the essence

CEMEX 2000 ANNUAL REPORT

CEMEX

CEMEX today

CEMEX is one of the three largest cement companies in the world, with more than 77 million metric tons of production capacity. Through operating subsidiaries in four continents, CEMEX is engaged in the production, distribution, marketing, and sale of cement, ready-mix concrete, aggregates, and clinker. It is also the world's largest trader of cement and the world's leading producer of white cement.

Mission

CEMEX's mission is to serve the global building needs of its customers and build value for its stakeholders by becoming the world's most efficient and profitable cement company.

table of **contents**

this is our
essence

Financial Highlights

CEMEX, S.A. de C.V. and Subsidiaries
AS OF DECEMBER 31, 2000

	Millions of US dollars*		
	2000	1999	% Change
Net Sales	**5,621**	4,828	16
Operating Profit	**1,654**	1,436	15
Operating Cash Flow (EBITDA)	**2,030**	1,791	13
Consolidated Net Income	**1,077**	1,029	5
Cash Earnings per ADS (NYSE: CX)[1]	**5.75**	5.35	7
Earnings per ADS	**3.65**	3.87	(6)
Total Assets	**15,759**	11,864	33
Net Debt	**7,112**	4,794	48
Consolidated Stockholders' Equity	**7,649**	6,435	19

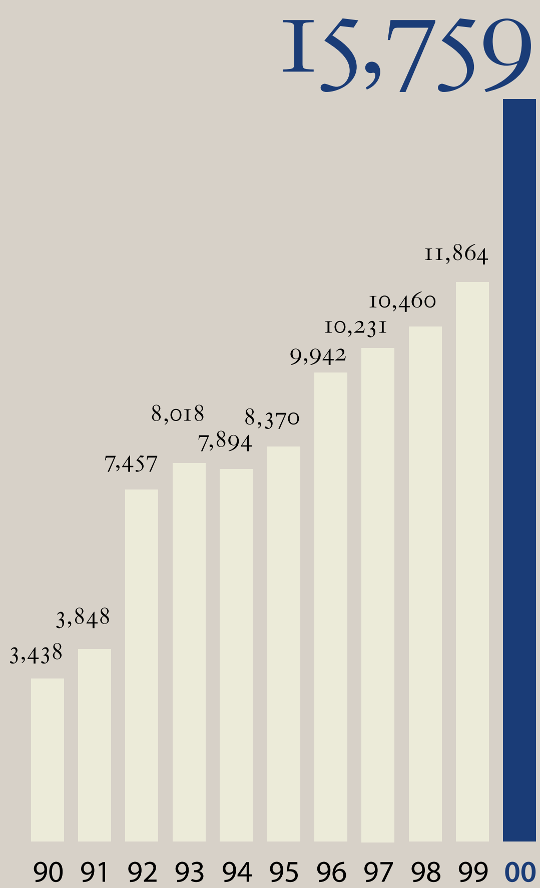
Data in millions of US dollars, except per-share information.

* Convenience translation. Results for 2000 may be converted to pesos by multiplying by the December 31, 2000, exchange rate of Ps 9.62. Results for 1999 may be converted to pesos by dividing by the weighted-average inflation factor of 2.36% (1.0236) and then multiplying by the December 31, 1999, exchange rate of Ps 9.51.

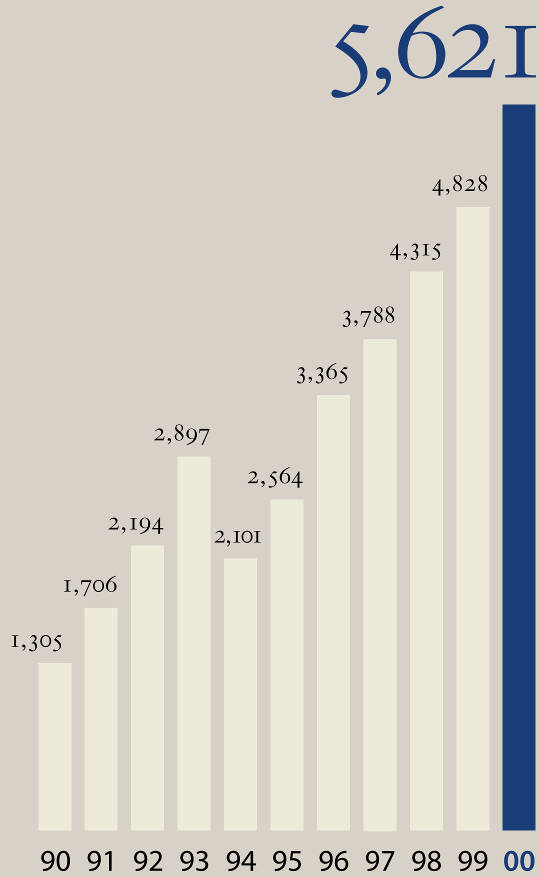
[1] Based on 1.375 billion CPO shares for 2000 and 1.256 billion CPO shares for 1999. Each ADS represents five CPO shares.

10-year EBITDA growth of 20%

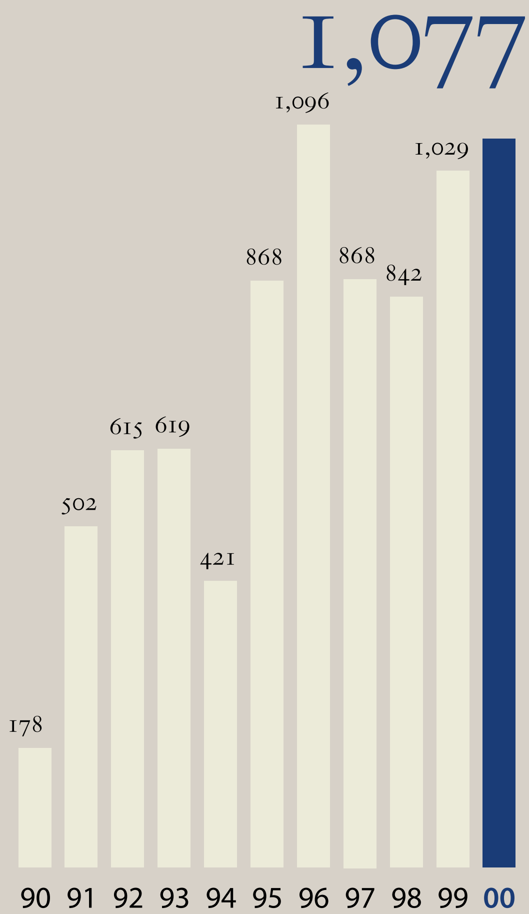
Assets
millions of US dollars



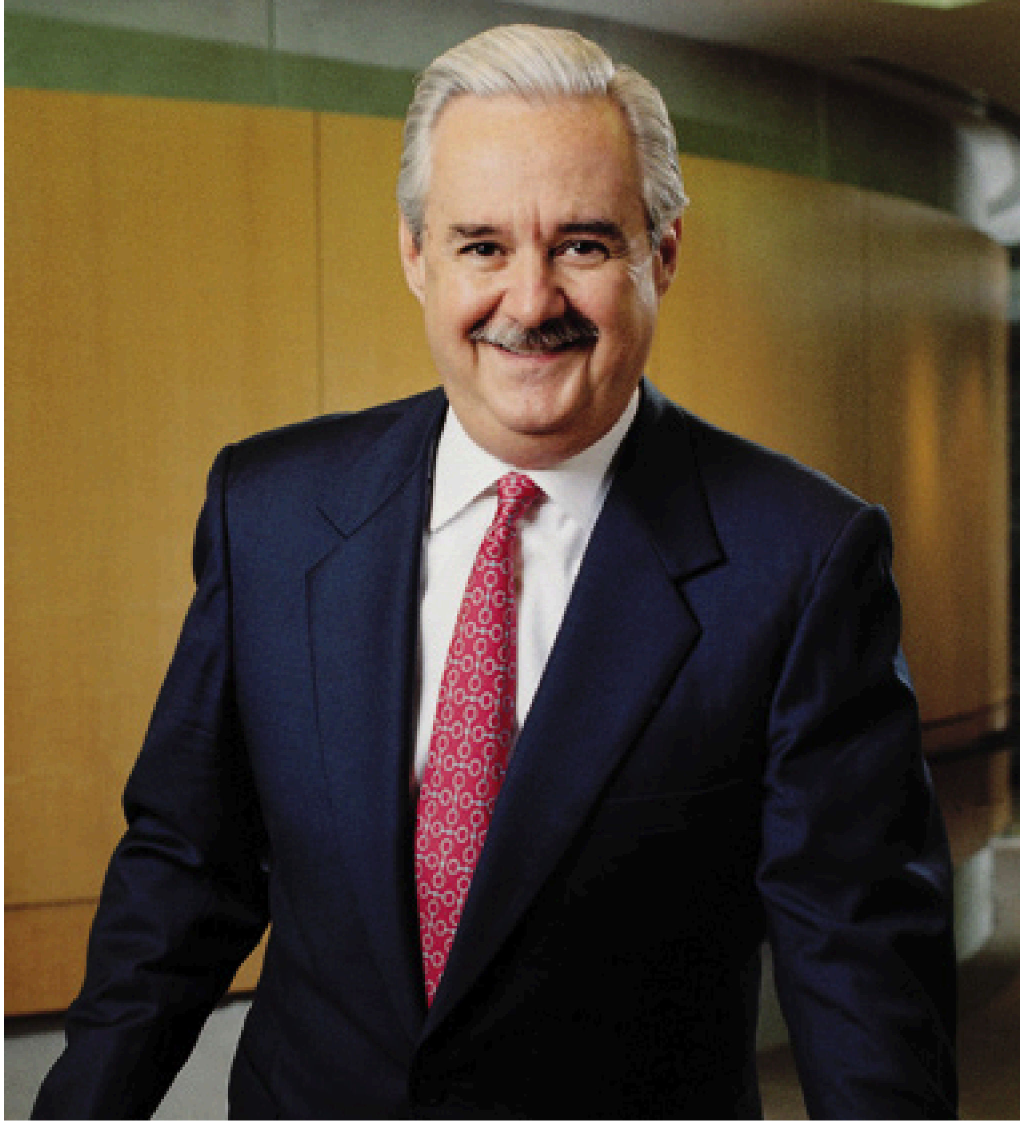
Consolidated net sales
millions of US dollars



Consolidated net income
millions of US dollars



CEMEX's diversification strategy continues to deliver stable and profitable growth.



Dear fellow stockholders:

Two thousand was an exceptional year for CEMEX—our strongest ever in terms of operating results. We attribute our healthy performance during the year to our essence: the basic elements that differentiate us from our competitors. These include, for one, our ability to thrive in some of the world's most demanding yet dynamic market environments. They also reflect our agile analytical framework: the process that enables us to capitalize on strategic investment opportunities when they arise.

Over the last ten years, we've met many challenges, producing average annual compounded EBITDA growth of 20% in dollar terms. Last year, we generated US$960 million in operating free cash flow, which is money available for further investment, lowering debt, or repurchasing stock. We've been able to do this through our market focus and our innovative and efficient use of resources.

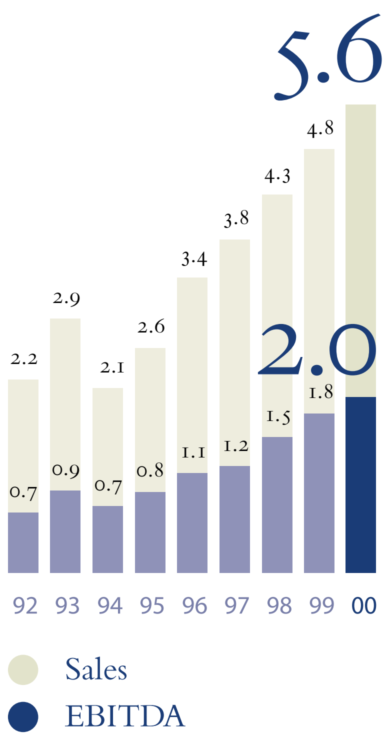
And, perhaps more importantly, we've achieved this high growth and cash generation by diversifying our portfolio of assets into markets that have enabled us to produce high, stable margins. Of course, the analysis and selection of the types of investments we seek is more complex. Even as the dynamics of our industry are changing, we execute our business model in such a way as to always be prepared to take advantage of those business opportunities that will create value for our shareholders.

For example, large-size investments in the global cement industry, fueled by the Asian economic downturn only a few years ago, were limited in 2000. Nevertheless, we completed the acquisition of Southdown in the United States—a major investment by our own standards as well as those of the industry.

Our very essence includes the ability to thrive in some of the world's most demanding yet dynamic market environments.

Lorenzo H. Zambrano
Chairman of the Board and Chief Executive Officer

EBITDA & sales
billions of US dollars



For the past ten years, CEMEX's strong net sales and EBITDA have been supported by natural growth and acquisitions.

Southdown, now proudly operating as CEMEX, makes perfect sense given our business model and strategy. It provides a strong and stable source of free cash flow that complements the healthy growth of our existing operations as well as our geographic growth. It is also immediately accretive to our cash earnings and free cash flow. In short, this acquisition gives us greater financial flexibility, a better-balanced portfolio of high-growth and developed markets, and a much stronger platform from which to grow.

Our financial flexibility and investment-grade credit rating are also essential aspects of our business model. With EBITDA of more than US$2 billion in 2000, our interest coverage was 4.1 times for the year, compared to 3.6 times at year-end 1999. With the full integration of our new U.S. operations, we expect to generate in excess of US$1 billion in operating free cash flow in 2001. This gives us a healthy financial foundation from which to continue executing our business strategy.

We will continue to seek attractive opportunities in high-growth markets—in which we are already primarily positioned—for they are the world's most dynamic regions. The logic of this strategy is obvious. These markets have younger populations and greater infrastructure requirements, and they continue to offer exceptional upside potential. Moreover, the economic outlook for these countries supports our portfolio's natural growth. For example, the continuing integration of Spain into the EU and Mexico into NAFTA requires significant economic and infrastructure development, creating concomitant value for us.

Balanced market portfolio
percentage

CEMEX's production capacity is better balanced between high growth and more mature markets.

To effectively tap this potential, we must have a very clear understanding of what our customers need, and we must fulfill those needs accordingly. Because we consider brand loyalty an essential asset and a sustainable competitive advantage, customer satisfaction is a top priority, especially with our individual homebuilders. We must vigilantly manage our brands to serve their distinct preferences as well as those of our other customers in different countries and cultures.

In fact, our efforts to better serve our customers and to build an increasingly effective commercial system are driving elements of our transformation into a digital enterprise. In 2000, we took great steps toward incorporating digital technology into every aspect of our operations. Our strategic technological initiatives are bringing our customers a wide array of value-added services and transforming the way we do business.

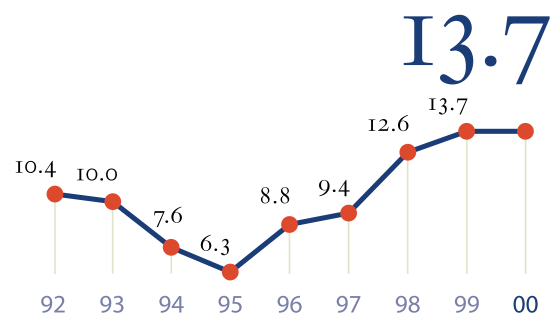
An essential aspect of our commercial system is our ability to offer not just cement but complete solutions to our customers' needs, whatever those needs are, wherever our customers may be. The Internet is helping us to do just that; it is increasing our flexibility to allow us to readily adapt to different customer requirements and environments.

We are also using Internet technology to improve efficiency, streamline our processes, and cut transaction costs. To do this, we have formed specialized multifunctional teams to identify company-wide best practices, incorporate them into a standard platform, and execute them throughout the organization.

In order to fully explore the ways in which we can utilize the power of the Internet to extend our global reach, we created CxNetworks, a wholly owned, independently operated subsidiary that will manage all of our e-business initiatives. Launched in September 2000, CxNetworks will initially concentrate on areas close to our core cement business, thus leveraging our existing assets onto the Internet. Its portfolio currently includes Construmix, the first full-service online construction marketplace in Latin America for small and medium-sized contractors, and Latinexus, which we formed in partnership with leading companies in Mexico and Brazil. Launched in January 2001, Latinexus aims to become Latin America's principal online exchange for indirect goods and services.

