9,613,442

(Thousands of constant Mexican Pesos as of December 31, 2000)

Condensed consolidating statements of changes in financial position:

1998		CEMEX	Combined Guarantors	Combined Non-guarantors	Adjustments and Eliminations	CEMEX Consolidated
Operating activities:						
Majority net income	Ps	8,148,720	4,924,119	3,430,204	(8,354,323)	8,148,720
Non-cash items		(6,079,647)	1,467,259	3,304,065	5,840,806	4,532,483
Resources provided by operating activities		2,069,073	6,391,378	6,734,269	(2,513,517)	12,681,203
Net change in working capital		(1,723,206)	(1,308,042)	(1,029,536)	3,729,804	(330,980)
Resources provided by operating activities, net		345,867	5,083,336	5,704,733	1,216,287	12,350,223
Financing activities:						
Bank loans and notes payable, net		(4,407,684)	(1,218,520)	828,250	783,182	(4,014,772)
Dividends paid		(1,683,230)	(3,169,698)	—	3,169,698	(1,683,230)
Issuance (repurchase) of common stock		1,480,749	—	—	—	1,480,749
Others		(127,929)	978,441	718,107	(1,991,801)	(423,182)
Resources used in financing activities		(4,738,094)	(3,409,777)	1,546,357	1,961,079	(4,640,435)
Investing activities:						
Property, machinery and equipment, net		—	(531,873)	(499,629)	168,375	(863,127)
Acquisitions, net of cash acquired		6,201,758	—	(3,076,956)	(5,699,496)	(2,574,694)
Dividends received		—	—	—	—	—
Minority interest		—	—	(1,049,058)	171,241	(877,817)
Deferred charges		(400,566)	(502,474)	507,857	353,812	(41,371)
Others		(1,193,662)	—	(3,514,771)	1,525,684	(3,182,749)
Resources used in investing activities		4,607,530	(1,034,347)	(7,632,557)	(3,480,384)	(7,539,758)
Change in cash and temporary investments		215,303	639,212	(381,467)	(303,018)	170,030
Cash and temporary investments initial balance		12,439	621,315	3,829,590	(506,330)	3,957,014
Cash and temporary investments ending balance	Ps	227,742	1,260,527	3,448,123	(809,348)	4,127,044

(Thousands of constant Mexican Pesos as of December 31, 2000)

Condensed consolidating statements of changes in financial position:

1999		CEMEX	Combined Guarantors	Combined Non-guarantors	Adjustments and Eliminations	CEMEX Consolidated
Operating activities:						
Majority net income	Ps	9,467,323	10,896,790	5,629,117	(16,525,907)	9,467,323
Non-cash items		(7,629,311)	1,939,874	(4,824,390)	15,985,512	5,471,685
Resources provided by operating activities		1,838,012	12,836,664	804,727	(540,395)	14,939,008
Net change in working capital		(7,251,900)	12,088,144	1,795,938	(6,564,556)	67,626
Resources provided by operating activities, net		(5,413,888)	24,924,808	2,600,665	(7,104,951)	15,006,634
Financing activities:						
Bank loans and notes payable, net		(7,275,485)	(2,198,517)	1,630,092	479,857	(7,364,053)
Dividends paid		(1,931,853)	(12,697,305)	—	12,697,305	(1,931,853)
Issuance (repurchase) of common stock		2,180,194	—	—	—	2,180,194
Others		7,349	(6,890,791)	1,209,790	7,212,440	1,538,788
Resources used in financing activities		(7,019,795)	(21,786,613)	2,839,882	20,389,602	(5,576,924)
Investing activities:						
Property, machinery and equipment, net		—	(416,594)	(2,340,030)	168,639	(2,587,985)
Acquisitions, net of cash acquired		24,815,392	—	(6,553,031)	(27,881,366)	(9,619,005)
Dividends received		13,215,249	—	(517,944)	(12,697,305)	—
Minority interest		—	—	(1,509,471)	92,343	(1,417,128)
Deferred charges		(2,356,992)	437,302	814,653	209,488	(895,549)
Others		(23,407,895)	(2,129,114)	3,844,485	25,832,685	4,140,161
Resources used in investing activities		12,265,754	(2,108,406)	(6,261,338)	(14,275,516)	(10,379,506)
Change in cash and temporary investments		(167,929)	1,029,789	(820,791)	(990,865)	(949,796)
Cash and temporary investments initial balance		227,742	1,260,527	3,448,123	(809,348)	4,127,044
Cash and temporary investments ending balance	Ps	59,813	2,290,316	2,627,332	(1,800,213)	3,177,248

(Thousands of constant Mexican Pesos as of December 31, 2000)

Condensed consolidating statements of changes in financial position:

2000		CEMEX	Combined Guarantors	Combined Non-guarantors	Adjustments and Eliminations	CEMEX Consolidated
Operating activities:						
Majority net income	Ps	9,613,442	3,011,267	491,318	(3,502,585)	9,613,442
Non-cash items		(6,254,321)	706,521	7,098,315	4,505,700	6,056,215
Resources provided by operating activities		3,359,121	3,717,788	7,589,633	1,003,115	15,669,657
Net change in working capital		(8,080,819)	4,056,268	5,454,569	(404,436)	1,025,582
Resources provided by operating activities, net		(4,721,698)	7,774,056	13,044,202	598,679	16,695,239
Financing activities:						
Bank loans and notes payable, net		1,908,126	(705,253)	9,747,166	(744,947)	10,205,092
Dividends paid		(2,208,073)	—	(463,350)	463,350	(2,208,073)
Issuance (repurchase) of common stock		47,285	—	—	—	47,285
Issuance of preferred stock by subsidiaries		—	—	—	14,556,480	14,556,480
Others		1,834,994	(744,947)	14,122,975	(17,683,985)	(2,470,963)
Resources used in financing activities		1,582,332	(1,450,200)	23,406,791	(3,409,102)	20,129,821
Investing activities:						
Property, machinery and equipment, net		—	(473,947)	(2,017,239)		(2,491,186)
Acquisitions, net of cash acquired		(8,473,524)	(3,638,209)	(16,609,809)	3,638,209	(25,083,333)
Dividends received		463,350	—	—	(463,350)	—
Minority interest		—	—	(5,097,319)		(5,097,319)
Deferred charges		870,866	(148,963)	(997,154)		(275,251)
Others		10,273,634	(2,696,938)	(11,902,432)	234,242	(4,091,494)
Resources used in investing activities		3,134,326	(6,958,057)	(36,623,953)	3,409,101	(37,038,583)
Change in cash and temporary investments		(5,040)	(634,201)	(172,960)	598,678	(213,523)
Cash and temporary investments initial balance		59,813	2,290,316	2,627,332	(1,800,213)	3,177,248
Cash and temporary investments ending balance	Ps	54,773	1,656,115	2,454,372	(1,201,535)	2,963,725

In addition to the information presented above, the tables below present consolidating balance sheets as of December 31, 1999 and 2000, and income statements and statements of changes in financial position for each of the three-year period ended December 31, 2000 for the Guarantors. Such information presents in separate columns each individual Guarantor on a Parent Company only basis, consolidation adjustments and eliminations, and the combined Guarantors. All significant Related parties balances and transactions, between the Guarantors and the merged entities have been eliminated in the "Combined Guarantors" column.