In Neoris, CxNetworks' newly formed U.S.-based subsidiary, we have tapped the tremendous value inherent in Cemtec, our IT arm, and merged it with four IT companies in Argentina, Brazil, Spain, and Venezuela. Neoris will capitalize on the extensive, collective industry knowledge and expert process design skills of its 1,000 professionals, as well as a host of leading-edge technologies, to develop applications and systems for medium and large clients.

Return on capital employed
percentage



CEMEX continues to enhance value creation.

Neoris is not only an important part of CEMEX's group of e-businesses; it is also an excellent example of how we realize the potential of our most important asset: our people. As we undertake new challenges, and our work becomes necessarily more demanding and creative, we will continually work to empower our people. This means not only providing them with the right technological tools but also strengthening their motivation to succeed in an increasingly complex business environment.

Along with all of our initiatives, our efforts to develop our talent have but one ultimate goal: to ensure profitable growth. Accordingly, we've aligned management's interests with those of our stockholders. From the ten-year stock option plan, which we began in 1995, to our recent shareholder value initiatives, we've based management's variable compensation on total business and capital return models. These programs help to ensure that we continue to generate greater shareholder value.

I want to thank you, my fellow stockholders, for your trust and confidence in CEMEX. We have a financially healthy company, and I am proud of our success. I am confident that we have the essential elements to grow and prosper in our ever-changing business environment, and I look forward to your increasing participation in our success.

Lorenzo H. Zambrano
Chairman of the Board and
Chief Executive Officer

sales

In 2000, consolidated sales and EBITDA rose to US$5.6 billion and US$2 billion, respectively, an increase of 16% and 13% over last year's records.

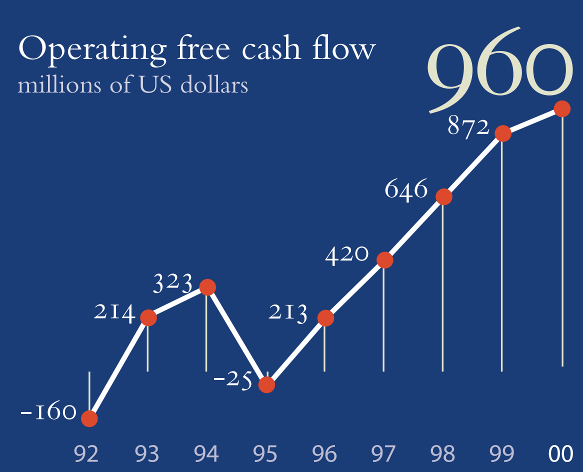
cash flow

Our EBITDA-to-sales margin was 36.1% in 2000. Operating free cash flow increased 10% over the previous year.

the essentials

balanced growth portfolio

CEMEX strikes a strategic balance between natural market **growth** and selective geographic diversification. This dual approach enables the company to generate **profitable** growth in a dynamic and consolidating global industry.



CEMEX generates one of the highest operating free cash flows in the industry.

The acquisition and integration of U.S.-based Southdown exemplifies CEMEX's ability to grow profitably and create value by capitalizing on attractive investment opportunities. Now a CEMEX operation, Southdown fits CEMEX's business model and immediately supports the company's continuing ability to generate high growth. • Southdown, the second-largest cement producer in the attractive U.S. market, has a broad national network of operating facilities that complements CEMEX's presence in the U.S. Its integration with CEMEX's operations and global trading infrastructure will reap significant synergies and create a stronger, more diversified growth platform. Next to China, the U.S. is the world's second-largest cement market, consuming approximately 106 million metric tons of cement in 2000. The U.S. cement industry fully utilizes its existing production capacity, meeting more than 20% of domestic demand through imports. • On the other side of the equation, CEMEX's locally branded cement products and superior customer services augment the natural growth of CEMEX's markets and ensure greater profitability. Customer satisfaction is very important in the cement industry—particularly in the high-growth markets that CEMEX serves—and brand loyalty is a critical intangible asset. The company's branded cement products, together with its full array of value-added services, have generated higher cash flow margins, steadier financial performance, and stronger market positions. •

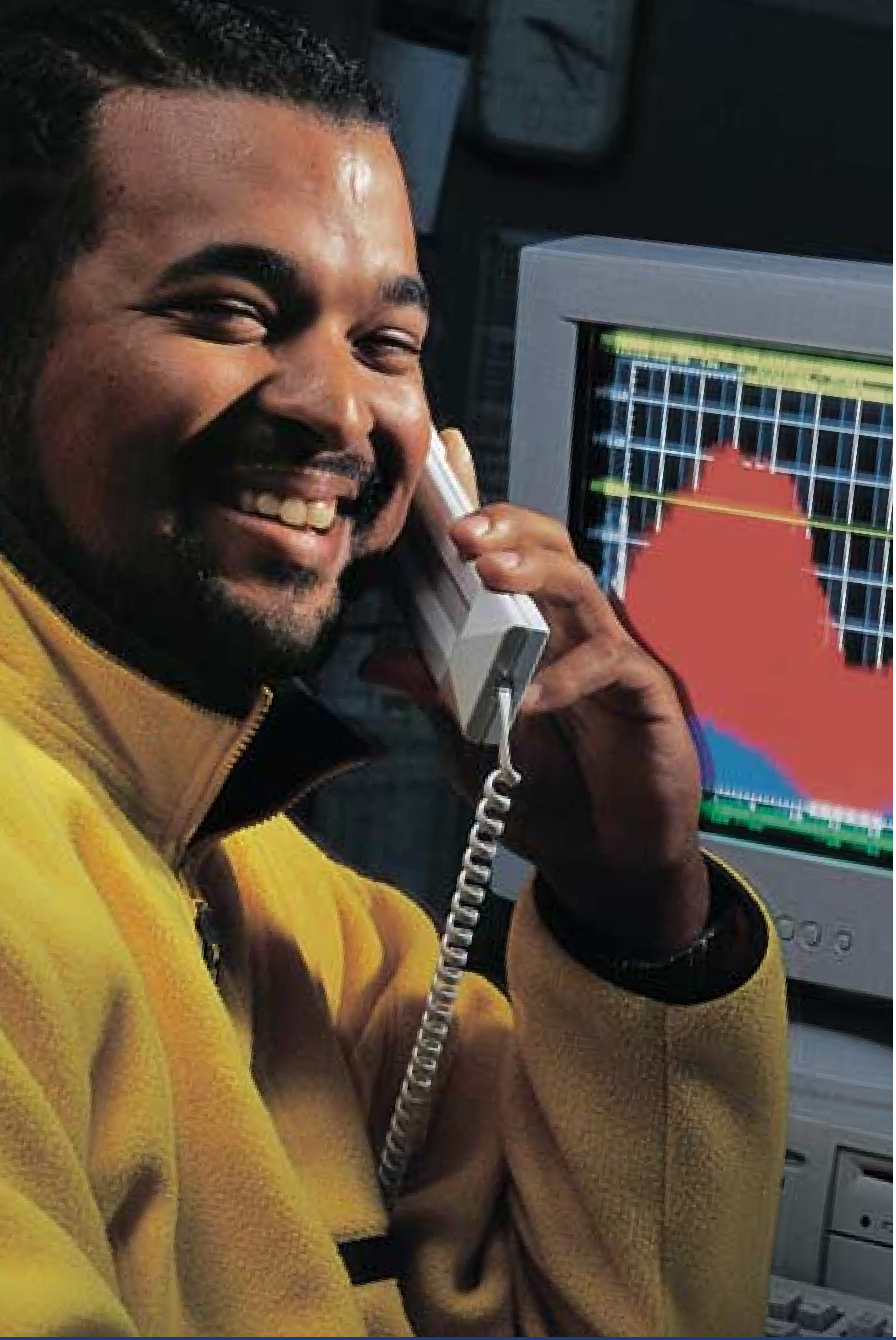
Balanced Business Model

vision

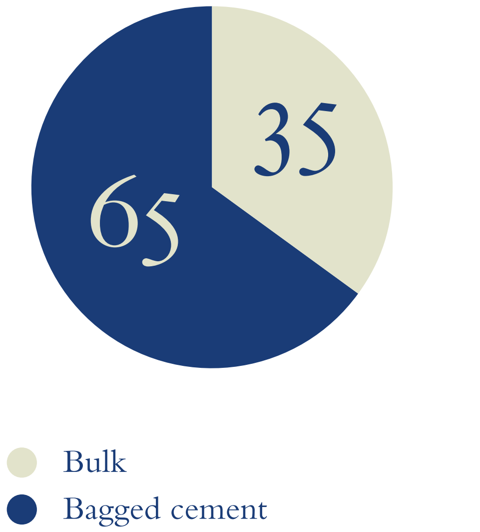
Satisfy customers' global building needs and become the world's most efficient and profitable multinational cement company

goal

Create shareholder value



Cement consumption breakdown in CEMEX's markets
percentage



CEMEX has a portfolio of high-growth markets that use bagged cement over bulk, enabling CEMEX to brand its products.

implementation

1. Leverage CEMEX's core cement and ready-mix franchise; **2.** Concentrate on dynamic markets; and **3.** Maintain high growth by applying free cash flow to selective investments that further the company's geographic diversification

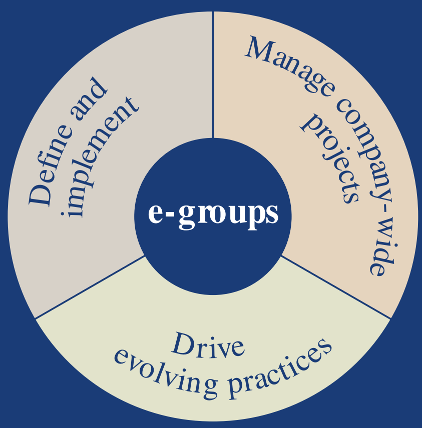
results

1. A stronger, more diversified growth platform with access to a broader range of lower-cost capital; and **2.** One of the highest growth rates and strongest, most stable free cash flows in the industry

the essentials

leveraging knowledge through technology

The construction industry is ripe for a digital makeover, and CEMEX is leading the way, transforming itself from a conventional to a digital enterprise. CEMEX has long used information technology (IT) to streamline its operations, provide value-added customer services, and generate value for its stakeholders.



CEMEX's e-groups are the key element to manage process and system standarization throughout the company.

To ensure that all its people and processes have access to the full power of the Internet, as well as the skills, tools, and networks to use that power, CEMEX is "e-enabling" every aspect of its business. • E-enabling is a top priority. CEMEX has formed multifunctional teams that are driving its digital evolution while identifying the company's best practices, incorporating them into standard platforms, and executing them throughout the organization. Their aim is to ensure that 60% of the company's business processes are managed on a Web-based environment by year-end 2001. Their most important initiatives are to: 1. deepen customer relationships, 2. bring the supply chain online, and 3. develop a portal with tools that enhance employee efficiency and productivity. • To manage all of its external e-business efforts, CEMEX launched CxNetworks in September 2000. Its mission is to leverage the company's assets—including its industry expertise and ability to understand and respond to customers' needs—and extend CEMEX's reach into areas that complement its core business. The fulfillment of this mission will allow CEMEX to compete more effectively and will ensure greater profitability. • CxNetworks' business portfolio focuses on three areas: 1. the development of online portals for the construction industry (Construmix), 2. the creation of an Internet-based marketplace for the purchase of indirect goods and services (Latinexus), and 3. the expansion of CEMEX's IT, logistics, and Internet consulting services (Neoris). • As CxNetworks subsidiaries, each of these initiatives will further unlock the value of CEMEX's skills and expertise, bringing better customer service to the value chain with innovative end-to-end solutions for its clients. •

E-enabling Groups

vision

Use information technology to leverage CEMEX's knowledge, including its industry expertise and customer focus, and to extend the company's reach into areas that complement its core business

goal

Transform CEMEX into a digital enterprise

CEMEX's use of IT
recent highlights

1987 The company begins the design and deployment of a satellite communications system, CEMEXNet, which will connect all of CEMEX's production facilities.

1993 Cemtec is established to serve as CEMEX's in-house IT service supplier.

1995 The company develops a digital system, Dynamic Synchronization of Operations, to more efficiently manage and fulfill customer orders.

2000 CEMEX starts its internal e-enabling process. CxNetworks, a new subsidiary and an integral element of the company's external e-business strategy, is launched. Cemtec, now a CxNetworks subsidiary, merges with four other IT companies to create Neoris.

implementation

1. Enhance sales channels; **2.** Streamline procurement processes; **3.** Afford employees universal access to information; and **4.** Create an Internet-based culture and environment

results

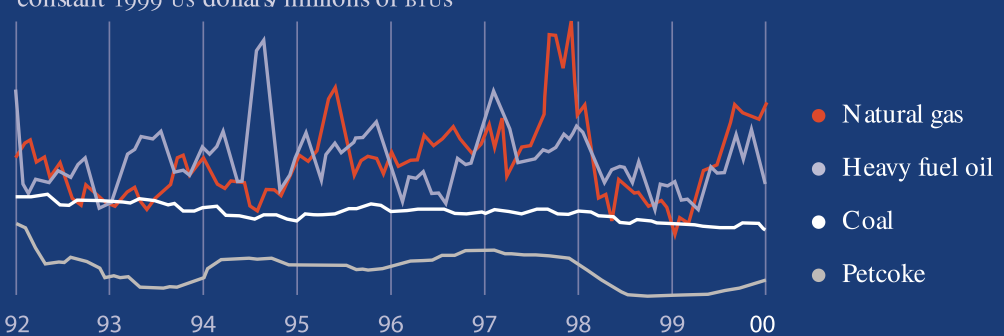
1. The first company in the industry to shift from a conventional to a digital business design; and **2.** Expected significant ongoing cost savings from more efficient procurement, lower inventory costs, better cash management, and centralized services

the essentials

efficient energy management

From fuel for the kilns to electricity for the grinding mills, **energy** is one of the cement manufacturing process' most critical cost components. Since 1990, CEMEX's **efficient energy management** continues to offer a distinct competitive advantage in a very energy-intensive industry.

Comparative fuel prices in the US Gulf Coast
constant 1999 US dollars/millions of BTUS



CEMEX's efficient energy management ensures a stable supply of relatively low-cost fuel, such as petcoke and coal.