The amounts presented in the column "Combined Guarantors" are readily comparable with the information on the Guarantors included in the condensed consolidating financial information. As previously described, amounts presented under the line item "Investments in affiliates" for both the balance sheets and income statements, include the net investment in affiliates accounted for by the equity method. In addition, the Guarantors' reconciliation of net income and stockholders' equity to U.S. GAAP are presented below:

(Thousands of constant Mexican Pesos as of December 31, 2000)

Guarantors' Combined Balance Sheets:

December 31, 1999

		Guarantors (Parent Company Only)		
Assets	**CEMEX Mexico**	**ETM**	**Adjustments and eliminations**	**Combined Guarantors**
Current Assets				
Cash and temporary investments Ps	681,983	1,608,333	—	2,290,316
Trade accounts receivable, net	1,493,247	—	—	1,493,247
Other receivables and other current assets	800,176	96,333	—	896,509
Related parties receivables	3,245,721	7,445,836	(7,429,906)	3,261,651
Inventories	1,891,939	—	—	1,891,939
Total current assets	8,113,066	9,150,502	(7,429,906)	9,833,662
Other Investments				
Investments in subsidiaries and affiliates	18,525,317	17,294,707	(30,453,456)	5,366,568
Long-term Related parties receivables	—	466,544	(466,544)	—
Other investments	—	536,608	—	536,608
Total other investments	18,525,317	18,297,859	(30,920,000)	5,903,176
Property, Plant and Equipment				
Property, plant and equipment	56,087,913	—	—	56,087,913
Accumulated depreciation	(29,266,623)	—	—	(29,266,623)
Total property, plant and equipment	26,821,290	—	—	26,821,290
Deferred Charges	1,632,550	3,673,722	—	5,306,272
Total Assets Ps	55,092,223	31,122,083	(38,349,906)	47,864,400
Liabilities and Stockholders' Equity				
Current Liabilities				
Bank loans and notes payable Ps	646,514	—	—	646,514
Current maturities of long-term debt	27,265	—	—	27,265
Trade accounts payable	754,070	—	—	754,070
Other accounts payable and accrued expenses	666,001	128,891	—	794,892
Related parties payables	9,433,649	539,736	(8,254,516)	1,718,869
Total current liabilities	11,527,499	668,627	(8,254,516)	3,941,610
Long-Term Debt				
Notes payable	335,446	—	—	335,446
Current maturities of long-term debt	(27,265)	—	—	(27,265)
Total long-term debt	308,181	—	—	308,181
Other Noncurrent Liabilities				
Pension and seniority premium	40,754	—	—	40,754
Deferred income taxes	1,137,363	—	—	1,137,363
Long-term Related parties payables	25,068,393	—	(466,544)	24,601,849
Other noncurrent liabilities	—	—	—	—
Total other noncurrent liabilities	26,246,510		(466,545)	25,779,966
Total Liabilities	38,082,190	668,627	(8,721,060)	30,029,757
Stockholders' Equity		—		
Stockholders' equity	6,928,843	26,088,045	(26,079,035)	6,937,853
Net income	10,081,190	4,365,411	(3,549,811)	10,896,790
Total stockholders' equity	17,010,033	30,453,456	(29,628,846)	17,834,643
Total Liabilities and Stockholders' Equity Ps	55,092,223	31,122,083	(38,349,906)	47,864,400

(Thousands of constant Mexican Pesos as of December 31, 2000)

Guarantors' Combined Balance Sheets:

December 31, 2000

Assets		Guarantors (Parent Company Only) CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Current Assets					
Cash and temporary investments	Ps	455,515	1,200,600	—	1,656,115
Trade accounts receivable, net		1,323,211	—	—	1,323,211
Other receivables and other current assets		329,768	45,123	(51,793)	323,098
Related parties receivables		381,808	7,526,449	(7,526,181)	382,076
Inventories		1,632,180	—	—	1,632,180
Total current assets		4,122,482	8,772,172	(7,577,974)	5,316,680
Other Investments					
Investments in subsidiaries and affiliates		28,882,314	14,295,607	(36,077,431)	7,100,490
Long-term related parties receivables		—	7,311,641	(4,748,000)	2,563,641
Other investments		—	1,279,679	—	1,279,679
Total other investments		28,882,314	22,886,927	(40,825,431)	10,943,810
Property, Plant and Equipment					
Property, plant and equipment		52,583,951	—	—	52,583,951
Accumulated depreciation		(27,766,721)	—	—	(27,766,721)
Total property, plant and equipment		24,817,230	—	—	24,817,230
Deferred Charges		1,631,202	4,521,197	(872,315)	5,280,084
Total Assets	Ps	59,453,228	36,180,296	(49,275,720)	46,357,804
Liabilities and Stockholders' Equity					
Current Liabilities					
Bank loans and notes payable	Ps	25,529	—	—	25,529
Current maturities of long-term debt		4,717	—	—	4,717
Trade accounts payable		538,968	—	—	538,968
Other accounts payable and accrued expenses		473,616	102,778	(51,793)	524,601
Related parties payables		12,703,704	87	(7,526,181)	5,177,610
Total current liabilities		13,746,534	102,865	(7,577,974)	6,271,425
Long-Term Debt					
Notes payable		247,747	—	—	247,747
Current maturities of long-term debt		(4,717)	—	—	(4,717)
Total long-term debt		243,030	—	—	243,030
Other Noncurrent Liabilities					
Pension and seniority premium		265,438	—	—	265,438
Deferred income taxes		6,759,539	—	(872,315)	5,887,224
Long-term related parties payables		26,212,643	—	(4,748,000)	21,464,643
Total other noncurrent liabilities		33,237,620	—	(5,620,315)	27,617,305
Total Liabilities		47,227,184	102,865	(13,198,289)	34,131,760
Stockholders' Equity					
Stockholders' equity		9,214,777	36,197,199	(36,197,199)	9,214,777
Net income		3,011,267	(119,768)	119,768	3,011,267
Total stockholders' equity		12,226,044	36,077,431	(36,077,431)	12,226,044
Total Liabilities and Stockholders' Equity	Ps	59,453,228	36,180,296	(49,275,720)	46,357,804

(Thousands of constant Mexican Pesos as of December 31, 2000)

Guarantors' Combined Income Statements:

December 31, 1998

		Guarantors (Parent Company Only)			
		CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Net sales	Ps	20,837,830	—	—	20,837,830
Cost of sales		(9,818,923)	—	(25,160)	(9,844,083)
Gross profit		11,018,907	—	(25,160)	10,993,747
Operating expenses:					
Administrative		1,225,415	3,421	2,875	1,231,711
Selling		816,976	—	15,275	832,251
Total operating expenses		2,042,391	3,421	18,150	2,063,962
Operating income		8,976,516	(3,421)	(43,310)	8,929,785
Comprehensive financing income (cost):					
Financial expenses		(2,863,666)	(91,878)	1,112,844	(1,842,700)
Financial income		4,362,757	1,121,698	(1,113,197)	4,371,258
Foreign exchange result, net		(7,214,580)	350,637	—	(6,863,943)
Monetary position result		4,726,779	(919,014)	—	3,807,765
Net comprehensive financing income (cost)		(988,710)	461,443	(353)	(527,620)
Other income (expense), net		(3,451,816)	4,269,241	(2,199,652)	(1,382,227)
Income before income taxes, business assets tax, employees' statutory profit sharing and equity in income of affiliates		4,535,990	4,727,263	(2,243,315)	7,019,938
Income tax and business assets tax, net		(1,721,062)	(563,467)	178,010	(2,106,519)
Employees' statutory profit sharing		(74,858)	—	—	(74,858)
Total income tax, business assets tax and employees' statutory profit sharing		(1,795,920)	(563,467)	178,010	(2,181,377)
Income before equity in income of affiliates		2,740,070	4,163,796	(2,065,305)	4,838,561
Equity in income of affiliates		(76,882)	406,429	(243,989)	85,558
Net income	Ps	2,663,188	4,570,225	(2,309,294)	4,924,119