On average, fuel represents from 10% to 20% and electricity from 15% to 20% of production costs. • The company's energy strategy aims to: 1. secure a consistent supply of energy and minimize price volatility (reducing its impact on CEMEX's overall risk exposure), and 2. optimize global and regional energy costs (capitalizing on synergies and economies of scale). • Although energy-intensive, the cement manufacturing process has the flexibility to consume different types of fuel. The company has developed a diversified fuel structure in which almost 80% of its total fuel cost is based on sources with low price volatility. For example, the company's petcoke conversion program will meet a significant amount of CEMEX's fuel requirements by year-end 2001. • CEMEX has also developed the ability to secure and optimize its petcoke supply. Through Houston-based Transenergy, a CEMEX subsidiary, the company is able to achieve economies of scale by buying directly from some of the world's largest petcoke refineries. • CEMEX is also constantly evaluating and developing self-supply power-generation projects to reduce costs and secure a stable supply. For instance, CEMEX doubled the size of its Termoelectrica del Golfo (TEG) self-supply project in Mexico with a twin plant –whose power offtaker is Mexican mining company Peñoles– guaranteeing very low electricity costs due to economies of scale. •

TEG Power Project

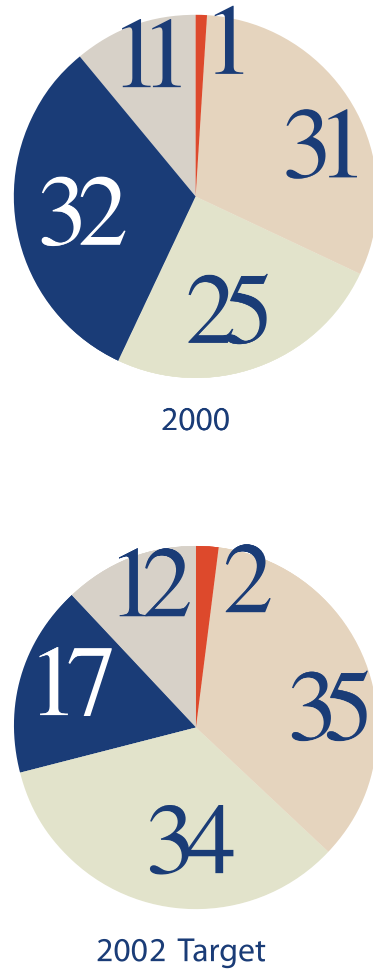
vision

Provide a sustainable competitive advantage in the energy-intensive global cement industry

goal

Secure a low-cost, stable supply of electricity, and optimize CEMEX's energy costs

Consolidated annual fuel utilization
percentage



- Coal
- Petcoke
- Fuel oil
- Natural gas
- Other

By developing a diversified fuel structure, every CEMEX cement plant has at least two sources of energy.

implementation

1. CEMEX contracts with a consortium that absorbs all financing, construction, and operating risks associated with the project; **2.** CEMEX will supply the petcoke to fuel the project; and **3.** CEMEX will consume energy under a long-term power purchase agreement

results

1. Guarantees very low net electricity costs; **2.** Secures power to meet a significant percentage of CEMEX's electricity needs; and **3.** Creates important economies of scale

selected consolidated financial information

CEMEX, S.A. DE C.V. AND SUBSIDIARIES (in millions of US dollars, except share and per-share amounts)

	1990	1991	1992	1993	1994	1995	1996	1997
Income Statement Information								
Net Sales	1,305	1,706	2,194	2,897	2,101	2,564	3,365	3,788
Cost of Sales (1)	928	1,064	1,371	1,747	1,212	1,564	2,041	2,322
Gross Profit	377	642	823	1,150	889	1,000	1,325	1,467
Operating Expenses	178	221	286	444	325	388	522	572
Operating Income	199	420	537	706	564	612	802	895
Financial Expense	(393)	(330)	(279)	(490)	(359)	(652)	(668)	(510)
Financial Income	59	42	55	133	86	65	53	37
Comprehensive Financing (Cost) Income, Net (2)	(5)	124	179	25	(16)	567	529	159
Other Income (Expenses) Net	(42)	(47)	(89)	(101)	(133)	(162)	(171)	(138)
Income Before Taxes and Others	152	498	628	630	415	1,017	1,160	916
Minority Interest (3)	30	60	70	97	45	109	119	107
Majority Net Income	148	442	545	522	376	759	977	761
Earnings per Share (BMV: CEMEXCPO) (4)(5)(6)(7)	0.13	0.40	0.52	0.49	0.35	0.59	0.75	0.59
Dividends per Share (4)(5)(8)(9)	0.02	0.06	0.07	0.09	0.06	0.07	–(9)	0.12
Number of CPO Shares Outstanding (4)(5)(6)	1,114	1,114	1,056	1,056	1,077	1,286	1,303	1,268
Earnings per ADS (NYSE: CX) (4)(5)(6)(7)	0.67	1.98	2.58	2.47	1.75	2.95	3.76	2.97
Dividends per ADS (4)(5)(8)(9)	0.08	0.29	0.34	0.46	0.31	0.33	–(9)	0.60
Balance Sheet Information								
Cash and Temporary Investments	145	202	384	326	484	355	409	380
Net Working Capital (10)	236	286	562	595	528	567	611	588
Property, Plant, and Equipment, Net	2,357	2,614	4,124	4,407	4,093	4,939	5,743	6,006
Total Assets	3,438	3,848	7,457	8,018	7,894	8,370	9,942	10,231
Short-term Debt	261	144	884	684	648	870	815	657
Long-term Debt	1,043	1,267	2,436	2,866	3,116	3,034	3,954	3,961
Total Liabilities	1,566	1,607	3,897	4,022	4,291	4,603	5,605	5,535
Minority Interest (3)	474	408	649	771	771	889	1,000	1,181
Stockholders' Equity, excluding Minority Interest	1,398	1,833	2,911	3,225	2,832	2,878	3,337	3,515
Total Stockholders' Equity	1,872	2,242	3,560	3,996	3,603	3,767	4,337	4,696
Book Value per Share (BMV: CEMEXCPO) (4)(5)(6)(7)	1.25	1.65	2.76	3.05	2.63	2.24	2.56	2.77
Other Financial Data								
Operating Margin	15.3%	24.6%	24.5%	24.4%	26.9%	23.9%	23.8%	23.6%
EBITDA Margin (11)	24.8%	33.2%	31.9%	31.6%	34.2%	31.8%	32.3%	31.5%
EBITDA (11)	324	567	700	914	719	815	1,087	1,193
Cash Earnings (12)	(10)	279	476	557	446	228	472	720

1998	1999	2000	Average Annual Growth 90-00
4,315	4,828	5,621	15.7
2,495	2,690	3,141	
1,820	2,138	2,480	20.7
642	702	826	
1,178	1,436	1,654	23.6
(485)	(488)	(467)	
37	31	25	
(132)	(29)	(174)	
(152)	(296)	(234)	
893	1,111	1,246	23.4
39	56	78	
803	973	999	21.0
0.64	0.77	0.73	18.8
0.14	0.16	n.a.	
1,258	1,366	1,390	
3.18	3.87	3.65	18.5
0.70	0.79	n.a.	
407	326	308	
638	669	813	
6,142	6,922	9,034	
10,460	11,864	15,759	
1,106	1,030	2,962	
3,136	3,341	2,709	
5,321	5,430	8,111	17.9
1,251	1,253	2,398	
3,887	5,182	5,251	14.1
5,138	6,435	7,649	15.1
3.09	3.79	3.78	
27.3%	29.8%	29.4%	
34.4%	37.1%	36.1%	
1,485	1,791	2,030	20.1
1,037	1,335	1,587	

Notes to Selected Consolidated Financial Information

1) Cost of sales includes depreciation.

2) Comprehensive financing income (cost) includes financial expense, financial income, gains (losses) on marketable securities, net foreign exchange variation, and net monetary position.

3) In July 1995, a CEMEX subsidiary entered into a transaction pursuant to which it transferred a portion of the common stock of Valenciana in exchange for Pta 40 billion, which represented 24.77% of such stock. During the life of the transaction, such shares were treated as owned by a third party, thereby creating a minority interest over the consolidated stockholders' equity in Valenciana. The original amount of Pta 40 billion was refinanced in August 1997 at US$320 million, and subsequently in February 1999 at US$500 million. Since the first refinancing, the minority interest in the income statement was not recognized since CEMEX, through its subsidiary, retained dividends and voting rights over such shares and had the option to acquire them in three tranches, the latter to mature in June 2001. In August 2000, CEMEX anticipated the exercise of its call option and terminated this transaction. During the life of the transaction, the company included the cost of retaining its option as part of the financial interest.

4) On April 28, 1994, CEMEX declared a stock split of three shares per each share held by a shareholder. Additionally, as part of the transformation of CEMEX from a fixed to a variable capital company, and an increase in the variable portion of its capital stock, CEMEX issued a new share of variable capital of like series for every eight shares (after making the stock split effective). All Ordinary Participation Certificates ("CPO") and per-CPO amounts for 1990 through 1993 have been adjusted to make the effect of the stock split retroactive.

5) On September 14, 1999, the company concluded an exchange offer of its old series "A" and "B" shares and its old CPOs for new CPOs. As a result, most of the holders of the old series "A" and "B" shares and old CPOs received for each one of their titles a new CPO, which represents the participation in two new series "A" shares and one new series "B" share of the company. As a part of the exchange offer, on September 15, 1999, the company effected a stock split of two series "A" shares and one series "B" share for each of the old shares of any series. 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. The earnings per CPO and the number of CPOs outstanding for the years ended December 31, 1990 through 1998, have been adjusted to make the effect of the stock split retroactive. In order to comply with accounting principles in Mexico, in the Financial Statements such figures are presented on a per-share basis (see notes 2A and 13A to the Financial Statements).

6) The number of CPOs outstanding represents the total CPOs outstanding at the close of each year, stated in millions of CPOs, and includes the total number of CPOs issued by CEMEX utilized in derivative transactions, and excludes the total number of CPOs issued by CEMEX and owned by subsidiaries. Each ADS listed on the New York Stock Exchange represents five CPOs.

7) For the periods ended on December 31, 1990 to 1995, the "Earnings-per-CPO" amounts were determined by considering the total outstanding CPOs at the year's end. For the periods ended on December 31, 1996 to 2000, the "Earnings-per-CPO" amounts were determined by considering the average number of CPOs outstanding during each year, i.e., 1.298, 1.283, 1.262, 1.256, and 1.375 billion, respectively.

8) Dividends declared at each year's annual stockholders' meeting for each period are reflected as dividends for the preceding year.

9) As a result of CEMEX's Share Repurchase Program in 1997, 24.1 million CPOs were acquired for an amount of approximately US$119 million. The CPOs acquired through this program accounted for approximately 2% of the CPOs outstanding at that date. On September 15, 2000, the company's board of directors authorized a new Share Repurchase Program for up to US$500 million. As a result, during 2000, approximately 3.1 million CPOs were acquired under the program for an amount of approximately US$12.6 million (see note 13A to the Financial Statements).

10) Net working capital equals accounts receivable plus inventories minus trade payables.

11) EBITDA is earnings before interest expense, taxes, depreciation, and amortization. Amortization of goodwill is not included in operating income, but is instead recorded in other income (expense) below the operating line. EBITDA does not include certain other income and expenses that are not included in operating income under Mexican GAAP.

12) Cash Earnings represent EBITDA less net financial expense.

management discussion and analysis

Results of operations and analysis of financial condition of the company

CEMEX's operations and commercial relationships

The Business

CEMEX is **one of the three largest** cement companies in the world, with more than 77 million metric tons of production capacity. It is also the world's largest trader of cement and the leading producer of white cement. Through operating subsidiaries in four continents, CEMEX is engaged in the production, distribution, marketing, and sale of cement, ready-mix concrete, aggregates, and clinker.

The CEMEX business model

CEMEX's strategic business model is to: leverage its core cement and ready-mix franchise; concentrate on dynamic markets; and maintain high growth by applying free cash flow toward selective investments that further its geographic diversification.

Performance

The CEMEX business model has consistently delivered strong performance, achieved through both natural growth and acquisitions. Throughout the past ten years, sales have increased at a compounded annual growth rate of 16% and operating cash flow at 20%, while operating free cash flow reached a record US$960 million in 2000.

As of December 31, 2000	% OF TOTAL SALES	% OF TOTAL ASSETS	PRODUCTION CAPACITY MILLIONS METRIC TONS/ YEAR	CEMENT PLANTS OWNED	CEMENT PLANTS MINORITY PART.	READY-MIX PLANTS	LAND DISTRIBUTION CENTERS	MARINE TERMINALS
Mexico	46.8	33.8	27.2	15	3	220	70	5
U.S.	13.4	27.4	12.6	13	3	90	50	8
Venezuela and Dominican Republic	11.4	8.2	5.4	4	–	46	15	6
Colombia	3.8	5.0	4.8	5	–	18	6	–
Central America and the Caribbean	4.2	2.5	2.0	2	6	5	9	6
Spain	14.7	12.6	10.4	8	1	75	7	15
Egypt	3.0	4.1	4.0	1	–	–	–	2
Philippines	2.7	4.9	5.8	3	–	1	5	1
Indonesia[1]	–	1.5	5.0	–	4	9	2	12
TOTAL	**100**	**100**	**77.2**	**51**	**17**	**464**	**164**	**55**

[1] Considering CEMEX Asia Holdings' 25% participation in Semen Gresik.

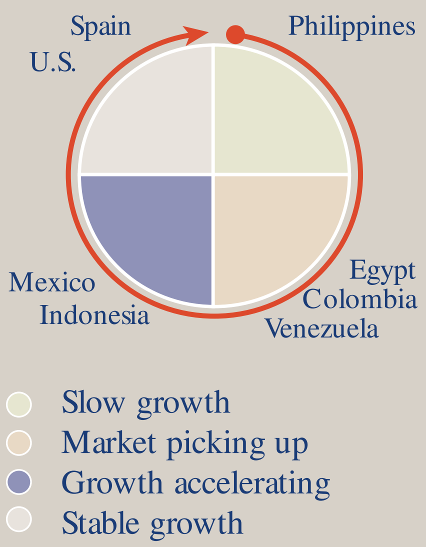
The CEMEX business model can continue to deliver sustainable growth through a combination of:

NATURAL GROWTH, as CEMEX's business portfolio is primarily concentrated in dynamic, highly profitable markets. The company's current portfolio, which contains assets located in different markets with different consumption levels, has delivered positive consolidated growth throughout the past 10 years. This broad diversification into markets with different business cycles gives the company consistent, sustainable growth.

ACQUISITIONS that provide future growth or are immediately accretive. CEMEX's free cash flow, combined with a strong steady-state capital structure, allows it to enhance and diversify its portfolio through acquisitions while maintaining high growth.

CEMEX's performance can also be enhanced on a per-share basis through its US$500 million share buyback program.

Cement consumption cycle



CEMEX's current portfolio has markets in different parts of the consumption cycle.

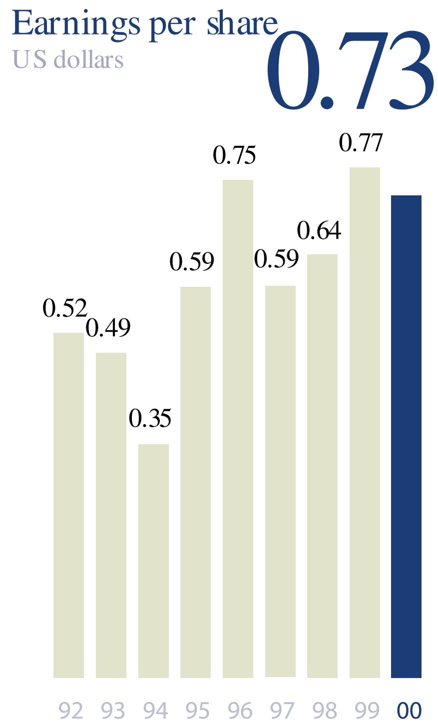
Investment Criteria

Any acquisition must satisfy three investment criteria. It must:

1. Benefit from CEMEX's management expertise and turnaround experience;

2. Maintain CEMEX's current financial structure and its ability to meet stated financial targets; and

3. Offer superior long-term financial returns that exceed the company's weighted-average cost of capital.



Earnings per share declined in 2000 due to the greater number of shares outstanding resulting from the Dividend Election Program.

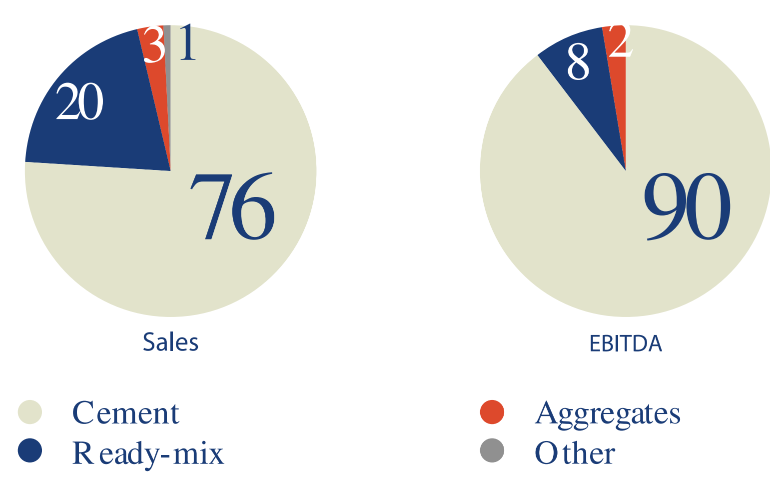
The Southdown deal

The business model is illustrated by the recent acquisition of Southdown, Inc. Together, CEMEX and Southdown will achieve a better-diversified portfolio that has one of the highest growth rates and strongest free cash flows in the industry.

The deal demonstrates CEMEX's commitment to shareholders in that it 1. is immediately accretive to cash earnings and free cash flow, 2. provides CEMEX with a stronger platform for investments into high-growth markets, 3. maintains a strong capital structure, and 4. fits the company's strategy and business model. In this regard, it fosters CEMEX's high revenue and free cash flow growth, improves cash flow diversification, enables the company to achieve a portfolio with a better balance between high-growth and mature markets, and lowers the company's weighted-average cost of capital.