(Thousands of constant Mexican Pesos as of December 31, 2000)

Guarantors' Combined Income Statements:

December 31, 1999

	Guarantors (Parent Company Only)			
	CEMEX Mexico	ETM	Adjustment and eliminations	Combined Guarantors
Net sales Ps	20,994,418	—	—	20,994,418
Cost of sales	(9,103,587)	—	—	(9,103,587)
Gross profit	11,890,831	—	—	11,890,831
Operating expenses:				
Administrative	1,545,410	666	2,876	1,548,952
Selling	716,563	—	—	716,563
Total operating expenses	2,261,973	666	2,876	2,265,515
Operating income	9,628,858	(666)	(2,876)	9,625,316
Comprehensive financing income (cost):				
Financial expenses	(2,556,723)	(22,714)	1,659,713	(919,724)
Financial income	2,426,428	1,819,964	(1,659,713)	2,586,679
Foreign exchange result, net	832,306	6,303	—	838,609
Monetary position result	3,758,378	(1,030,763)	—	2,727,615
Net comprehensive financing income (cost)	4,460,389	772,790	—	5,233,179
Other income (expense), net	(3,838,548)	406,453	(550,466)	(3,982,561)
Income before income taxes, business assets tax, employees' statutory profit sharing and equity in income of affiliates	10,250,699	1,178,577	(553,342)	10,875,934
Income tax and business assets tax, net	(329,083)	(49,216)	—	(378,299)
Employees' statutory profit sharing	(131,216)	—	—	(131,216)
Total income tax, business assets tax and employees' statutory profit sharing	(460,299)	(49,216)	—	(509,515)
Income before equity in income of affiliates	9,790,400	1,129,361	(553,342)	10,366,419
Equity in income of affiliates	290,790	3,236,050	(2,996,469)	530,371
Net income Ps	10,081,190	4,365,411	(3,549,811)	10,896,790

(Thousands of constant Mexican Pesos as of December 31, 2000)

Guarantors' Combined Income Statements:

December 31, 2000

	Guarantors (Parent Company Only)			
	CEMEX Mexico	**ETM**	**Adjustments and eliminations**	**Combined Guarantors**
Net sales Ps	21,302,928	—	—	21,302,928
Cost of sales	(9,310,648)	—	—	(9,310,648)
Gross profit	11,992,280	—	—	11,992,280
Operating expenses:				
Administrative	(3,665,678)	(610)	—	(3,666,288)
Selling	(2,598,301)	—	—	(2,598,301)
Total operating expenses	(6,263,979)	(610)	—	(6,264,589)
Operating income	5,728,301	(610)	—	5,727,691
Comprehensive financing income (cost):				
Financial expenses	(4,465,862)	(26,252)	1,090,346	(3,401,768)
Financial income	388,197	837,700	(1,090,346)	135,551
Foreign exchange result, net	(466,632)	217,798	—	(248,834)
Monetary position result	3,098,371	(1,166,745)	—	1,931,626
Net comprehensive financing income (cost)	(1,445,926)	(137,499)	—	(1,583,425)
Other income (expense), net	(875,741)	85,708	—	(790,033)
Income before income taxes, business assets tax, employees' statutory profit sharing and equity in income of affiliates	3,406,634	(52,401)	—	3,354,233
Income tax and business assets tax, net	64,585	(42,412)	—	22,173
Employees' statutory profit sharing	(143,241)	—	—	(143,241)
Total income tax, business assets tax and employees' statutory profit sharing	(78,656)	(42,412)	—	(121,068)
Income before equity in income of affiliates	3,327,978	(94,813)	—	3,233,165
Equity in income of affiliates	(316,711)	(24,955)	119,768	(221,898)
Net income Ps	3,011,267	(119,768)	119,768	3,011,267

(Thousands of constant Mexican Pesos as of December 31, 2000)

Guarantors' Combined Statements of Changes in Financial Position:

December 31, 1998

	Guarantors (Parent Company Only)			
	CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Operating activities				
Net income .... Ps	2,663,188	4,570,225	(2,309,294)	4,924,119
Charges to operations which did not require resources	1,611,270	(387,508)	243,497	1,467,259
Resources provided by operating activities	4,274,458	4,182,717	(2,065,797)	6,391,378
Changes in working capital:				
Trade accounts receivable, net	(169,579)	—	—	(169,579)
Other receivables and other current assets	(1,082,738)	135,264	(53,610)	(1,001,084)
Related parties receivables and payables, net	4,606,322	(4,445,177)	(122,892)	38,253
Inventories	86,260	—	(105,777)	(19,517)
Trade accounts payable	27,974	231,624	(231,627)	27,971
Other accounts payable and accrued expenses	(374,288)	—	190,202	(184,086)
Net change in working capital	3,093,951	(4,078,289)	(323,704)	(1,308,042)
Net resources provided by operating activities	7,368,409	104,428	(2,389,501)	5,083,336
Financing activities				
Bank loans and notes payable, net	(1,218,520)	—	—	(1,218,520)
Dividends	(3,169,698)	—	—	(3,169,698)
Long-term related parties receivables and payables, net	917,935	113,047	2,217	1,033,199
Other noncurrent assets and liabilities, net	(54,759)	266,103	(266,102)	(54,758)
Resources used in financing activities	(3,525,042)	379,150	(263,885)	(3,409,777)
Investing activities				
Property, plant and equipment, net	(531,873)	—	—	(531,873)
Investments in subsidiaries and affiliates	(2,533,785)	(119,601)	2,653,386	—
Deferred charges	(502,474)	—	—	(502,474)
Other investments	—	—	—	—
Resources used in investing activities	(3,568,132)	(119,601)	2,653,386	(1,034,347)
Change in cash and temporary investments	275,235	363,977	—	639,212
Cash and temporary investments initial balance	570,400	50,915	—	621,315
Cash and temporary investments ending balance .... Ps	845,635	414,892	—	1,260,527

(Thousands of constant Mexican Pesos as of December 31, 2000)

Guarantors' Combined Statements of Changes in Financial Position:

December 31, 1999

		Guarantors (Parent Company Only)		
	CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Operating activities				
Net income .... Ps	10,081,190	4,365,411	(3,549,811)	10,896,790
Charges to operations which did not require resources	1,169,193	1,947,213	(1,176,532)	1,939,874
Resources provided by operating activities	11,250,383	6,312,624	(4,726,343)	12,836,664
Changes in working capital:				
Trade accounts receivable, net	3,432	—	—	3,432
Other receivables and other current assets	699,563	(93,597)	(84,608)	521,358
Related parties receivables and payables, net	11,002,920	182,876	924,232	12,110,028
Inventories	(684,840)	—	—	(684,840)
Trade accounts payable	247,965	—	—	247,965
Other accounts payable and accrued expenses	(181,688)	(53,509)	125,398	(109,799)
Net change in working capital	11,087,352	35,770	965,022	12,088,144
Net resources provided by operating activities	22,337,735	6,348,394	(3,761,321)	24,924,808
Financing activities				
Bank loans and notes payable, net	(1,661,909)	—	(536,608)	(2,198,517)
Dividends	(12,933,012)	(5,316,038)	5,551,745	(12,697,305)
Long-term related parties receivables and payables, net	(6,712,983)	155,049	(2,215)	(6,560,149)
Other noncurrent assets and liabilities, net	(330,642)	(536,608)	536,608	(330,642)
Resources used in financing activities	(21,638,546)	(5,697,597)	5,549,530	(21,786,613)
Investing activities				
Property, plant and equipment, net	(416,594)	—	—	(416,594)
Investments in subsidiaries and affiliates	(344,845)	596,883	(2,381,152)	(2,129,114)
Deferred charges	(101,402)	—	538,704	437,302
Other investments	—	(54,239)	54,239	—
Resources used in investing activities	(862,841)	542,644	(1,788,209)	(2,108,406)
Change in cash and temporary investments	(163,652)	1,193,441	—	1,029,789
Cash and temporary investments initial balance	845,635	414,892	—	1,260,527
Cash and temporary investments ending balance .... Ps	681,983	1,608,333	—	2,290,316