Distribution of sales and EBITDA

percentage



Bagged cement accounts for a high percentage of CEMEX's sales and EBITDA.

CEMEX's branded cement products and its full array of value-added services deliver **greater** profitability, **stable** financial performance, and more **robust** market positions.

In November 2000, CEMEX closed its acquisition of Southdown, now a CEMEX operation.

2000 consolidated results

The year 2000 was CEMEX's strongest ever in terms of operating performance, with sales volumes increasing across the board and stable pricing due to the strength of the company's cement brands. Even with the US$2.9 billion acquisition of Southdown, the company remained financially strong, with interest coverage of 4.1 times and a net-debt-to-EBITDA ratio of 3.0 times.

NET SALES grew 16% during the year compared to 1999, reaching US$5.621 billion. This increase is attributable to growing cement demand in most of the company's markets and the consolidation of the Egyptian operations in 2000 and of Southdown for the months of November and December.

GROSS PROFIT increased 16% in 2000 versus 1999, to US$2.480 billion. Despite higher energy costs, GROSS MARGIN remained stable at 44.1% in 2000, due to higher plant utilization rates and better pricing in most of CEMEX's subsidiaries.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES totaled US$826 million, increasing 18% in dollar terms over 1999 but remaining stable as a percentage of net sales (to 14.7% from 14.5%), due to continuing efforts to optimize internal administrative processes.

OPERATING INCOME increased 15% in dollar terms over 1999 reaching US$1.654 billion. The OPERATING MARGIN in 2000 remained stable at 29.4%.

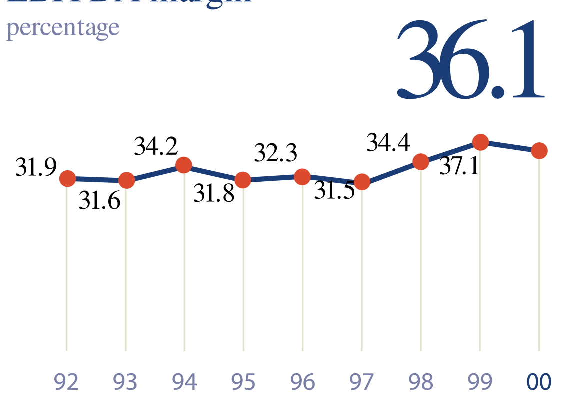
INTEREST EXPENSES decreased 4% versus 1999 to US$467 million. The net decrease was the result of a reduction in 1. the existing operations' net debt by US$700 million, and 2. incremental debt by US$2.9 billion due to the Southdown acquisition.

EFFECTIVE TAX RATE increased to 15.5% from 9.6% in 1999, primarily as a result of the adoption of Bulletin D-4.

MAJORITY NET INCOME was US$999 million (US$3.65 per ADS), an increase of 3% versus 1999.

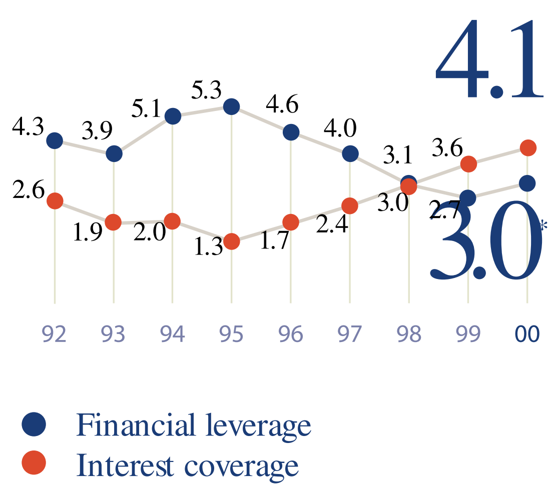
OPERATING CASH FLOW (EBITDA) during the year was US$2.030 billion, an increase of 13% over that of 1999. The operating cash flow margin was 36.1% compared to 37.1% in 1999.

EBITDA margin
percentage



CEMEX's business model generates consistently high cash flow margins.

Interest coverage and financial leverage
times



CEMEX's strong capital structure provides flexibility for future growth.

* Includes Southdown results for 2000 on a pro-forma basis.

Global Review of Operations

The world's most dynamic markets—in which CEMEX is **primarily positioned**—have younger populations and greater infrastructure requirements and continue to offer exceptional upside potential.

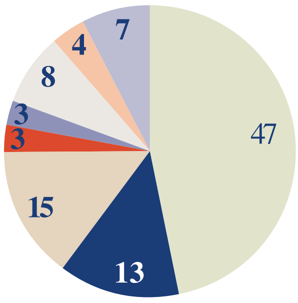
CEMEX not only provided its products but also lent a helping hand to the community by sponsoring part of the construction of Mexico City's Teleton Rehabilitation Center.

Mexico

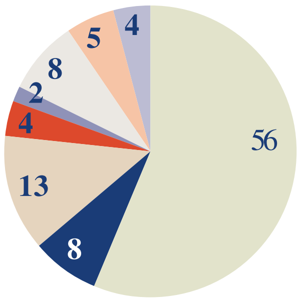
Mexico's GDP grew 6.9% in 2000 due to higher private consumption, primarily in the service and commercial sectors, driven by higher employment rates and the recovery of salaries in real terms. CEMEX Mexico's domestic gray cement volume grew 5% compared to 1999, due to continuing demand from private consumption, especially the informal sector and, to a lesser extent, the formal sector. Ready-mix volumes increased 13% over those of 1999. In the coming years, cement demand should increase due to a sounder financial system and the resurgence in home financing.

In 2000, net sales were US$2.7 billion, an increase of 16% compared with 1999. The main drivers of sales were the continued strength of the Mexican peso and growing cement and ready-mix demand. EBITDA grew 9% for 2000, to US$1.3 billion, versus the preceding year.

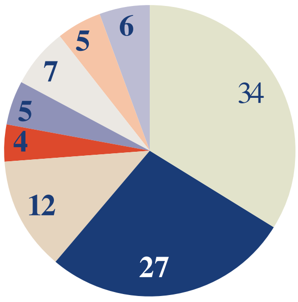
Distribution of sales by country
percentage



Distribution of EBITDA by country
percentage



Distribution of assets by country
percentage



Mexico
U.S.
Spain
Egypt
Philippines
Venezuela
Colombia
Other

CEMEX worldwide operations

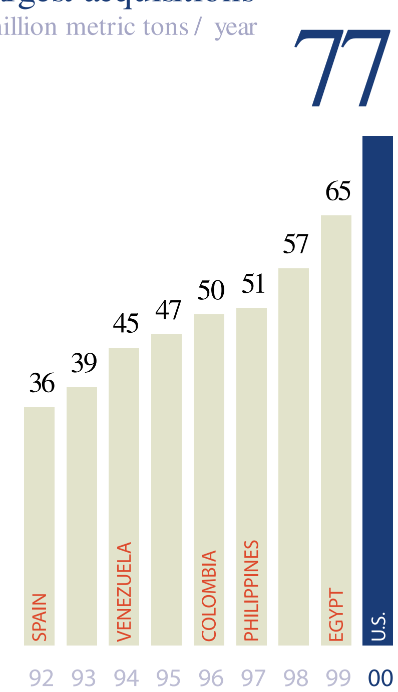
	Sales 2000	Sales 1999	Sales % change	EBITDA 2000	EBITDA 1999	EBITDA % change	Assets 2000	Assets 1999	Assets % change
Mexico	2,702	2,332	16	1,285	1,174	9	4,921	4,913	0
U.S.	769	590	30	166	140	18	4,421	702	530
Venezuela and Dominican Republic	664	657	1	226	213	6	1,361	1,363	(0)
Colombia	206	168	22	113	72	58	790	859	(8)
Central America and the Caribbean	242	163	48	53	47	12	418	337	24
Spain	850	764	11	289	306	(6)	2,047	2,120	(3)
Egypt	162	—	—	80	—	—	637	—	—
Philippines	137	121	13	34	26	27	768	812	(5)
Others/eliminations*	(109)	33	—	(216)	(188)	—	396	758	—
Consolidated	5,621	4,828	16	2,030	1,791	13	15,759	11,864	33

Millions of US dollars.
*Includes the consolidation of one month of 1999 Egyptian operations.

CEMEX Mexico's petcoke conversion program is a once-in-a-lifetime business opportunity. With eight cement plants already converted, the program is well under way. This initiative drove the development of CEMEX's Termoelectrica del Golfo (TEG) self-supply power project in Mexico. Its generating capacity was doubled with a twin plant –whose power offtaker is Mexican mining company Peñoles. The financing for the project was closed in March 2000. Under CEMEX's agreement with the consortium formed by Alstom and Sithe, the consortium absorbs all financing, construction, and operating risks associated with the project. CEMEX will supply the petcoke to fuel the plant under its petcoke purchase agreement with Petroleos Mexicanos (Pemex), and secure electricity for 12 cement plants in Mexico.

CEMEX Mexico is helping to ensure a strong customer base by rewarding brand loyalty. For example, its frequent buyer program allows customers to accumulate points toward the award of business equipment and travel based on the amount of cement purchased. The company also helps customers obtain lower-cost services, like health insurance, to enable their businesses to succeed. These service initiatives are available to CEMEX Mexico's customers that purchase anywhere from US$2,000 to US$1 million worth of cement per month.

Production capacity and largest acquisitions
million metric tons / year



CEMEX's active participation in the consolidation of the industry has resulted in a leading position in four continents.

United States

The United States cement market remains healthy, with positive annual growth. Cement demand is expected to continue on its current growth path, as nonresidential and infrastructure investments and federal highway projects (stemming from the Transportation Equity Act for the 21st Century, TEA-21) are expected to counterbalance slowing housing demand. The combination of Southdown and CEMEX gives the company strong strategic positions in the southwest, south central, southeast, and midwest regions. These regions have historically high growth rates and ensure robust, dependable future cash flows.

The company's cement sales volume increased 30%, and ready-mix volumes increased 21%, compared to 1999, due to stronger cement demand in Arizona and California, and the inclusion of Southdown volumes in the months of November and December. Cement consumption was mostly driven by infrastructure and public works projects and, to a lesser extent, housing projects.

In 2000, net sales were US$769 million, an increase of 30% compared to a year ago. The increase was due to the consolidation of the Southdown operations in the fourth quarter and increased cement and ready-mix demand. EBITDA grew 18% for 2000 versus 1999, reaching US$166 million.

In November 2000, CEMEX completed its acquisition of Southdown, Inc., the second-largest cement producer in the United States. Southdown's world-class management and facilities mesh well with CEMEX's global network, adding to the company's existing U.S. operations a network of 12 cement-manufacturing plants and 46 cement distribution terminals serving 27 states. Headquartered in Houston, Texas, Southdown also produces and distributes ready-mix concrete products in California and Florida, as well as aggregates in California, Florida, and Kentucky. The combination of Southdown and CEMEX not only expands the company's presence in the U.S. but also allows it to compete more effectively in all of its markets.

Beginning in 2001, the expansion project at the Balcones plant in Texas will significantly minimize air emissions per ton of clinker produced. As part of the project, the company is installing a more efficient fabric filter bag house collection system, modifying the current dust collection system's electrostatic precipitator and reducing particulate emissions. The plant will also replace all existing spot fabric filter collectors with more efficient bag filters.

Venezuela / Dominican Republic

Domestic cement volumes in CEMEX's Venezuelan operations increased 1% compared to 1999, due primarily to a stronger Venezuelan economy driven mostly by strong international oil prices. A more competitive market caused ready-mix volumes to decrease 10% versus 1999, and exports dropped 3% due to increasing domestic demand. Cement demand in Venezuela should continue to rise because of expected public works projects and continued economic growth.

In 2000, net sales for CEMEX in Venezuela and the Dominican Republic were US$664 million, an increase of 1% compared to 1999. The moderate sales increase was primarily attributable to increased regional and domestic consumption. EBITDA, at US$226 million, grew 6% versus the preceding year.

In 2000, CEMEX initiated an investment plan for the Dominican Republic in order to reap the benefits of the Caribbean construction sector's dynamic growth. The plan began with the construction of a new vertical mill, the largest of its kind in the world, which doubled the Dominican operations' grinding capacity to 2.4 million metric tons per year.

CEMEX's growing presence in the U.S. enables it to contribute to the construction of projects, such as this school in Phoenix, Arizona

Colombia

Domestic cement volume in CEMEX's Colombian operations rose 8% versus the preceding year, and ready-mix volumes surged 42%. Economic stability and rising public-sector infrastructure activity, primarily in the Bogota region, fueled these increases, while at the same time the company continued to improve its margins through its cost-cutting efforts. Despite scarce credit and decreasing public and private investment, cement demand is expected to continue to grow, driven mostly by the self-construction sector, which accounts for approximately 70% of consumption.

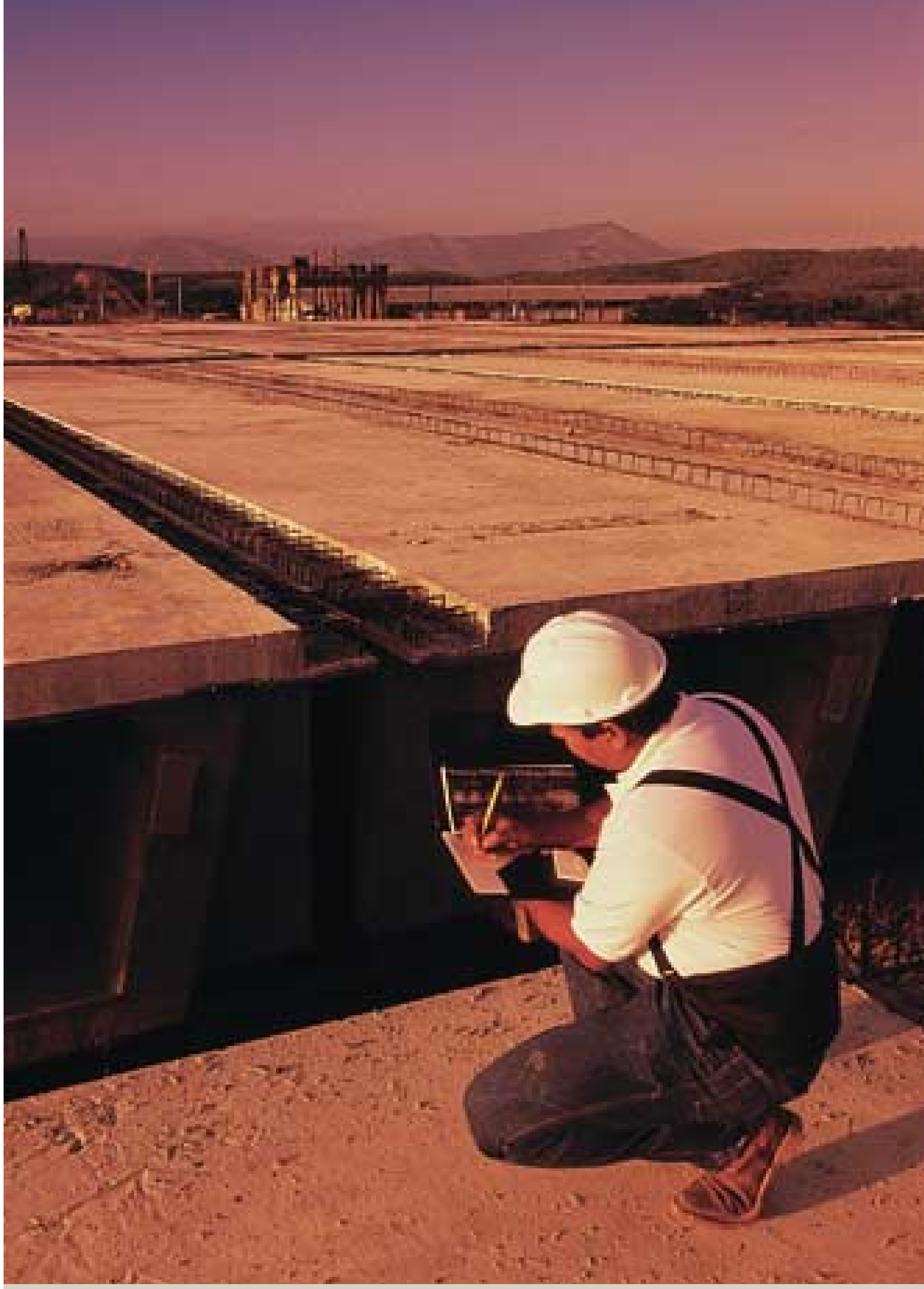
In 2000, net sales were US$206 million, a year-over-year jump of 22%. The increase was driven by relative economic stability and increased public-sector activity. EBITDA rose 58% for 2000 versus the preceding year, reaching US$113 million.

Spain

Despite the euro's continued weakness, Spain's economy continued to grow for the fourth consecutive year, exceeding early-year expectations; it now represents one of the European Union's fastest-growing economies. In 2000, Spain's GDP increased 4.1% and, although the pace slowed during the second half of the year, is still driven by moderate private consumption and investment.

CEMEX's operations in Spain achieved record domestic cement and ready-mix sales volume growth of 12% and 13%, respectively, compared to 1999. The strong construction sector was driven primarily by private nonresidential and residential construction, which, in turn, was fueled by low interest rates and a surge in employment. The rise in volumes resulted in a 62% decrease in exports compared to the previous year, as export volumes were redirected to supply domestic demand. Consumption is expected to continue to grow, driven by a strong housing sector and infrastructure projects. In addition, the government's commitment to promote infrastructure will contribute to growth in the coming years.

In 2000, net sales were US$850 million, a year-over-year increase of 11%. The increase reflects the inclusion of the Mediterranean trading operations, which were not consolidated in 1999. EBITDA was US$289 million, declining 6% versus the preceding year due to higher transportation costs and a change in the product mix.



CEMEX's products are used in a wide variety of specialized projects, such as the Caracas-Cua railroad in Venezuela.

Homes built with our local cement brands help people around the world, such as this family in Barcelona, Spain, to realize their dreams.

Philippines

In CEMEX's Philippine operations, domestic cement volume decreased 12% versus 1999 due to political uncertainty, diminishing investor confidence, high unemployment, restrained economic growth, and imports from Taiwan, Japan, and China. Exports rose dramatically compared to a year ago, however, as the company increased its exports to supply Taiwan's Universe Cement.

Net sales were US$137 million for the year, an increase of 13% compared to 1999 due to higher export volumes. EBITDA rose 27% for 2000, reaching US$34 million, versus the preceding year.

In 2000, CEMEX's Philippine operations achieved a 15% reduction (in dollar terms) in the variable cost of production per metric ton of cement. To optimize energy costs, CEMEX is replacing the existing kiln burners to give the plants the flexibility to use different, more cost-effective fuels.

The Philippines' new commercial strategy is bringing CEMEX closer to its customers. Without bypassing the country's cement dealers, the company's retailer-focused marketing is broadening its customer base, improving its product mix, and enabling it to better tailor its offerings to meet the needs of its ready-mix customers.

Egypt

In Egypt, overall cement consumption decreased approximately 4% versus 1999 due to low demand and liquidity problems in the construction industry; consumption improved slightly, however, during the second half of the year. Consumption in the cement market is expected to grow commensurate with GDP during 2001.

In 2000, CEMEX Egypt's net sales were US$162 million, and its EBITDA generation was US$80 million.

CEMEX Egypt successfully completed the PMI process in 2000. It has undertaken significant efforts to increase efficiency, reducing variable, fixed, and administrative costs by 28%, 26%, and 33%, respectively. The operation's new commercial structure allows it to serve the entire Egyptian market and guarantee a level of customer service consistent with CEMEX's standards. As a result, CEMEX Egypt's distributor base grew from 80 to more than 400 in the past year.

Egypt has a low per-capita cement consumption relative to other, more developed regional markets. For example, Egypt's per-capita cement consumption is 390 kg, compared to 611 kg in Italy, 640 kg in the Middle East, and 778 kg in Greece. Because there is considerable room for growth, CEMEX Egypt is upgrading its production lines to increase production capacity to 5 million metric tons by year-end 2002. It also plans to build a new plant in the Nile Delta, the region with the nation's highest cement consumption.

Trading

CEMEX is the largest cement trader in the world, marketing cement and clinker to more than 60 countries worldwide. The company's major international trading partners are located in Bangladesh, the Canary Islands, the Caribbean, Egypt, the Ivory Coast, Mauritius, Morocco, Nigeria, Portugal, Singapore, Taiwan, and the United States. Approximately 57% of CEMEX's trading volume of more than 13 million metric tons in 2000, came from third parties including suppliers from China, England, Korea, Morocco, Romania, Russia, Thailand, Tunisia, Turkey, and Ukraine.

In 2000, the company's international trading operations enabled it to export more than 5.6 million metric tons of cement and clinker from its operations in Mexico, Costa Rica, Venezuela, Spain, and the Philippines. While domestic demand in Southeast Asia lags, producers in the region can tap into CEMEX's ability to trade and export large volumes of cement and clinker to other markets.

CEMEX formalized an exclusive long-term distributorship agreement with Universe Cement of Taiwan, which signals CEMEX's entrance into the Taiwan cement market and reinforces its presence in Southeast Asia. The agreement covers an estimated 900,000 metric tons per year in sales to one of the region's most dynamic markets. Universe Cement's terminals in Keelung and Taichung are strategically positioned to service Taiwan's key markets, including Taipei and central Taiwan. The cement distributed pursuant to the agreement will originate in the Philippines, Indonesia, and other countries in the region. CEMEX will also provide technical support to assist Universe Cement in optimizing its operations.

Producers in Southeast Asia tap into CEMEX's ability to trade and export large volumes of cement and clinker to other markets.

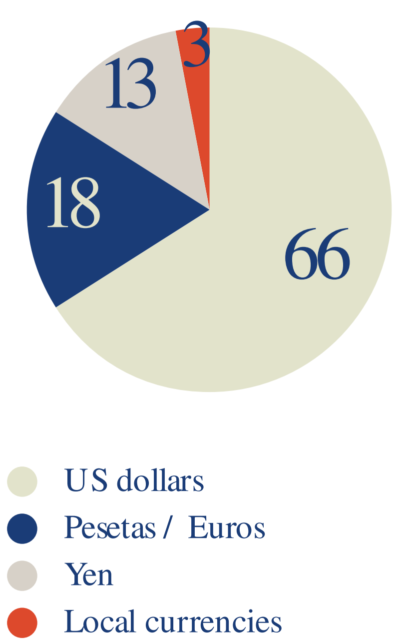
Investments, Acquisitions, and Divestitures

CEMEX is committed to **creating value** for its stakeholders by deploying its resources in the most efficient manner to continue its high growth path.

Southdown acquisition
In November 2000, CEMEX closed its acquisition of Southdown, Inc., which is now an indirect wholly owned subsidiary of CEMEX. As a result of the acquisition, CEMEX now owns 100% of Southdown, and shares that were not tendered were converted into the right to receive US$73.00 per share. The deal was financed through 1. a US$1.4-billion syndicated loan facility, and 2. the issuance of preferred equity for US$1.5 billion sold to a group of banks.

Hotels sold
On May 5, 2000, CEMEX announced that it signed an agreement with Marriott International to sell its 100% interest in the Marriott Casa Magna hotels in Cancun and Puerto Vallarta, Mexico, as well as real estate located in Puerto Vallarta, for a total of US$116 million. CEMEX originally constructed the two hotels in 1990 to capture part of the growing tourism industry in Mexico and to increase its U.S.-dollar-based revenue stream.

Denomination of on-balance-sheet debt
percentage as of December 31, 2000



Egyptian investments
On May 4, 2000, CEMEX announced an investment plan to further develop the company's Egyptian operations. The plan includes an upgrade of the production capabilities of its Egyptian subsidiary, Assiut Cement Company, and the construction of a new manufacturing facility in southern Egypt. The initial investment of US$60 million (approximately one-third of which was invested in 2000) will upgrade three existing production lines to increase Assiut's capacity from 4 million to 5 million metric tons per year. The company expects to complete this upgrade by 2002. In June 2000, CEMEX exercised its option to acquire an additional 13% of Assiut for US$56 million, increasing its participation to 90%. CEMEX first acquired a 77% stake of the social capital of Assiut in November 1999.

Dominican Republic investments
In 2000, CEMEX initiated a US$187-million investment plan for the Dominican Republic that includes the construction of a new clinker line. The new line will increase clinker capacity from 600,000 to 2.2 million metric tons per year and eliminate imports of this essential raw material. During 2000, CEMEX also completed the construction of a new vertical mill in the Dominican Republic, which doubled the local operations' grinding capacity to 2.4 million metric tons per year.

E-business strategy
In September 2000, as an integral element of its external e-business strategy, CEMEX announced the launch of CxNetworks, a new subsidiary that will build a network of e-businesses. CxNetworks will leverage CEMEX's assets onto the Internet and extend the company's reach into areas that complement its core businesses. CxNetworks' current portfolio of businesses focuses on three areas: the development of online construction portals (Construmix), the creation of an Internet-based marketplace for the purchase of indirect goods and services (Latinexus), and the expansion of CEMEX's information technology and Internet consulting services (Neoris). A key element of

An investment-grade company

Standard & Poor's ratings upgrade. On May 26, 2000, S&P upgraded the local and foreign currency corporate credit and senior unsecured debt ratings of CEMEX to BBB- from BB+ and assigned the company an mxAA corporate credit rating on its Mexican CAVAL scale. In addition, S&P raised its local and foreign currency corporate ratings for the Spanish subsidiary of CEMEX and holding company for the international operations, Compañía Valenciana de Cementos, to BBB-.

DCR and Moody's debt ratings upgrade. On March 9, 2000, DCR upgraded CEMEX's senior unsecured long-term debt rating to investment grade, to BBB- from BB+, and assigned a rating of BBB- to Valenciana's senior unsecured long-term debt. On March 31, 2000, Moody's upgraded CEMEX's senior unsecured long-term debt rating to Ba1 from Ba2, and assigned an investment-grade rating of Baa3 to Valenciana's senior unsecured debt.

the CxNetworks business model is working with world-class technology companies in all of its initiatives, including strategic alliances with Ariba, i2 Technologies, and CISCO Systems.

Maintaining financial flexibility

During 2000, CEMEX maintained its financial flexibility by achieving an interest coverage of 4.1 times and a net-debt-to-EBITDA ratio of 3.0 times.

Net debt in 2000 increased to US$7.112 billion, US$2.318 billion more than 1999, despite:

- Acquisitions of US$2.9 billion;
- Share purchases of US$180 million; and
- Dividend payments of US$35 million.

Relevant financing during 2000:

- US$500 million Eurobond
- Ps 5 billion Medium-Term Notes program
- €2 billion Medium-Term Notes program
- US$1.4 billion syndicated loan facility
- US$1.5 billion in preferred equity

Share repurchase program

The CEMEX Board of Directors approved a share repurchase program totaling up to US$500 million to be implemented between third quarter 2000 and December 2001. The program, which covers CEMEX CPOs listed on the Mexican stock exchange under the ticker CEMEX CPO, will be funded with resources from the Repurchase Reserve established by the company. These resources represent less than 50% of CEMEX's estimated free cash flow during the repurchase period. All shares repurchased under this program will be permanently cancelled.

Debt indicators

As of December 31, 2000

Balance-sheet debt	US$	5.671 billion
Long-term debt (48%)		2.709 billion
Short-term debt (52%)		2.962 billion
Equity obligations		1.750 billion
Cash		0.308 billion
Net debt		7.112 billion

Dividend election program

In June 2000, CEMEX completed its dividend election program. Under this program, CEMEX's shareholders elected to receive either a cash dividend of Ps 1.50 per CPO share or its equivalent in CPOs (representing two series A shares and one series B share) valued at a price of Ps 32.20 per CPO, a 20% discount to the arithmetic average of opening and closing prices on June 1, 2000, on the Mexican Bolsa. A total of 85.6% of the shareholders elected the CPOs, for a total of 59,016,399 CPOs issued on June 4, 2000. The remaining 14.4% of the shareholders elected to receive the Ps 1.50-per-share cash dividend, for a total of approximately Ps 320 million paid by CEMEX.

Cancelled equity swap

In August 2000, CEMEX cancelled its US$500-million equity swap backed by Valenciana shares. Under the program, established on February 5, 1999, CEMEX had the option to repurchase the shares in three tranches during the ensuing 28 months. The program was cancelled in the 18th month.

Derivative instruments

CEMEX periodically utilizes hedging instruments designed to mitigate the impact of interest-rate fluctuations, currency exchange rates, and share prices. The financial effect of these hedging transactions is reflected in the company's financial expenses or as a part of stockholders' equity, as appropriate.

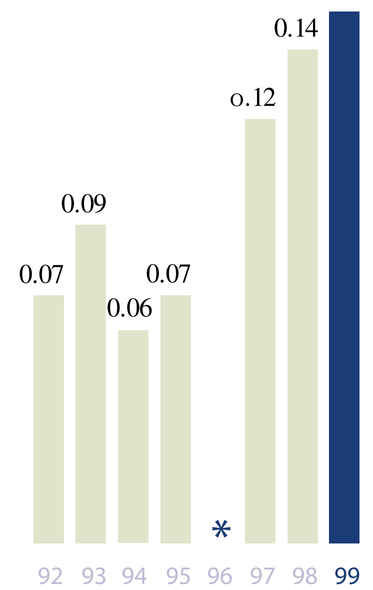
Management and shareholder interests aligned

Variable Compensation Program. Fifteen hundred executives participate in this initiative which ties annual bonuses to shareholder value initiatives. A Total Business Return approach is used to focus executives' efforts on maximizing the return on capital employed. Under this program, key senior management receive half of their variable compensation in restricted stock options, which fully vest if the 12-month average of the stock price doubles in dollar terms.

Dividends per share

US dollars

0.16



Under CEMEX's dividend election program, shareholders elected to receive either a cash dividend of Ps 1.50 per CPO share or its equivalent in CPOs.

* As a result of CEMEX's Share Repurchase Program in 1997, 24 million CPO shares were acquired, totaling approximately US$119 million. The CPO shares acquired through this program account for approximately 2% of the CPO shares outstanding (see note 5 to Selected Consolidated Financial Information).

Employee Stock Option Plan. In 1995, the company adopted a stock option plan under which it is authorized to grant to directors, officers, and other employees options to acquire up to 72,100,000 CEMEX CPOs. As of December 31, 2000, options to aquire a total of 56,468,650 CPOs remain outstanding.

Voluntary Employee Stock Option Plan. As of December 31, 2000, the Voluntary Employee Stock Option Plan (VESOP) was composed of 22,077,880 five-year options on CEMEX CPO shares with an escalating strike price indexed quarterly in dollar terms reflecting market funding costs for this fully hedged program.

financial statements

independent auditors' report

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

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

We have audited the consolidated and parent company-only balance sheets of Cemex, S.A. de C.V. and Cemex, S.A. de C.V. and Subsidiaries as of December 31, 2000 and 1999, and the related consolidated and parent company-only 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 were audited by other auditors. The financial statements of these subsidiaries reflect total assets of 2% and 11% in 2000 and 1999, respectively, and total revenues constituting 0%, 9% and 9% in 2000, 1999 and 1998, respectively, of the related consolidated totals. The parent company's investment in these subsidiaries was $489,233 and $14,584,951 as of December 31, 2000 and 1999, respectively, and its share in their net income (loss) was $(48,459), $515,951 and $(329,836) for each of the years in the three-year period ended December 31, 2000. Our opinion expressed herein, 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 Mexico. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements and are prepared in accordance with generally accepted accounting principles in Mexico. An audit consists of 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 and parent company-only financial statements referred to above present fairly, in all material respects, the financial position of Cemex, S.A. de C.V. and Cemex, S.A. de C.V. and Subsidiaries at December 31, 2000 and 1999, and the consolidated and parent company-only 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.

KPMG Cárdenas Dosal, S.C.

Monterrey, N.L., Mexico
January 17, 2001.

management's responsibility
for internal control

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

We have performed a study and evaluation of the system of internal accounting control of Cemex, S.A. de C.V. and Subsidiaries for the year ended December 31, 2000. The management of Cemex, S.A. de C.V. is responsible for establishing and maintaining a system of internal accounting control. Our responsibility is to express an opinion on this system of internal control based on our review. We conducted our study and evaluation in accordance with generally accepted auditing standards.