(Thousands of constant Mexican Pesos as of December 31, 2000)

Guarantors' Combined Statements of Changes in Financial Position:

December 31, 2000

	Guarantors (Parent Company Only)			
	CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Operating activities				
Net income Ps	3,011,267	(119,768)	119,768	3,011,267
Charges to operations which did not require resources	1,666,809	(14,207)	(946,081)	706,521
Resources provided by operating activities	4,678,076	(133,975)	(826,313)	3,717,788
Changes in working capital:				
Trade accounts receivable, net	164,817	—	—	164,817
Other receivables and other current assets	467,611	50,876	51,793	570,280
Related parties receivables and payables, net	3,663,022	(644,398)	—	3,018,624
Inventories	723,589	—	—	723,589
Trade accounts payable	(212,465)	—	—	(212,465)
Other accounts payable and accrued expenses	(136,887)	(19,897)	(51,793)	(208,577)
Net change in working capital	4,669,687	(613,419)	—	4,056,268
Net resources provided by operating activities	9,347,763	(747,394)	(826,313)	7,774,056
Financing activities				
Bank loans and notes payable, net	(705,253)	—	—	(705,253)
Issuance of common stock	—	7,893,205	(7,893,205)	—
Long-term related parties receivables and payables, net	4,386,720	—	(4,386,720)	—
Other noncurrent assets and liabilities, net	—	(744,947)	—	(744,947)
Resources used in financing activities	3,681,467	7,148,258	(12,279,925)	(1,450,200)
Investing activities				
Property, plant and equipment, net	(473,947)	—	—	(473,947)
Investments in subsidiaries and affiliates	(12,402,087)	44,360	8,719,518	(3,638,209)
Deferred charges	(148,963)	—	—	(148,963)
Other investments	(230,701)	(6,852,957)	4,386,720	(2,696,938)
Resources used in investing activities	(13,255,698)	(6,808,597)	13,106,238	(6,958,057)
Change in cash and temporary investments	(226,468)	(407,733)	—	(634,201)
Cash and temporary investments initial balance	681,983	1,608,333	—	2,290,316
Cash and temporary investments ending balance Ps	455,515	1,200,600	—	1,656,115

Guarantors—Cash and temporary investments

At December 31, 1999 and 2000, ETM's temporary investments are mainly comprised of CEMEX CPOs.

Guarantors—Investment in affiliates

At December 31, 1999 and 2000, of the Guarantors' total investment in affiliates, which are accounted for under the equity method, Ps5,222,084 and Ps7,089,243, respectively, correspond to investments in non-guarantors, and Ps144,484 in 1999 and Ps11,247 in 2000, are related to minority investments in third parties.

At December 31, 2000, the main Guarantors' investments in non-guarantors are in CEMEX Concretos, S.A. de C.V, and CEMEX Internacional, S.A. de C.V., which together integrate the ready-mix concrete operations and export trading activities of the Company in Mexico, respectively; and Centro Distribuidor de Cemento, S.A. de C.V. ("CEDICE"), which is the parent company of the international operations of the Company. As of January 31, 2000, the Guarantors' acquired from Cemex the majority interest in CEDICE for approximately U.S.$3.9 billion (unaudited).

Indebtedness of the guarantors

At December 31, 1999 and 2000, the Guarantors had total indebtedness of U.S.$94.7 million (Ps981.9 million) and U.S.$28.4 million (Ps273.3 million), respectively. At December 31 2000, the average interest rate of this indebtedness was approximately 8.2%. Of the total indebtedness of the Guarantors at December 31, 2000, approximately U.S.$3.1 million (Ps30.2 million) matures in 2001 and U.S.$25.3 million (Ps243.0 million) matures in different dates from 2002 until 2004. Approximately U.S.$148.8 million of the total indebtedness of the Guarantors at December 31, 1999 was prepaid during February 2000 as a result of the purchase offer conducted in connection with the consent solicitation of the 8.375% Yankee Notes. At December 31, 1999, of this U.S.$148.8 million prepaid in February 2000, U.S.$90 million in cash were invested and committed to the repayment of this debt by the creation of an irrevocable trust; such amount was considered extinguished for balance sheet presentation under Mexican GAAP. At the same date, the remaining U.S.$58.8 million, were reclassified to short-term debt.

Guarantors—Balances and transactions with related parties

At December 31, 1999 and 2000, included in current assets, the Guarantors had related parties receivables amounting to approximately Ps3,261.6 million and Ps382.1 million, respectively. At December 31, 2000, the guarantors had long term related parties receivables amounting to approximately Ps2,563.6 million. Within Guarantors' current liabilities, the Guarantors had related parties payables amounting to approximately Ps1,718.9 in 1999 and Ps5,177.6 million in 2000. At December 31, 1999 and 2000, included in Guarantors' other non-current liabilities, there are related parties payables of Ps24,601.8 million and Ps21,464.6 million, respectively.

Balances with related parties result primarily from (i) the sale and purchase of cement and clinker to and from affiliates, (ii) the sale and/or acquisition of subsidiaries' shares within the CEMEX group, (iii) the invoicing of administrative and other services received or provided from and to affiliated companies, and (iv) the transfer of funds between the Guarantors, its parent and certain affiliates. The Related parties balance detail is as follows:

(Thousands of constant Mexican Pesos as of December 31, 2000)

		1999		
		Assets	Liabilities	
Guarantors		Short-Term	Short-Term	Long-Term
Cemex Concretos, S.A. de C.V.	Ps	1,241,082	—	—
Beeston Investments Holdings Limited.		1,173,930	—	—
Cemex Central, S.A. de C.V.		547,199	—	—
Cemex, S.A. de C.V.		—	98,387	24,601,849
Petrocemex, S.A. de C.V.		—	646,287	—
Cemex Internacional, S.A. de C.V.		—	527,467	—
Turismo Cemex, S.A. de C.V.		—	108,789	—
Productora de Bolsas de Papel, S.A. de C.V.		—	83,836	—
Inmobiliaria Valiant, S.A. de C.V.		—	74,700	—
Others		299,440	179,403	—
	Ps	3,261,651	1,718,869	24,601,849

		2000			
		Assets		Liabilities	
Guarantors		Short-Term	Long-Term	Short-Term	Long-Term
Petrocemex, S.A. de C.V.	Ps	86,473	—	—	2,750,000
Proveedora Mexicana de Materiales S.A. de C.V.		65,730	—	—	—
Cal de Guadalajara S.A. de C.V.		61,694	—	—	—
Servicios Cemex México S.A. de C.V.		58,317	—	—	—
Granos y Terrenos S.A. de C.V.		38,201	—	—	—
Cemex S.A. de C.V.		—	—	3,520,009	14,327,923
Centro Distribuidor de Cemento S.A. de C.V.		—	100,000	603,550	—
Cemex Internacional S.A. de C.V.		—	—	409,158	—
Turismo Cemex S.A. de C.V.		—	—	167,606	—
Neoris S.A. de C.V.		—	—	108,832	—
Productora de Bolsas de Papel, S.A. de C.V.		—	—	84,214	—
Aviación Comercial de América S.A. de C.V.		—	147,000	75,867	—
Cemex Concretos S.A. de C.V.		—	1,747,641	21	—
Cemex Central S.A. de C.V.		—	569,000	—	—
Cemex International Finance Company		—	—	—	4,386,720
Others		71,661	—	208,353	—
	Ps	382,076	2,563,641	5,177,610	21,464,643

The principal transactions carried out with affiliated companies are:

		December 31,		
Guarantors		1998	1999	2000
Net sales	Ps	2,468,491	2,377,356	3,272,366
Purchases		(848,563)	(874,822)	(991,993)
Selling and administrative expenses		(41,548)	(42,933)	—
Financial expense		(490,602)	(613,215)	(3,076,625)
Financial income		3,394,250	2,459,042	131,821
Other expense, net	Ps	—	(2,778,677)	(2,017,492)

Net sales—The Guarantors sell cement and clinker to affiliated companies in arms-length transactions.

Purchases—The Guarantors purchase raw materials from affiliates in arms-length transactions.

(Thousands of constant Mexican Pesos as of December 31, 2000)

Selling and administrative expenses—The Company allocates part of its corporate expense to the Guarantors.

Financial income and expense is recorded on receivables from and payables to affiliated companies as described above. Additionally, the Guarantors receive financial income on their temporary investment position, invested in the non-guarantor treasury company.

Other expense, net—The Guarantors incur rental and trade mark rights expenses payable to the Company.

Guarantors—U.S. GAAP reconciliation of net income and stockholders' equity:

As discussed at the beginning of this note 20, the following reconciliation to U.S. GAAP does not include the reversal of Mexican GAAP inflation accounting adjustments, as these adjustments represent a comprehensive measure of the effects of price level changes in the inflationary Mexican economy, which is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes. The other principal differences between Mexican GAAP and U.S. GAAP and the effect on net income and stockholders' equity are presented below, with an explanation of the adjustments.

	Year ended December 31,		
	1998	1999	2000
Net income reported under Mexican GAAP .... Ps	4,924,119	10,896,790	3,011,267
Approximate U.S. GAAP adjustments:			
1. Amortization of pushdown goodwill (see note 1)	(175,058)	(174,377)	(178,047)
2. Deferred income taxes and ESPS (see note 2)	(1,639,775)	(1,733,820)	(292,790)
3. Other employees’ benefits (see note 3)	(25,585)	(26,165)	(22,974)
4. Inflation adjustment for machinery and equipment (see note 4)..	1,884	(131,560)	(147,783)
5. Other U.S. GAAP adjustments (see note 5)	266,036	(178,195)	419,451
6. Monetary position result (see note 6)................................	1,685,620	1,141,590	556,844
Total approximate U.S. GAAP adjustments	113,122	(1,102,527)	334,701
Total approximate net income under U.S. GAAP.............. Ps	5,037,241	9,794,263	3,345,968

	Year ended December 31,	
	1999	2000
Total stockholders’ equity under Mexican GAAP .... Ps	17,834,643	12,226,044
Approximate U.S. GAAP adjustments:		
1. Effect of pushdown of goodwill, net (see note 1)......................................	2,185,900	2,103,885
2. Deferred income taxes and ESPS (see note 2)	(10,246,787)	(3,782,563)
3. Other employees’ benefits (see note 3)	(134,885)	(146,689)
4. Inflation adjustment for machinery and equipment (see note 4)	3,116,760	4,440,053
5. Other U.S. GAAP adjustments (see note 5)	(3,028,161)	(2,275,555)
Total approximate U.S. GAAP adjustments...	(8,107,173)	339,131
Total approximate stockholders’ equity under U.S. GAAP .... Ps	9,727,470	12,565,175

Footnotes to the U.S. GAAP reconciliation:

1. Business Combinations

In 1989 and 1990, through an exchange of its shares with the Company, CEMEX Mexico (formerly TOLMEX) acquired substantially all its subsidiaries from CEMEX. The original excess of the purchase price paid by CEMEX over the fair value of the net assets of these subsidiaries was Ps6,498,037, of which Ps3,361,147, were recorded in ETM (formerly, CEMEX Control, S.A. de C.V.) currently one of the subsidiary guarantors (see description above), under Mexican GAAP at the time of the acquisition. The net adjustment in the stockholders' equity reconciliation to U.S. GAAP of the Guarantors, arising from this pushed-down Goodwill, after eliminating the amounts recorded under Mexican GAAP was Ps1,409,144 in 1999 and Ps1,342,533 in 2000.

In addition, during 1995 CEMEX acquired through a public exchange offer, where the Company exchanged its own shares for TOLMEX's shares, an additional 24.2% equity interest in TOLMEX. The excess of the purchase price paid by CEMEX over the fair value of the net assets of TOLMEX was Ps841,498. The net adjustment in the stockholders' equity reconciliation to U.S. GAAP of the Guarantors, arising from this pushed-down Goodwill was Ps776,756 in 1999 and Ps761,352 in 2000. Amortization expense related to these pushed-down Goodwill amounts, is recognized for purposes of the net income reconciliation to U.S. GAAP in each period. For purposes of U.S. GAAP presentation, Ps1,009,319 as of December 31, 1999, was reclassified from investments in subsidiaries to Goodwill. This, however, has no effect in stockholders' equity under U.S. GAAP.

2. Deferred income taxes and Employees' Statutory Profit Sharing

Deferred income taxes adjustment to U.S. GAAP, at December 31, 1999 and 2000 for the Guarantors amounts to expense of Ps7,589,874 and expense of Ps1,313,072, respectively. In addition, deferred Employees' Statutory Profit Sharing ("ESPS") adjustment to U.S. GAAP of Ps2,656,913 in 1999 and Ps2,469,491 in 2000. The decrease in the deferred income taxes adjustment to U.S. GAAP in 2000 as compared to 1999, results from the application of Bulletin D-4 beginning in January 1, 2001 (see note 14B and 20(b)).

3. Other employees' benefits

The Guarantors do not accrue for vacation expense and severance payments; these items are recognized when vacation is taken or when retirements occur, respectively. For purposes of the U.S. GAAP reconciliation, a vacation liability has been determined in an amount of Ps24,106 and Ps26,216, at December 31, 1999 and 2000, respectively. In addition, the Guarantors recognized, for purposes of the U.S. GAAP reconciliation, a liability for severance benefits for Ps110,779 in 1999 and Ps120,473 in 2000.

4. Inflation Adjustment of Machinery and Equipment

As previously mentioned in note 20(j), for purposes of the U.S. GAAP reconciliation, fixed assets of foreign origin were restated using the inflation factor arising from the Consumer Price Index ("CPI") of each country, and depreciation is based upon the revised amounts.