Because of inherent limitations in any system of internal accounting control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, the system of internal accounting control of Cemex, S.A. de C.V. and Subsidiaries for the year ended December 31, 2000, taken as a whole, was sufficient to meet management's objectives and to provide reasonable assurance that material errors or irregularities will be prevented or detected in the normal course of business.

KPMG Cárdenas Dosal, S.C.

Rafael Gómez Eng

Monterrey, N.L., Mexico
January 17, 2001.

The management of Cemex, S.A. de C.V. is responsible for the preparation and integrity of the accompanying consolidated financial statements and for maintaining a system of internal control to provide reasonable assurance to shareholders, to the financial community and other interested parties, that transactions are executed in accordance with management authorization, accounting records are reliable as a basis for the preparation of the consolidated financial statements and to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

In fulfilling its responsibilities for the integrity of financial information, management maintains and relies on the Company's system of internal control. This system is based on an organizational structure providing division of responsibilities and the selection and training of qualified personnel. Also, it includes policies, which are communicated to all personnel through appropriate communication channels. The system of internal control is supported by an internal audit function that operates at international level and reports its findings to management throughout the year. Management believes that, for the year ended December 31 2000, the internal control system of the Company provides reasonable assurance that material errors or irregularities will be prevented or detected within a timely period and is cost effective.

Cemex, S.A. de C.V. engaged KPMG Cárdenas Dosal, S.C., the Company's principal independent auditors, to perform an audit of system internal control and express their opinion thereon for the year ended December 31, 2000. Their audit applied generally accepted auditing standards, which include a review and evaluation of control systems and performance of such test of accounting information records as they considered necessary in order to reach their opinion. Their report is presented separately.

Lorenzo H. Zambrano

Chairman of the Board
and Chief Executive Officer.

consolidated balance sheets

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

	DECEMBER 31,	
ASSETS	**2000**	**1999**
CURRENT ASSETS		
Cash and temporary investments	$ 2,963,725	3,177,248
Trade accounts receivable, less allowance for doubtful accounts of $ 436,710 in 2000 and $523,122 in 1999	6,305,138	5,163,652
Other receivables (note 3)	2,170,972	2,288,250
Inventories (note 4)	6,897,734	5,409,134
Other current assets (note 5)	948,880	591,458
Total current assets	19,286,449	16,629,742
INVESTMENTS AND NONCURRENT RECEIVABLES (note 6)		
Investments in affiliated companies	5,126,447	5,984,208
Other investments	985,020	804,506
Other accounts receivable	1,749,151	874,956
Total investments and noncurrent receivables	7,860,618	7,663,670
PROPERTY, MACHINERY AND EQUIPMENT (note 7)		
Land and buildings	37,873,113	32,611,633
Machinery and equipment	107,359,270	93,680,074
Accumulated depreciation	(63,568,217)	(61,876,266)
Construction in progress	5,243,990	2,963,301
Total property, machinery and equipment	86,908,156	67,378,742
DEFERRED CHARGES (note 8)	37,549,821	23,819,972
TOTAL ASSETS	$ 151,605,044	115,492,126

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 2000	1999
CURRENT LIABILITIES		
Bank loans (note 9)	$ 19,709,210	1,867,145
Notes payable (note 9)	4,576,769	405,770
Current maturities of long-term debt (notes 9 and 10)	4,206,204	7,753,928
Trade accounts payable	5,383,221	3,772,244
Other accounts payable and accrued expenses	3,837,326	3,978,437
Total current liabilities	37,712,730	17,777,524
LONG-TERM DEBT (note 10)		
Bank loans	12,345,502	22,564,660
Notes payable	17,922,022	17,707,195
Current maturities of long-term debt	(4,206,204)	(7,753,928)
Total long-term debt	26,061,320	32,517,927
OTHER NONCURRENT LIABILITIES		
Pension, seniority premium and other postretirement benefits (note 12)	323,557	540,881
Deferred income taxes (note 15)	12,777,121	1,071,713
Other noncurrent liabilities	1,149,565	946,509
Total other noncurrent liabilities	14,250,243	2,559,103
Total liabilities	78,024,293	52,854,554
STOCKHOLDERS' EQUITY (note 13)		
Majority interest:		
Common stock-historical cost basis	51,238	49,312
Common stock-accumulated inflation adjustments	2,989,349	2,989,268
Additional paid-in capital	22,399,938	20,427,681
Deficit in equity restatement	(46,237,826)	(41,858,350)
Cumulative initial deferred income tax effects (note 15)	(4,808,819)	—
Retained earnings	66,507,587	59,369,476
Net income	9,613,442	9,467,323
Total majority interest	50,514,909	50,444,710
Minority interest	23,065,842	12,192,862
Total stockholders' equity	73,580,751	62,637,572
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 151,605,044	115,492,126

consolidated statements of income

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

(Thousands of constant Mexican pesos as of December 31, 2000, except for Earnings per Share)

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

See accompanying notes to consolidated financial statements.

consolidated statements of changes in financial position

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

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

See accompanying notes to consolidated financial statements.

balance sheets

CEMEX, S.A. DE C.V.
(Thousands of constant Mexican pesos as of December 31, 2000)

ASSETS	DECEMBER 31, 2000	1999
CURRENT ASSETS		
Cash and temporary investments	$ 54,773	59,813
Other receivables (note 3)	656,718	22,880
Related parties receivables (note 11)	5,642,007	735,380
Total current assets	6,353,498	818,073
INVESTMENTS AND NONCURRENT RECEIVABLES (note 6)		
Investments in subsidiaries and affiliated companies	48,909,447	45,174,431
Other investments	22,749	10,042
Long-term related parties receivables (note 11)	19,075,922	24,601,556
Total investments and noncurrent receivables	68,008,118	69,786,029
PROPERTY AND BUILDINGS		
Land	1,381,399	1,381,399
Buildings	351,823	351,823
Accumulated depreciation	(188,245)	(183,867)
Total property and buildings	1,544,977	1,549,355
DEFERRED CHARGES (note 8)	5,134,224	4,672,235
TOTAL ASSETS	$ 81,040,817	76,825,692

See accompanying notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 2000	1999
CURRENT LIABILITIES		
Bank loans (note 9)	$ 3,299,660	1,171,669
Notes payable (note 9)	4,377,100	84,051
Current maturities of long-term debt (note 10)	2,683,950	4,420,525
Other accounts payable and accrued expenses	745,565	894,410
Related parties payables (note 11)	848,413	3,239,922
Total current liabilities	11,954,688	9,810,577
LONG-TERM DEBT (note 10)		
Bank loans	16,331	4,231,942
Notes payable	16,439,035	16,736,338
Current maturities of long term debt	(2,683,950)	(4,420,525)
Long-term related parties payables (note 11)	4,748,000	—
Total long-term debt	18,519,416	16,547,755
Other long-term liabilities	51,804	22,650
Total liabilities	30,525,908	26,380,982
STOCKHOLDERS' EQUITY (note 13)		
Common stock-historical cost basis	51,238	49,312
Common stock-accumulated inflation adjustments	2,989,349	2,989,268
Additional paid in capital	22,399,938	20,427,681
Deficit in equity restatement	(52,017,282)	(41,858,350)
Cumulative initial deferred income tax effects	970,637	—
Retained earnings	66,507,587	59,369,476
Net income	9,613,442	9,467,323
Total stockholders' equity	50,514,909	50,444,710
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 81,040,817	76,825,692

statements of income

CEMEX, S.A. DE C.V.
(Thousands of constant Mexican pesos as of December 31, 2000, except for Earnings per Share)

	Years ended December 31, 2000	1999	1998
Equity in income of subsidiaries and affiliates	$ 5,843,595	7,699,549	6,176,601
Rental income	280,792	372,583	147,090
License fees	2,342,850	1,172,608	610,102
Total revenues (note 11)	8,467,237	9,244,740	6,933,793
Administrative expenses	(91,612)	(116,579)	(126,875)
Operating income	8,375,625	9,128,161	6,806,918
Comprehensive financing income (cost):			
Financial expense	(2,686,347)	(4,375,783)	(5,455,112)
Financial income	2,223,371	592,479	42,824
Foreign exchange result, net	422,259	921,717	(2,330,662)
Monetary position result	140,215	3,794,750	7,123,740
Net comprehensive financing income (cost)	99,498	933,163	(619,210)
Other (expense) income, net	286,312	(664,658)	41,019
Income before income taxes	8,761,435	9,396,666	6,228,727
Income tax benefit and business assets tax, net (note 15)	852,007	70,657	1,919,993
Net income	$ 9,613,442	9,467,323	8,148,720
Basic Earnings per Share (see notes 2A and 18)	$ 2.33	2.51	2.15
Diluted Earnings per Share (see notes 2A and 18)	$ 2.32	2.50	2.15

See accompanying notes to financial statements.

statements of changes
in financial position

CEMEX, S.A. DE C.V.
(Thousands of constant Mexican pesos as of December 31, 2000)

		YEARS ENDED DECEMBER 31,	
	2000	1999	1998
Operating activities			
Net income	$ 9,613,442	9,467,323	8,148,720
Charges to operations which did not require resources:			
Depreciation of property and equipment	4,377	4,587	5,597
Amortization of deferred charges and credits, net	155,859	65,651	91,357
Deferred income tax charged to results	(570,962)	—	—
Equity in income of subsidiaries and affiliates	(5,843,595)	(7,699,549)	(6,176,601)
Resources provided by operating activities	3,359,121	1,838,012	2,069,073
Changes in working capital:			
Other receivables	(633,838)	666,907	(52,704)
Short-term related parties receivables and payables, net	(7,298,136)	(8,016,429)	(1,805,130)
Other accounts payable and accrued expenses	(148,845)	97,622	134,628
Net change in working capital	(8,080,819)	(7,251,900)	(1,723,206)
Net resources (used in) provided by operating activities	(4,721,698)	(5,413,888)	345,867
Financing activities			
Proceeds from bank loans (repayments), net	(2,087,620)	(6,681,509)	6,767,394
Notes payable	3,995,746	(593,976)	(11,175,078)
Issuance of common stock	47,285	348,897	10,596
Acquisition of shares under repurchase program	(121,243)	—	—
Dividends paid	(2,208,073)	(1,931,853)	(1,683,230)
Issuance of common stock from reinvestment of dividends	1,984,403	1,831,297	1,470,153
Others, net	(28,166)	7,349	(127,929)
Resources provided by (used in) financing activities	1,582,332	(7,019,795)	(4,738,094)
Investing activities			
Long-term related parties receivables, net	10,273,634	(23,407,895)	(1,193,662)
Net change in investment in subsidiaries	(8,473,524)	24,815,392	6,201,758
Dividends received	463,350	13,215,249	—
Deferred charges	870,866	(2,356,992)	(400,566)
Resources provided by investing activities	3,134,326	12,265,754	4,607,530
(Decrease) increase in cash and temporary investments	(5,040)	(167,929)	215,303
Cash and temporary investments at beginning of year	59,813	227,742	12,439
Cash and temporary investments at end of year	$ 54,773	59,813	227,742

See accompanying notes to financial statements.

statements of changes

in stockholders' equity

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

		COMMON STOCK SERIES A	COMMON STOCK SERIES B	ADDITIONAL PAID-IN CAPITAL
Balances at December 31, 1997	$	1,861,960	1,173,206	16,770,152
Dividends ($0.40 pesos per share)		1,469	—	1,468,684
Appropriation of net income from prior year		—	—	—
Issuance of common stock (note 13B)		—	14	10,582
Result from holding nonmonetary assets		—	—	—
Restatement of investments and other transactions relating to minority interest		—	—	—
Investment by subsidiaries (note 6)		—	—	—
Net income		—	—	—
Balances at December 31, 1998		1,863,429	1,173,220	18,249,418
Dividends ($0.45 pesos per share)		1,802	—	1,829,495
Appropriation of net income from prior year		—	—	—
Issuance of common stock (note 13B)		—	129	96,007
Issuance of appreciation warrants (note 13G)		—	—	252,761
Result from holding nonmonetary assets		—	—	—
Restatement of investments and other transactions relating to minority interest		—	—	—
Investment by subsidiaries (note 6)		—	—	—
Net income		—	—	—
Balances at December 31, 1999		1,865,231	1,173,349	20,427,681
Dividends ($0.52 pesos per share)		2,045	—	1,982,358
Appropriation of net income from prior year		—	—	—
Issuance of common stock (note 13B)		—	66	47,219
Issuance of appreciation warrants (note 13G)		—	—	(57,320)
Acquisitions of shares under repurchase program (note 13A)		(69)	(35)	—
Result from holding nonmonetary assets		—	—	—
Restatement of investments and other transactions relating to minority interest		—	—	—
Cumulative initial deferred income tax effects		—	—	—
Investment by subsidiaries (note 6)		—	—	—
Net income		—	—	—
Balances at December 31, 2000	$	1,867,207	1,173,380	22,399,938

See accompanying notes to consolidated and Parent Company only financial statements.

DEFICIT IN EQUITY RESTATEMENT	CUMULATIVE INITIAL DEFERRED INCOME TAX EFFECTS	RETAINED EARNINGS	NET INCOME	TOTAL MAJORITY INTEREST	MINORITY INTEREST	TOTAL STOCKHOLDERS' EQUITY
(38,070,062)	—	46,920,157	7,915,682	36,571,095	12,288,427	48,859,522
—	—	(1,683,230)	—	(213,077)	—	(213,077)
—	—	7,915,682	(7,915,682)	—	—	—
—	—	—	—	10,596	—	10,596
(814,482)	—	—	—	(814,482)	—	(814,482)
—	—	—	—	—	1,645	1,645
(4,267,082)	—	—	—	(4,267,082)	—	(4,267,082)
—	—	—	8,148,720	8,148,720	400,378	8,549,098
(43,151,626)	—	53,152,609	8,148,720	39,435,770	12,690,450	52,126,220
—	—	(1,931,853)	—	(100,556)	—	(100,556)
—	—	8,148,720	(8,148,720)	—	—	—
—	—	—	—	96,136	—	96,136
—	—	—	—	252,761	—	252,761
(3,282,016)	—	—	—	(3,282,016)	—	(3,282,016)
—	—	—	—	—	(1,046,201)	(1,046,201)
4,575,292	—	—	—	4,575,292	—	4,575,292
—	—	—	9,467,323	9,467,323	548,613	10,015,936
(41,858,350)	—	59,369,476	9,467,323	50,444,710	12,192,862	62,637,572
—	—	(2,208,073)	—	(223,670)	—	(223,670)
—	—	9,467,323	(9,467,323)	—	—	—
—	—	—	—	47,285	—	47,285
—	—	—	—	(57,320)	—	(57,320)
—	—	(121,139)	—	(121,243)	—	(121,243)
(2,680,250)	—	—	—	(2,680,250)	—	(2,680,250)
—	—	—	—	—	10,123,018	10,123,018
—	(4,808,819)	—	—	(4,808,819)	—	(4,808,819)
(1,699,226)	—	—	—	(1,699,226)	—	(1,699,226)
—	—	—	9,613,442	9,613,442	749,962	10,363,404
(46,237,826)	(4,808,819)	66,507,587	9,613,442	50,514,909	23,065,842	73,580,751

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 Parent Company-only financial statements have been prepared in order to comply with legal requirements in Mexico. The Company also presents consolidated financial statements.

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 "$", 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. dollars million", "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.

"ADS's" refers to the "American Depository Shares" of the Company, registered with 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. The inflation restatement factors for the Parent Company-only financial statements of prior periods were calculated based upon the inflation in Mexico.

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

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.

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
Cementos Diamante, 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 13G). 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 14A).
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 FOREIGN 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 judgement, 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 12)

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).

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 15)

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.

Consolidated balances of assets and liabilities as well as corresponding taxable amounts substantially differ from those of the parent company only. The difference between the holding company' accumulated initial effect of deferred income taxes and the correspondent consolidated initial effect, which represents the sum of the initial effects determined in each subsidiary, is presented in the consolidated balance sheets under the caption "Deficit in equity restatement". For disclosure purposes, the consolidated cumulative initial deferred income tax effects are presented in the statements of changes in stockholders' equity.

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 13E).

N) DERIVATIVE FINANCIAL INSTRUMENTS (note 14)

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.

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, 2000 and 1999. 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, 1999 and 1998 have been reclassified to conform the 2000 presentation.