5. Other U.S. GAAP adjustments

Deferred charges—For U.S. GAAP purposes, other deferred charges net of accumulated amortization generated during 1999, that did not qualify for deferral under U.S. GAAP have been charged to expense, with a net effect on the stockholders' equity and in the net income reconciliation to U.S. GAAP of Ps(191,899) in 1999. As of December 31, 2000, the guarantors recognized an income of Ps200,837 in their stockholders' equity reconciliation to U.S. GAAP from the partial reversal of the adjustment. Mexican GAAP allowed the deferral of these expenses.

Inventory costs—As permitted by Mexican GAAP, before 1999 certain inventories were valued under the direct cost system, which includes material, labor and other direct costs. For purposes of the reconciliation to U.S. GAAP, inventories have been valued under the full absorption cost method, including all costs and expenses necessary for the manufacturing process. For purposes of the net income reconciliation to U.S. GAAP, the

(Thousands of constant Mexican Pesos as of December 31, 2000)

Guarantors recognized income of Ps24,484 in 1998 and expense of Ps128,788 in 1999 resulting from the reversal of the adjustment.

Subsidiary companies—The Guarantors have adjusted their investment in and their equity in the earnings of subsidiary companies for the share of the approximate U.S. GAAP adjustments applicable to these affiliates. The net effect in the stockholders' equity reconciliation to U.S. GAAP was Ps(2,836,262) and Ps(2,074,718) in 1999 and 2000, respectively. The net effect in the net income reconciliation to U.S. GAAP was benefits of Ps241,552, Ps142,492 and Ps(299,133) in 1998, 1999 and 2000, respectively. From the U.S. GAAP adjustments to subsidiary companies in the Guarantors' reconciliation of stockholders' equity, Ps(2,829,841) in 1999, and Ps(2,101,517) in 2000, are related to deferred income taxes and deferred ESPS.

6. Monetary position result

Monetary position result of the U.S. GAAP adjustments is determined by (i) applying the annual inflation factor to the net monetary position of the U.S. GAAP adjustments at the beginning of the period, plus (ii) the monetary position effect of the adjustments during the period, determined with the CPI inflation factor for the period.

Supplemental Guarantors' Cash Flow Information under U.S. GAAP

The classifications of cash flows under Mexican GAAP and U.S. GAAP are basically the same in respect to the transactions presented under each caption. The nature of the differences between Mexican GAAP and U.S. GAAP in the amounts reported is mainly due to (i) the elimination of inflationary effects in the variations of monetary assets and liabilities arising from financing and investing activities, against the corresponding monetary position result in operating activities, (ii) the elimination of exchange rate fluctuations resulting from financing and investing activities, against the corresponding unrealized foreign exchange gain or loss included in operating activities, and (iii) the recognition in operating, financing and investing activities of the U.S. GAAP adjustments.

For the Guarantors, the following table summarizes the cash flow items as required under SFAS 95 provided by (used in) operating, financing and investing activities for the years ended December 31, 1998, 1999 and 2000, giving effect to the U.S. GAAP adjustments, excluding the effects of inflation required by Bulletin B-10 and Bulletin B-15. The following information is presented on a historical Peso basis and it is not presented in constant purchasing power.

		Years Ended December 31,		
		1998	1999	2000
Net cash provided by operating activities	Ps	2,617,994	2,464,265	1,063,832
Net cash provided by (used in) financing activities		(159,044)	277,668	(1,645,898)
Net cash used in investing activities		(2,161,902)	(2,847,880)	418,725

Net cash flow from operating activities reflects cash payments for interests and income taxes as follows:

		Years Ended December 31,		
		1998	1999	2000
Interest paid	Ps	659,394	799,594	265,859
Income taxes paid		1,501,030	145,501	3,392

Guarantors' non-cash activities are comprised of the following:

During 1999 and 2000, the Guarantors acquired, from CEMEX, equity interests in Centro Distribuidor de Cemento, S.A. de C.V. for an amount of Ps2,038,992 and Ps4,780,087, which were credited against accounts payable owed by CEMEX to the Guarantors at the end of each year, respectively.

Dividends declared to CEMEX amounting to Ps12,159,840 in 1999, are recognized by the Guarantors as accounts payable to the Company at the end of the corresponding year.

Contingent liabilities of the guarantors

At December 31, 2000, Cemex México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V. had guaranteed debt of CEMEX, S.A. de C.V. in the amount of US$1,520 million (see note 10).

(w) *Newly Issued Accounting Pronouncements*

In June 1998, the Financial Accounting Standards Board issued SFAS 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which requires entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. SFAS 133 also specifies new methods of accounting for hedging transactions, prescribes the items and transactions that may be hedged and specifies detailed criteria to be met to qualify for hedge accounting. SFAS 133 is currently scheduled to be effective for fiscal years beginning after June 15, 2000. Effective January 1, 2001, Mexican Bulletin C-2 "Financial Instruments", requires the recognition as assets or liabilities of all derivative instruments at their estimated fair value, in a manner similar to SFAS 133. As we have publicly disclosed, at March 31, 2001, we recognized a net effect (increase in assets, decrease in liabilities) of approximately U.S.$131 million arising from the fair value of its derivative instruments portfolio, with a gain in our income statement of approximately U.S.$94 million and an effect of approximately U.S.$37 million through equity. We cannot confirm that the amounts recorded under Mexican GAAP would be the same as if determined under U.S. GAAP SFAS 133, but it is expected that the results would be similar (unaudited).

(x) *Subsequent events under U.S. GAAP (unaudited)*

In May 2001, the Company acquired, through a 77%-owned subsidiary, CEMEX Asia Holdings Ltd. (CAH), a 99% of the economic rights in Saraburi Cement Company ("Saraburi"), a Thai cement producer, for approximately U.S.$73 million. During the second quarter of 2001, the Company expects to consolidate Saraburi’s balance sheet and the results of operations for the two-month period ended June 30, 2001.

In addition to the tax contingencies disclosed in note 18B, during 2001, a subsidiary of the Company in Mexico was notified of two tax assessments determined by the Tax Authorities related to the fiscal year 1995. In March 2001, a tax assessment in the amount of Ps302 million was received resulting primarily from disallowed financial expenses and complains in the computation of the inflationary gain. In April 2001, the subsidiary received a second tax assessment in the amount of Ps98 million, resulting primarily from a disallowed inflationary restatement of the tax loss carryforwards. In respect to the first tax assessment, the subsidiary of the Company has completed the response procedure, and a resolution from the courts is pending. In respect to the second proceeding, the response period has not terminated yet.

In addition to the contingencies disclosed in note 18G, in May 2001, a subsidiary in the Company in Colombia received a civil liability suit from 42 transporters, alleging that this subsidiary is responsible for the supposed damages caused with the breach of provision of raw material contracts. The plaintiffs have asked for relief in the amount of U.S.$60 million (Ps577.2 million). The Company filed a prompt defense response. This proceeding is in the preliminary stage.

In March 2001, as part of a reorganization of the United States operations of the Company, Southdown changed its name to CEMEX Inc., and became a direct subsidiary of CEMEX Corp.

In connection with the contingency disclosed in note 18G, Kosmos Cement Company ("Kosmos") a 75% owned subsidiary of CEMEX Inc., and BE&K Construction Company ("BE&K") entered into a Settlement Agreement as of June 18, 2001, whereby Kosmos agreed to pay BE&K U.S.$7.4 million to resolve all claims and disputes between the parties arising out of or relating to the work performed by BE&K in connection with the Kosmosdale expansion project in Louisville, Kentucky. BE&K had filed a claim in October 2000 alleging that it was owned over $18.5 million in additional compensation.