3.- OTHER RECEIVABLES

Other current receivables consist of:

	2000		1999	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Non-trade receivables	$ 1,857,120	89,814	1,573,756	22,880
Refundable income tax	238,748	566,904	397,388	—
Other refundable taxes	75,104	—	317,106	—
	$ 2,170,972	656,718	2,288,250	22,880

As of December 31, 2000 and 1999, 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.

4.- INVENTORIES

Inventories are summarize as follows:

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

As of December 31, 2000 and 1999, 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 $29,187, resulting a net loss of $(25,554), which was included in other expenses, net.

5.- OTHER CURRENT ASSETS

Other current assets include $104,460 and $131,813, as of December 31, 2000 and 1999, 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 $202.2 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 $430.7 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:

		2000		1999	
		CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Contribution or book value at acquisition date	$	3,546,131	38,071,395	4,361,850	30,430,399
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies		1,580,316	10,838,052	1,622,358	14,744,032
	$	5,126,447	48,909,447	5,984,208	45,174,431

Investment held by subsidiaries in the Parent Company, amounting to $5,142,997 (147,777,454 CPO's and 3,361,585 warrants) and $6,194,269 (113,625,709 CPO's and 3,663,615 warrants) as of December 31, 2000 and 1999, respectively, are offset against majority interest stockholders' equity in the accompanying financial statements. In 1999, as part of a hedge transaction (see note14D), a total of 105 million CPO's held by subsidiaries in the Parent Company were sold.

The Company's principal acquisitions and divestitures during 2000 and 1999, 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. dollars 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. dollars 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. dollars 2,628.3 million ($25,290 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. dollars 324 million ($3,116.9 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. dollars 240.6 million. As a result of this transaction, the indirect participation of the Company in Gresik trough CAH decreased to approximately 19.76%.

During 1999, minority investors had contributed capital to CAH for approximately U.S. dollars 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. dollars 223 million, representing 70% of Rizal's economic benefits, and APO Cement Corporation ("APO"), acquired on February 1999 for approximately U.S. dollars 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. dollars 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 $63.5 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, Co. ("Assiut"), subsidiary of the Company in Egypt. In November 1999, the Company acquired from the Egyptian government 77% equity interest in Assiut for approximately U.S. dollars 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. dollars 66.8 million ($642.6 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. dollars 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.

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

Certain balance sheet and income statement condensed financial information of the companies acquired during 2000 and 1999 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	$ 35,997,761	4,167,152	651,803	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	$ 1,621,158	140,935	93,347	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, 2000 and 1999, the main affiliated companies, percentage of equity interest held by their direct holding company, as well as the investment accounted for under the equity method is as follows:

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

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. dollars 20 and 30 million, respectively.

B) LONG-TERM ACCOUNTS RECEIVABLES

As of December 31, 2000 and 1999, 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 $1,279,680 in 2000 and $503,304 in 1999 (see note 14A).

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 $648.6 million was determined, and is reflected in the consolidated income statement in other expenses, net. As of 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 $312 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 2000 and 1999 results was approximately $34.0 million and $30.9 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. dollars 260 million ($2,638 million), resulting in a gain in the consolidated income statement of approximately $333.2 million.

8.- DEFERRED CHARGES

Deferred charges are summarized as follows:

	2000		1999	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Excess of cost over book value of subsidiaries and affiliated companies acquired	$ 36,605,919	3,336,879	24,916,276	4,002,428
Terminal installation costs and other intangibles	80,788	—	60,520	—
Deferred financing costs	965,594	364,999	545,237	398,448
Deferred income taxes	1,866,578	1,541,599	—	—
Others	4,364,092	1,064,748	3,515,096	1,389,768
Accumulated amortization	(6,333,150)	(1,174,001)	(5,217,157)	(1,118,409)
	$ 37,549,821	5,134,224	23,819,972	4,672,235

As of December 31, 2000 and 1999, as a result of the acquisitions made by the Company (see note 6), goodwill increased approximately U.S. dollars 1,132 million ($10,917 million) and U.S. dollars 249 million ($2,424 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, 2000 and 1999, as follows:

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

As of December 31, 2000, short-term dollar denominated debt includes, among others, $4,377,100 of commercial paper programs, $2,597,400 of Euro-Notes and $5,291,000 of a bridge loan related to Southdown's acquisition. Likewise, Euro denominated debt includes $9,039,664 of a bridge loan acquired for the liquidation of a syndicated loan.

A total of 99% and 98% of the Parent Company's short-term debt is denominated in dollars in 2000 and 1999, respectively.

10.- LONG-TERM BANK LOANS AND NOTES PAYABLE

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

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

1. Syndicated loans denominated in foreign currency had a weighted average floating interest rate of 7.9% in 2000 and 6.2% in 1999. These loans had a weighted average spread based on London Interbank Offering Rate ("LIBOR") of 134 basis points ("bps") in 2000 and 98 bps in 1999.
2. Bank loans denominated in foreign currency, of which 94% in 2000 and 48% in 1999 were floating rate with a weighted average interest rate of 6.5% and 5.4%, respectively. These loans had a weighted average spread based on LIBOR of 71 bps in 2000 and 45 bps in 1999.
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 8% in 2000 and 10.3% in 1999.
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 3.4% in 2000 and 8.375% in 1999.
7. Other notes payable denominated in foreign currency of which $77,980 in 2000 and $127,100 in 1999 were floating rate with a weighted average interest rate of 7.6% and 5.9%, respectively. These loans had a weighted average spread based on LIBOR of 131 bps in 2000 and 16 bps in 1999, respectively. The remaining $1,235,438 in 2000 and $701,380 in 1999 were fixed rate with a weighted average interest rate of 6.3% and 6.4%, respectively.

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

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

A total of 46% and 99%, of the Parent Company's long-term debt is denominated in dollars in 2000 and 1999, respectively.

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

	CONSOLIDATED	PARENT
2002	$ 4,735,298	2,405,557
2003	6,877,342	4,701,646
2004	6,775,508	—
2005	1,272,899	1,002,316
2006 and thereafter	6,400,273	5,661,897
	$ 26,061,320	13,771,416

During 2000, the Company entered into Cross Currency Swap contracts to convert the interest rate and the underlying amount of U.S. dollars 808.2 million ($7,775 millions) of debt contracted in 2000, to the Japanese Yen. From this amount, U.S. dollars 208.2 million ($2,004 million) and U.S. dollars 600 million ($5,772 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, 2000 and 1999, the Company had negotiated interest rate swaps for up to U.S. dollars 450 million ($4,329 million), exchanging fixed for floating rate. Additionally, in 1999 the Company had negotiated interest rate collars for 2,500 million pesetas ($134.5 million) and forward range swaps contracts for up to U.S. dollars 80 million ($769.6 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. dollars 800 million ($7,696 million), receiving a premium for the sale of the call options of approximately U.S. dollars 11 million ($105.8 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.

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
Interest rate swaps				
Debt denominated in Dollars (U.S. dollars 250 million)	June 2002	9.15%	10.28%	$ 15,387
Debt denominated in Dollars (U.S. dollars 200 million)	October 2009	9.63%	9.4%	44,863
				60,250
Cross currency swaps				
Pesos to Yen ($1,004 million)	June 2005	8.65%	2.95%	31,717
Pesos to Yen ($1,000 million)	December 2005	15.6%	2.68%	(26,540)
Dollars to Yen (U.S. dollars 100 million)	June 2003	9.4%	5.18%	30,701
Dollars to Yen (U.S. dollars 500 million)	July 2003	8.75%	3.15%	452,285
				488,163
				$ 548,413

As of December 31, 1999, the estimated market value of the existing interest rate swaps showed a loss of approximately $117,641.

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 bank's 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. dollars 600 million)	$ 5,772,000	—
Medium-term Notes programs (U.S. dollars 520 million)	5,000,000	3,006,039
Euro medium-term Notes (U.S. dollars 450 million)	4,329,000	1,731,600
Short-term lines of credit (U.S. dollars 300 million)	2,886,000	2,693,600
U.S. commercial paper (U.S. dollars 250 million)	2,405,000	336,700
Current line of credit (U.S. dollars 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
	$ 34,575,429	15,646,690

As of December 31, 2000 and 1999, 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. dollars 1,520 million and U.S. dollars 2,090 million, respectively. The combined summarized financial information of these guarantors as of December 31, 2000 and 1999 are as follows:

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

In the consolidated balance sheet at December 31, 1999, there were short-term debt transactions amounting to U.S. dollars 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. dollars 120 million ($1,168.1 million), committed to repay certain short-term and long-term indebtedness, which have been offset for presentation purposes. Of this amount, U.S. dollars 30 million was short-term and U.S. dollars 90 million was long-term, deposited to partially cover the Yankee Notes' purchase offer 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, establish 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.- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The most important balances receivable and payable from and to related parties as of December 31, 2000 and 1999 are the following:

PARENT COMPANY	2000				
	ASSETS		LIABILITIES		
		SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
Cemex México, S.A. de C.V.	$	4,143,072	19,075,922	—	—
Assiut Cement Company		991,533	—	—	—
Centro Distribuidor de Cemento, S.A. de C.V.		431,216	—	—	—
Sunbelt Trading, S.A.		40,710	—	—	—
Cemex Concretos, S.A. de C.V.		33,874	—	—	—
Empresas Tolteca de México, S.A. de C.V.		—	—	618,211	4,748,000
Proambiente, S.A. de C.V.		976	—	—	—
Petrocemex, S.A. de C.V.		402	—	—	—
Cemex Central, S.A. de C.V.		—	—	226,868	—
Macorp, Inc		—	—	2,527	—
Others		224	—	807	—
	$	5,642,007	19,075,922	848,413	4,748,000

PARENT COMPANY	1999			
	ASSETS			LIABILITIES
		SHORT-TERM	LONG-TERM	SHORT-TERM
Cemex México, S.A. de C.V.	$	95,514	24,601,556	—
Centro Distribuidor de Cemento, S.A. de C.V.		454,894	—	—
Aviación Comercial de América, S.A. de C.V.		106,384	—	—
Sunbelt Trading, S.A.		43,878	—	—
Cemex Concretos, S.A. de C.V.		29,888	—	—
Empresas Tolteca de México, S.A. de C.V.		3,755	—	—
Proambiente, S.A. de C.V.		867	—	—
Petrocemex, S.A. de C.V.		—	—	3,131,440
Beeston Investments Holdings Limited		—	—	83,686
Cemex Central, S.A. de C.V.		—	—	24,478
Productora de Bolsas de Papel, S.A. de C.V.		—	—	253
Others		200	—	65
	$	735,380	24,601,556	3,239,922

The principal transactions carried out with related parties are:

PARENT COMPANY		2000	1999	1998
Rental income	$	280,792	372,583	147,090
License fees		2,342,850	1,172,608	610,102
Financial expense		(701,309)	(1,769,747)	(2,300,900)
Financial income		2,213,065	584,229	28,614
Dividends received		463,350	13,215,249	—

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

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

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

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 for the Southdown's acquisition (see note 6) as of December 31, 2000 and 1999:

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

The actual benefit obligation ("ABO"), as of December 31, 2000 and 1999, amounted to $3,730,330 and $1,400,702, respectively, of which the vested portion was $2,854,560 in 2000 and $699,575 in 1999.

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, 2000 and 1999, 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:

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

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's, the Company recognized a minimum liability against an intangible asset, which as of December 31, 2000 and 1999 were $636,715 and $133,566, respectively, and a stockholders' equity reduction in 2000 of $192,793.

13.- 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) Included 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 stockholders' meeting, a dividend program was established through which shareholders elected between receiving a dividend in cash of $0.50 (nominal amount) per share, or reinvesting such dividend in the subscription of new shares representative of the capital stock. As a result of the program, cash dividends were declared in the amount of $2,208,073. Of the total of dividends declared, shareholders reinvested $1,984,403, therefore, a total of 118,037,996 series "A" shares and 59,018,998 series "B" shares were subscribed and paid, generating an additional paid-in capital of $1,982,358.

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. dollars 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 $104 and $121,139, respectively.

B) EXECUTIVE 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, 2000 and 1999 the stock option balances are as follows:

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

* 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.

During 2000 and 1999, the number of options granted was 17,364,365 and 16,601,313 at a weighted average price per option of $41.04 and $38.97, respectively; and the options exercised were 1,915,637 and 3,443,594 at a weighted average price per option of $35.09 and $25.28 in 2000 and 1999, respectively. The balances of CPO's available for the ESOP as of December 31, 2000 and 1999 were 7,735,317 CPO's and 25,099,682 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 $47,219, $96,007 and $10,582 in 2000, 1999 and 1998, 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 $49,198,080 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 $10,829,076.

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 $1,262,030.

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	$	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

E) FOREIGN CURRENCY TRANSLATION

The Company has recorded net foreign currency translation results in the stockholders' equity amounting to $(975,426), $(234,654) and $2,932,476 in 2000, 1999 and 1998, respectively, and are summarized as follows:

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

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 $(610,648), $(1,921,186) and $463,668, in 2000, 1999 and 1998, 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. dollars 1,500 million ($14,430 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. dollars 300 million, in three installments of U.S. dollars 100 million each, at 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. dollars 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 $3.2808 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. dollars 6.20 per warrant, within certain limits and subject to technical 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 $252,761.

As of December 31, 2000 and 1999, there are financial transactions totaling U.S. dollars 100.7 million ($968.7 million) and U.S. dollars 604.6 million ($5,885 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. dollars 500 million in 1999, for a minority interest without voting rights or dividends rights of the subsidiary in Spain and U.S. dollars 100.7 and 104.6 million, in 2000 and 1999, 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 $734,849, related to investments available for sale (see note 2E).

14.- 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, 2000 and 1999, is as follows:

	U.S. DOLLARS THOUSAND			
	2000		1999	
	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE
A) Equity forward contracts	1,088,819	(113,948)	828,724	212,340
B) Foreign exchange forward contracts	421,000	6,826	410,000	12,423
C) Call options	—	—	51,530	(15,791)
D) Third parties equity forward	62,411	14,870	—	—

A) As of December 31, 2000 and 1999, the Company had executed equity forward contracts related to its outstanding common stock for a notional amount of U.S. dollars 1,088.8 million and U.S. dollars 828.7 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. dollars 105 million and U.S. dollars 116 million, in 2000 and 1999, respectively (see note 13B). 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 13G). The shares under this forward were sold by the Company during 1999 for approximately U.S. dollars 905.7 million, and simultaneously prepaid toward the forward's final price, approximately U.S. dollar 439.9 million ($4,231.8 million). In the financial statements as of December 31, 2000 and 1999, 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. dollars 421 and 410 million as of December 31, 2000 and 1999, respectively. The fair value effects arising from these instruments are recorded for as part of the translation effect of foreign subsidiaries (see note 13E).

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

D) At December 31, 2000, the Company has third party equity forward contracts for a notional amount of U.S. dollars 62.4 million ($600.3 million), with a fair value of U.S. dollars 14.9 million ($143.3 million).

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.

15.- 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, 2000, 1999 and 1998, IT (expense) benefit is summarized as follows:

	2000		1999		1998	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Current income tax	$ (963,077)	(400,000)	(4,307,916)	(3,931,593)	(1,609,819)	(1,233,325)
IT received from subsidiaries	—	681,045	—	397,747	—	2,103,687
Deferred IT	(556,341)	570,962	(5,632)	—	—	—
Tax loss carryforwards amortized	—	—	3,604,503	3,604,503	1,049,631	1,049,631
Effects of inflation (note 2B)	—	—	43,376	—	91,440	—
	$ (1,519,418)	852,007	(665,669)	70,657	(468,748)	1,919,993

Total consolidated IT includes $1,145,792, $348,108 and $297,243 from foreign subsidiaries, and $373,627, $317,561 and $171,505 from Mexican subsidiaries, for 2000, 1999 and 1998, 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 $281,045 in 2000, without including deferred taxes, $70,657 in 1999 and $1,919,993 in 1998.

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	$ 1,589,864	2005
2000	10,479	2010
	$ 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.