On May 22, 2001, as a result of the public tender offer launched in Mexico by CITIGROUP for the outstanding shares of Grupo Financiero Banmex-Accival ("BANACCI"), the Company announced its intention to sell its available for sale securities, which as of December 31, 2000, were held within long-term accounts receivable (see note 6B and 20(d)), and that represent approximately 1.32% ownership in BANACCI. At current BANACCI share market prices, this would amount to approximately U.S. dollars 162 million. This BANACCI position has been held for close to ten years and was bought during the bank privatization process in Mexico. The decision to sell this long-term investment, will lead to the recognition of an extraordinary gain of approximately U.S. dollars 130 million during the second quarter of 2001 at current BANACCI market price levels, of which approximately U.S. dollars 61 million, correspond to the reversal of unrealized holding gains accrued in equity.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Compañía Minera Atoyac, S.A. de C.V.

We have audited the balance sheets of Compañía Minera Atoyac, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compañía Minera Atoyac, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Cementos Anáhuac, S.A.

We have audited the balance sheets of Cementos Anáhuac, S.A. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Anáhuac, S.A. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Cementos del Norte, S.A. de C.V.

We have audited the balance sheets of Cementos del Norte, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos del Norte, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Proveedora Mexicana de Materiales, S.A. de C.V.

We have audited the balance sheets of Proveedora Mexicana de Materiales, S.A. de C.V. (as a separate legal entity) as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management and are to be submitted for approval by the General Meeting of Stockholders; therefore, they include the investment in subsidiary for by the equity method. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.G to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Proveedora Mexicana de Materiales, S.A. de C.V. (as a separate legal entity) at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Compañía de Transportes del Mar de Cortés, S.A. de C.V.

We have audited the balance sheets of Compañía de Transportes del Mar de Cortés, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.G to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a portion of the company's income and operating costs and expenses arise from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions carried out with third parties.

As indicated in Note 2E, to the financial statements, based on a study carried out in 1999, management decided to modify the technical useful lives of property, plant and equipment; basically, since the related wear and tear has been lower than the originally estimated. The effect of this change represented a reduction in the depreciation charged to income for the year of approximately Ps5,075,357.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compañía de Transportes del Mar de Cortés, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Cementos Guadalajara, S.A. de C.V.

We have audited the balance sheets of Cementos Guadalajara, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.D to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a significant portion of the company's income and operating costs and expenses arise from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions with third parties.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Guadalajara, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Cementos de Oriente, S.A. de C.V.

We have audited the balance sheets of Cementos de Oriente, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.F to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a significant portion of the company's income (basically financial income) arises from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions with third parties.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos de Oriente, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Autotransportes de Huichapan, S.A. de C.V.

We have audited the balance sheets of Autotransportes de Huichapan, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.F to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a portion of the company's income and operating costs and expenses arise from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions with third parties.

As indicated in Note 2.D to the financial statements, based on a study carried out in 1999, management decided to modify the technical useful lives of property, plant and equipment; basically, since the related wear and tear has been lower than the original estimated. The effect of this change represented a reduction in the depreciation charged to income for the year of approximately Ps808,483.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Autotransportes de Huichapan, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Cemex Concretos, S.A. de C.V.

We have audited the balance sheets of Cemex Concretos, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.H to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As described in Note 1 to the financial statements, on November 13, 2000 the stockholders resolved to spin-off certain operations for which purpose a new company was incorporated effective from such date onwards. Certain assets, liabilities and capital stock were allocated to the new company as described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cemex Concretos, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of
Granos y Terrenos, S.A. de C.V.

We have audited the balance sheets of Granos y Terrenos, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Granos y Terrenos, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

INDEPENDENT AUDITORS' REPORT ON SCHEDULES

The Board of Directors and Stockholders
Cemex, S.A. de C.V.:

Under date of January 17, 2001, we reported on the consolidated balance sheets of Cemex, S.A. de C.V. and subsidiaries as of December 31, 1999 and 2000, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for each of the years in the three-year period ended December 31, 2000, which are included in the annual report. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules in the annual report. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG Cárdenas Dosal, S.C.

Rafael Gómez Eng

Monterrey, N.L. Mexico
January 17, 2001

SCHEDULE I

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
BALANCE SHEETS
(Thousands of constant Mexican pesos as of December 31, 2000)

		December 31, 1999	December 31, 2000
ASSETS			
Current Assets			
Cash and temporary investments	Ps	59,813	54,773
Other receivables (note 3)		22,880	656,718
Related parties receivables (note 7)		735,380	5,642,007
Total current assets		818,073	6,353,498
Investments and Noncurrent Receivables			
Investments in subsidiaries and affiliated companies (note 4)		45,174,431	48,909,447
Other investments		10,042	22,749
Long-term related parties receivables (note 7)		24,601,556	19,075,922
Total investments and noncurrent receivables		69,786,029	68,008,118
Other Assets		6,221,590	6,679,201
TOTAL ASSETS		76,825,692	81,040,817
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Bank loans		1,171,669	3,299,660
Notes payable		84,051	4,377,100
Current maturities of long-term debt		4,420,525	2,683,950
Other accounts payable and accrued expenses		894,410	745,565
Related parties payables (note 7)		3,239,922	848,413
Total current liabilities		9,810,577	11,954,688
Other long-term liabilities		22,650	51,804
Long-Term Debt (note 6)		16,547,755	13,771,416
Long-Term related parties payable (note 7)		–	4,748,000
TOTAL LIABILITIES		26,380,982	30,525,908
TOTAL STOCKHOLDERS' EQUITY		50,444,710	50,514,909
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps	76,825,692	81,040,817

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
STATEMENTS OF INCOME
(Thousands of constant Mexican pesos as of December 31, 2000, except for earnings per share)

		Years ended on December 31,		
		1998	**1999**	**2000**
Total revenues	Ps	6,933,793	9,244,740	8,467,237
Administrative expenses		(126,875)	(116,579)	(91,612)
Operating income		6,806,918	9,128,161	8,375,625
Net comprehensive financing (cost) income		(619,210)	933,163	99,498
Other income (expenses), net		41,019	(664,658)	286,312
Income before income taxes		6,228,727	9,396,666	8,761,435
Income tax benefit and business assets tax, net (note 8)		1,919,993	70,657	852,007
Net income	Ps	8,148,720	9,467,323	9,613,442
Basic Earnings Per Share	Ps	2.15	2.51	2.33
Diluted Earnings Per Share	Ps	2.15	2.50	2.32

See accompanying notes to financial statements.

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
STATEMENTS OF CHANGES IN FINANCIAL POSITION
(Thousands of constant Mexican pesos as of December 31, 2000)

		Years ended on December 31,		
		1998	**1999**	**2000**
Operating activities				
Net resources provided by (used in) operating activities	Ps	345,867	(5,413,888)	(4,721,698)
Financing activities				
Proceeds from bank loans (repayments), net		6,767,394	(6,681,509)	(2,087,620)
Notes payable		(11,175,078)	(593,976)	3,995,746
Issuance of common stock		10,596	348,897	47,285
Acquisition of shares under share repurchase program		-	-	(121,243)
Dividends paid		(1,683,230)	(1,931,853)	(2,208,073)
Issuance of common stock from reinvestment of dividends		1,470,153	1,831,297	1,984,403
Others, net		(127,929)	7,349	(28,166)
Resources (used in), provided by related parties financing activities		(4,738,094)	(7,019,795)	1,582,332
Investing activities				
Long-term by related parties receivables, net		(1,193,662)	(23,407,895)	10,273,634
Net change in investment in subsidiaries		6,201,758	24,815,392	(8,473,524)
Dividends received		-	13,215,249	463,350
Deferred charges		(400,566)	(2,356,992)	870,866
Resources provided by investing activities		4,607,530	12,265,754	3,134,326
Increase (decrease) in cash and temporary investments		215,303	(167,929)	(5,040)
Cash and temporary investments at beginning of year		12,439	227,742	59,813
Cash and temporary investments at end of year	Ps	227,742	59,813	54,773

See accompanying notes to financial statements.

CEMEX, S.A. DE C.V.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
December 31, 1998, 1999 and 2000
(Thousands of constant Mexican pesos as of December 31, 2000)

1. DESCRIPTION OF BUSINESS

Cemex, S.A. de C.V. (CEMEX) is the parent company of entities engaged in the production and marketing of cement and concrete in the construction industry.

2. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with Accounting Principles Generally Accepted in Mexico (Mexican GAAP), which include the recognition of the effects of inflation on the financial information.

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

The inflation restatement factors of prior periods for the Parent Company-only financial statements were determined based on inflation in Mexico.

December 31, 2000	1.0903
December 31, 1999	1.1232
December 31, 1998	1.1861

The inflation restatement adjustments for common stock and additional paid-in capital are restated by using Mexican inflation.

C) CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments include fixed-income marketable securities investments with original maturities of three months or less. Investments in marketable securities are stated at market value. Gains or losses resulting from changes in market values and the effects of inflation are included in the accompanying statements of income as part of the comprehensive financing income or cost.

D) INVESTMENTS AND NONCURRENT RECEIVABLES

Investments in common stock representing between 10% and 100% of the issuer's common stock are accounted for by the equity method. Under the equity method, the investments are stated at cost, adjusted for the CEMEX's equity in the investee's earnings after acquisition and the effects of inflation on the investee's equity.

E) PROPERTY, MACHINERY AND EQUIPMENT

Property, machinery and equipment are restated for inflation in accordance with the fifth amendment to Bulletin B-10. The beginning balances for the 1997 inflation adjustment for property, machinery and equipment were the ending balances at December 31, 1996, which were based on appraisals made by independent expert appraisers.

Depreciation of property, machinery and equipment is provided on the straight-line method over the estimated remaining useful lives of the assets less salvage value.

F) DEFERRED CHARGES AND AMORTIZATION

Deferred charges are adjusted to reflect current values. Amortization of deferred charges is determined using the straight-line method based on the current value of the assets.

Amortization of the excess of cost over book value of subsidiaries acquired (goodwill) is determined under the present worth or sinking fund method, which intends in a better matching of the amortization of goodwill with the revenues generated from the acquired affiliated companies. The amortization periods are as follows:

	Years
Goodwill from years before 1992	40
Goodwill generated starting January 1, 1992	20

Deferred financing costs are adjusted to reflect current values, and represent expenses originated from CEMEX's financing operations. Amortization of deferred financing cost is determined under the straight-line method over the term of the related debt based on the current value of deferred financing cost.

G) MONETARY POSITION GAIN OR LOSS

The monetary position gain or loss is calculated by applying the inflation rate of each country in which the CEMEX has operations to the average net monetary assets or liabilities in that country.

H) DEFICIT IN EQUITY RESTATEMENT

The deficit in equity restatement includes the accumulated effect from holding non-monetary assets as well as the effects of translation of financial statements of foreign subsidiaries.

3. OTHER RECEIVABLES

Other current receivables consist of:

		1999	**2000**
Non-trade receivables	Ps	22,880	89,814
Refundable income tax		-	566,904
Other refundable taxes		-	-
	Ps	22,880	656,718

4. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in shares of subsidiaries and affiliated companies are accounted for by the equity method, which considers the results and the stockholders' equity of the investees. Investments in subsidiaries and affiliated companies are summarized as follows:

		1999	**2000**
Contribution or book value at acquisition date	Ps	30,430,399	38,071,395
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies		14,744,032	10,838,052
	Ps	45,174,431	48,909,447

5. SHORT AND LONG-TERM DEBT

The maturities of the long-term debt at December 31, 2000, are as follows:

2002	Ps	2,405,557
2003		4,701,646
2004		-
2005		1,002,316
2006 and thereafter		5,661,897
	Ps	13,771,416

TRANSACTIONS WITH RELATED PARTIES

The principal transactions carried out with related parties are the following:

		1998	1999	2000
Rental income	Ps	147,090	372,583	280,792
License fees		610,102	1,172,608	2,342,850
Financial expenses		(2,300,900)	(1,769,747)	(701,309)
Financial income		28,614	584,229	2,213,065
Dividends from subsidiaries		-	13,215,249	463,350

7. INCOME TAX AND BUSINESS ASSETS TAX

In accordance with present tax legislation in Mexico, corporations must pay either the Income Tax or Business Assets Tax depending on which amount is greater for their operations in Mexico. Both taxes recognize the effects of inflation, in a manner different from generally accepted accounting principles.

The Business Assets Tax Law establishes a 1.8% tax levy on assets, indexed for inflation in the case of inventory, property, plant and equipment after deducting certain liabilities.

Income tax benefit (expense) for the years ended December 31, 1998, 1999 and 2000, consists of:

		1998	1999	2000
Current income tax	Ps	(1,233,325)	(3,931,593)	(400,000)
Benefit from tax consolidation		2,103,687	397,747	681,045
Deferred income taxes		-	-	570,962
Utilization of tax loss carryforwards		1,049,631	3,604,503	-
	Ps	1,919,993	70,657	852,007

CEMEX, as a holding company, prepares its income Tax and Business Assets Tax returns on a consolidated basis, which resulted in tax benefits of Ps 1,919,993 in 1998, Ps 70,657 in 1999 and Ps 281,045 in 2000.

8. CHARGES TO OPERATIONS WHICH DID NOT REQUIRE RESOURCES

Items charged or credited to the results of operations, which did not generate the use of resources, are summarized as follows:

		1998	1999	2000
Depreciation of property, machinery and equipment	Ps	5,597	4,587	4,377
Amortization of deferred charges and credits, net		91,357	65,651	155,859
Deferred income tax charged to results		-	-	(570,962)
Equity in income of subsidiaries and affiliates		(6,176,601)	(7,699,549)	(5,843,595)
	Ps	(6,079,647)	(7,629,311)	(6,254,321)

9. CONTINGENCIES AND COMMITMENTS

At December 31, 1999, CEMEX, S.A. de C.V. has signed as guarantor for loans made to certain subsidiaries in the amount of US dollars 101 million (Ps971.6 million).

SCHEDULE II

CEMEX, S.A. DE C.V.
Notes to the Parent Company Only Financial Statements
December 31, 1998, 1999 and 2000
(Thousands of constant Mexican pesos as of December 31, 2000)

Valuation and Qualifying Accounts as of December 31, 1998, 1999 and 2000, is as follows:

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Other(s)	Balance at End of Period
Year ended December 31, 1998:					
Allowance for doubtful accounts	623,501	200,671	136,643	(66,644)	620,885
Year ended December 31, 1999:					
Allowance for doubtful accounts	620,885	82,256	103,443	(76,576)	523,122
Year ended December 31, 2000:					
Allowance for doubtful accounts	523,122	102,836	134,491	(54,757)	436,710

(1) Amounts included in "Others" primarily result from the effects of foreign currency translation and the inflation adjustment of the initial balance in the restatement to constant pesos as of the end of the same period.