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 TAX LOSS OCCURRED	AMOUNT OF CARRYFORWARDS	YEAR OF EXPIRATION
1997	$ 145,325	2007
1999	52,472	2009
2000	417,480	2010
	$ 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, is 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	$ 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	$ 384,683

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 $1,071,713.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 incremented 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	$ (556,341)
Deferred income tax applied directly to stockholders' equity	941,024
	$ 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 1999 and 1998, and permanent differences starting 2000, between the statutory tax rate and the effective tax rate presented in the income statement, as follows:

		DECEMBER 31,	
	2000 %	1999 %	1998 %
Approximated consolidated statutory tax rate	35.0	35.0	34.0
Utilization of tax loss caryforwards	—	(27.9)	(14.9)
Additional deductions and tax credits for income tax purposes	(1.9)	8.0	(20.0)
Expenses and other non-deductible items	3.4	(9.1)	5.9
Non-taxable sale of marketable securities and fixed assets	0.2	(2.4)	0.4
Difference between book and tax inflation	(15.0)	2.4	(6.9)
Minimum taxes	(0.1)	3.7	2.1
Depreciation	0.3	3.5	2.8
Inventories	0.2	(6.6)	(1.5)
IT effect in stockholders' equity	(5.0)	—	—
Others	(4.4)	(0.4)	3.3
Effective consolidated tax rate	12.7	6.2	5.2

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 $45,721, presented in the income statement.

16.- FOREIGN CURRENCY POSITION

The exchange rate of the Mexican peso to the dollar as of December 31, 2000, 1999 and 1998 was $9.62, $9.51 and $9.90 pesos per dollar, respectively. As of January 17, 2001, the exchange rate was $9.89 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 THOUSAND	
	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 2000, 1999 and 1998, are summarized as follows:

		U.S. DOLLARS THOUSAND	
	2000	1999	1998
Export sales	105,101	83,190	92,170
Import purchases	18,577	29,954	36,563
Interest income	17,433	14,575	24,035
Interest expense	191,305	221,057	202,748

17.- 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, 2000, 1999 and 1998:

		NET SALES			OPERATING INCOME	
	2000	1999	1998	2000	1999	1998
Mexico	$ 25,995,807	22,701,101	19,776,719	11,143,765	10,053,471	7,990,057
Spain	8,266,961	7,508,439	9,120,172	2,331,730	2,443,349	2,480,619
United States	7,492,053	5,811,607	5,484,022	1,129,608	1,199,826	770,612
Venezuela	4,520,414	4,678,431	5,295,101	1,255,253	1,276,958	1,777,362
Colombia	2,023,071	1,636,734	2,674,035	817,321	387,700	113,291
Caribbean and Central America	4,527,001	3,591,950	2,678,591	724,549	657,241	448,858
Philippines	1,363,510	1,191,956	—	119,539	24,443	—
Egypt	1,661,198	140,935	—	616,069	15,755	—
Other	3,548,833	3,787,965	2,810,570	(2,227,981)	(2,075,279)	(1,632,352)
	59,398,848	51,049,118	47,839,210	15,909,853	13,983,464	11,948,447
Eliminations	(5,326,536)	(4,051,603)	(4,062,458)	—	—	—
Consolidated	$ 54,072,312	46,997,515	43,776,752	15,909,853	13,983,464	11,948,447

		DEPRECIATION AND AMORTIZATION	
	2000	1999	1998
Mexico	$ 1,209,912	1,482,407	1,476,623
Spain	481,693	576,398	795,519
United States	615,902	222,752	205,947
Venezuela	613,823	566,473	530,718
Colombia	417,987	311,032	533,022
Caribbean and Central America	210,961	189,834	175,635
Philippines	216,767	235,861	—
Egypt	193,460	20,793	—
Other	743,493	615,014	268,750
Consolidated	$ 4,703,998	4,220,564	3,986,214

In order to present integrally the operations of each operating unit, net sales between operating units are presented under the caption "eliminations".

	TOTAL ASSETS		INVESTMENT IN FIXED ASSETS[2]	
	2000	1999	2000	1999
Mexico	$ 47,335,238	47,823,955	856,252	879,918
Spain	19,693,616	20,641,041	440,453	327,252
United States	42,531,761	6,833,786	622,377	158,063
Venezuela	10,651,965	10,866,442	224,487	361,465
Colombia	7,596,988	8,364,642	84,246	74,520
Caribbean and Central America	6,463,772	5,684,204	483,609	244,153
Philippines	7,392,491	7,906,693	242,386	176,743
Other Asian	2,209,152	2,301,692	136,152	—
Egypt	6,128,144	6,142,937	442,519	—
Others(1)	37,947,353	28,510,552	280,458	241,563
	187,950,480	145,075,944	3,812,939	2,463,677
Eliminations	(36,345,436)	(29,583,818)	—	—
Consolidated	$ 151,605,044	115,492,126	3,812,939	2,463,677

(1) Includes, in addition to trade maritime operating assets and other assets, related party balances of the Parent Company of $24,797,979 and $25,336,936 in 2000 and 1999, 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.

18.- 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, 2000	4,123,703,259	4,143,760,773
December 31, 1999	3,767,646,462	3,787,200,759
December 31, 1998	3,786,281,775	3,797,376,945

(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 2000, 1999 and 1998 is attributable to the additional shares issued under the Company's executive stock option plan (see note 13B).

19.- 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. dollars 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 $3,325 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 dollars 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 them, 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. dollars 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, 2000, 1999, and 1998 was approximately U.S. dollars 52, 41 and 25 million, respectively.

E) PLEDGE ASSETS

At December 31, 2000 there are liabilities amounting to U.S. dollars 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. dollars 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. dollars 418 million ($4,021 million), plus accrued interest from October 1998 at 8.2% per annum.

G) OTHER CONTINGENCIES

As of December 31 2000, Southdown, 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. dollars 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. dollars 5 million, but has been increased to over U.S. dollars 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. dollars 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.

20.- 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.

the terms we use

Aggregates are sand and gravel, which are mined from quarries. They give ready-mix concrete its necessary volume and add to its overall strength. Under normal circumstances, one cubic meter of fresh concrete contains two metric tons of gravel and sand.

Cash earnings represent EBITDA less net financial expense.

Clinker is an intermediate cement product. Limestone, clay, and iron oxide are sintered in a kiln at around 1,450 degrees Celsius to produce clinker. One metric ton of clinker is used to make approximately 1.1 metric tons of gray Portland cement.

Comprehensive financing income (cost) includes financial expense, financial income, gains (losses) on marketable securities, net foreign exchange variation, and net monetary position result.

EBITDA (operating cash flow) is earnings before interest, taxes, depreciation, and amortization. Amortization of goodwill is not included in operating income but is instead recorded in other income (expense) below the operating line. EBITDA does not include certain extraordinary income and expenses that are not included in operating income under Mexican GAAP.

Effective tax rate is defined as income tax plus employees' statutory profit sharing, divided by net income before income taxes but after comprehensive financing income (cost), depreciation, and amortization.

Financial leverage is defined as net debt divided by EBITDA for the previous twelve months.

Gray Portland cement is a hydraulic binding agent with a composition by weight of at least 95% clinker and 0–5% of a minor component (usually calcium sulfate). It can set and harden underwater and, when mixed with aggregates and water, produces concrete or mortar. Today, our research and development focuses on blended cements. These special cements not only meet our customers' more stringent demands, but they also reduce our energy consumption.

Installed capacity is the theoretical annual production capacity of a plant, whereas effective capacity is a plant's actual optimal annual production capacity, which can be 10–20% less than installed capacity.

Interest coverage is defined as EBITDA before operating lease payments and cost restatements for inflation, divided by the sum of financial expenses and dividends on preferred capital securities, all for the previous twelve months.

Metric ton is the equivalent of 1.102 short tons.

Net debt equals balance-sheet debt plus equity swaps and the preferred capital securities minus cash and cash equivalents. CEMEX is conservatively adding the preferred capital securities (US$250 million) because of its put option under this structure.

Net working capital equals accounts receivable plus inventories minus trade payables.

Operating free cash flow is defined as EBITDA less net financial expense, maintainance capital expenditures, taxes paid, net working capital investment, dividends, and other cash items.

Ready-mix concrete is a mixture of cement, aggregates, and water. It is a building material that is produced in batching plants and delivered directly to the building site. Stringent controls during the manufacturing process guarantee the quality and consistency of the finished product.

Return on capital employed (ROCE) is defined as operating income less income tax and employees' statutory profit sharing divided by the sum of the average net debt plus average minority interest and average majority interest.

White cement is a strategic, high-potential specialty cement, which is particularly suited for the world's high-growth markets. It is not only used for decorative purposes, but it also has a wide range of uses as a structural building material.

Directors

Lorenzo H. Zambrano
Chairman of the Board

Marcelo Zambrano Hellion
Honorary Chairman of the Board

Eduardo Brittingham Sumner

Lorenzo Milmo Zambrano

Armando J. García Segovia

Rodolfo García Muriel

Rogelio Zambrano Lozano

Roberto Zambrano Villarreal

Bernardo Quintana Isaac

Dionisio Garza Medina

Alfonso Romo Garza

Alternate Directors

Jorge García Segovia

Tomás Brittingham Longoria

Mauricio Zambrano Villarreal

Examiner

Luis Santos De la Garza

Alternate Examiner

Fernando Ruiz Arredondo

board of **directors**

an experienced management team

Lorenzo H. Zambrano, 56

Chairman of the Board and Chief Executive Officer

Mr. Zambrano joined CEMEX in 1968 and has been involved in all operational aspects of the business. He holds a degree in industrial engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and an M.B.A. from Stanford University. He is a member of the Boards of Directors of Alfa, Cydsa, Empresas ICA, Femsa, Televisa, and Vitro. He is also the Chairman of the Board of ITESM, a member of the Advisory Committee of the Stanford Graduate School of Business, and a member of the International Advisory Board of Salomon Smith Barney.

Héctor Medina, 50

Executive Vice President of Planning and Finance

Mr. Medina, who joined CEMEX in 1988, is a graduate of ITESM with a degree in chemical engineering. He received an M.S. degree in administration from the University of Bradford Management Center in England and an M.S. degree from the Escuela de Organización Industrial in Spain. Mr. Medina is responsible for CEMEX's worldwide planning and finance strategies.

Francisco Garza, 45

President of the North America Region

Mr. Garza is a graduate of ITESM and has an M.B.A. from Cornell University's Johnson Graduate School of Management. Since he joined CEMEX in 1988, he has occupied several senior management positions in the company. Mr. Garza is directly responsible for CEMEX's interests and operations in Mexico and the U.S. and the company's Trading unit.

Víctor M. Romo, 42

President of the South America & Caribbean Region

Mr. Romo joined CEMEX in 1985. He earned his Bachelor's degree in accounting and his M.S. degree in administration from ITESM. Before assuming his current position, Mr. Romo was President of Vencemos, CEMEX's Venezuelan subsidiary. He is now responsible for CEMEX's interests and operations in Venezuela, Colombia, Panama, the Caribbean, the Dominican Republic, Costa Rica, and Chile.

José Luis Sáenz de Miera, 54

President of the Europe, Middle East & Asia Region

Mr. Sáenz de Miera, who joined CEMEX in 1993, has a degree in economics and accounting. He has held several management positions within CEMEX. Appointed in 1998 to this position, he is directly responsible for supervising CEMEX's interests and operations in Spain, the Philippines, Indonesia, Egypt, Bangladesh, and Taiwan.

Armando J. García, 48

Executive Vice President of Development

Mr. García, who originally joined CEMEX in 1975 and rejoined the company in 1985, is a graduate of ITESM and has an M.B.A. from the University of Texas. He is responsible for managing CEMEX's operations technology, human resources, energy, procurement, information technology, and affiliate companies.

Mario de la Garza, 61

Vice President of Administration

Mr. de la Garza, who joined CEMEX in 1965, is a C.P.A. He graduated from the Universidad Autónoma de Nuevo León with a degree in philosophy and attended the Programa de Alta Dirección de Empresas, AD2, at the Instituto Panamericano de Alta Dirección de Empresa.

Rodrigo Treviño, 44

Chief Financial Officer

Mr. Treviño, who joined CEMEX in 1997, received his B.S. and M.S. degrees in industrial engineering from Stanford University. He is responsible for the company's finance, reporting, capital markets, treasury, and investor relations.

Headquarters
Av. Constitución 444 Pte.
C.P. 64000 Apdo. Postal 392
Monterrey, N.L., México
Phone: (528) 328-3000
Fax: (528) 328-3188

Amsterdam
Riverstaete Building
Amsteldijk 166
1079 LH Amsterdam, The Netherlands
Phone: (3120) 642-4288
Fax: (3120) 642-0053

Bogota
Carrera 14 No. 93 B-32 Piso 2
Bogotá, Colombia
Phone: (571) 634-0030
Fax: (571) 634-0333

Caracas
Calle Londres, entre c/ Nueva York y Trinidad
Edificio Vencemos
Urbanización Las Mercedes
Caracas, 1060 Venezuela
Phone: (582) 999-7000
Fax: (582) 999-7302

Costa Rica
Plaza Roble, Edificio El Pórtico
Tercer Nivel, Autopista Próspero Fernández
Apartado 6558-1000
San José, Costa Rica
Phone: (506) 201-8200
Fax: (506) 201-8200 Ext. 1707

Egypt
3, Abbas El Akkad Street, Nasr City
Cairo, Egypt
Phone: (202) 407-8600
Fax: (202) 260-3325

Houston
1200 Smith Street, Suite 2400
Houston, Texas 77002 U.S.A.
Phone: (713) 650-6200
Fax: (713) 653-6815

Indonesia
Jakarta Stock Exchange Building
Tower II, 24th Floor
Sudirman Central Business District
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190 Indonesia
Phone: (6221) 5299 3400
Fax: (6221) 5299 3440

Madrid
Hernández de Tejada No. 1
C.P. 28027, Madrid, España
Phone: (3491) 377-9200
Fax: (3491) 377-9203

Mexico City
Av. Presidente Masarik 101 Piso 18
Polanco. C.P. 11570
México, D.F.
Phone: (52) 5726-9040
Fax: (52) 5203-2542

New York
590 Madison Ave., 41st Floor
New York, N.Y. 10022 U.S.A.
Phone: (212) 317-6000
Fax: (212) 317-6047

Panama City
Plaza Credicorp Bank Panamá, Piso 28
Calle 50 Entre c/59 y 60
Bella Vista, Panamá 5
C.P. 7262 República de Panamá
Phone: (507) 210-1300
Fax: (507) 210-1325

Philippines
25th Floor, Petron Mega Plaza
358 Sen. Gil J. Puyat Avenue
Makati City, Philippines 1200
Phone: (632) 849-3600
Fax: (632) 849-3639

Singapore
3 Temasek Avenue
#22-01 Centennial Tower
Singapore 039190
Phone: (65) 433-0700
Fax: (65) 433-0780

Internet
www.cemex.com

investor and media information

Exchange listings:
Bolsa Mexicana de Valores (BMV), Mexico
New York Stock Exchange (NYSE), U.S.

Share series:
CPO shares (representing two A shares and one B share)

BMV ticker symbol:
CEMEX CPO

NYSE ticker symbol:
CX

Media relations contact:
webmaster@cemex.com
Phone: (528) 152-2739
Fax: (528) 152-2750

Investor relations contact:
ir@cemex.com

From the U.S.: 1 8777 CX NYSE

From other countries: (212) 317-6000

Fax: (212) 317-6047

The information presented herein contains certain forward-looking statements and information relating to CEMEX, S.A. de C.V. and its subsidiaries (collectively, "CEMEX") that are based on the beliefs of its management as well as assumptions made by and information currently available to CEMEX. Such statements reflect the current views of CEMEX with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance, or achievements of CEMEX to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic, political, governmental, and business conditions globally and in the countries in which CEMEX does business, changes in interest rates, changes in inflation rates, changes in exchange rates, the level of construction generally, changes in cement demand and prices, changes in raw material and energy prices, changes in business strategy, problems relating to the "Year 2000" issue, and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. CEMEX does not intend, and does not assume any obligation, to update these forward-looking statements. In addition, certain information presented herein was extracted from information published by various official sources. This information includes statistical information relating to the cement industry, certain reported rates of inflation, exchange rates, and information relating to the countries in which CEMEX operates. CEMEX has not participated in the preparation or compilation of any of such information and accepts no responsibility therefor.

DESIGN: **SIGNI** / PHOTO: **G. COVIAN / H. A. HERRERA** / COVER IMAGE: **F. LARIOS** / PRINTING: **WETMORE**