we deliver

GOOD

results in

bad

times

PULL

CEMEX 2003 ANNUAL REPORT

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CEMEX today

CEMEX is a leading global producer and marketer of cement and ready-mix products with operations primarily concentrated in the world's most dynamic cement markets across four continents. CEMEX combines a deep knowledge of the local markets with its global network and information technology systems to provide world-class products and services to its customers, from individual homebuilders to large industrial contractors.

our 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.

our track record

OF GROWTH OVER THE PAST 15 YEARS:[1]

SALES	18%
OPERATING INCOME	18%
EBITDA	18%
AVG. EBITDA MARGIN	31%
FREE CASH FLOW[2]	52%

AND HERE IS

how we do it...

[1]Compounded annual growth rates in US dollars from 1988 through 2003.
[2]Compounded annual growth rate in US dollars from 1993 through 2003.

Whether our customers are in Cairo or Costa Rica, Manila or Madrid, Taiwan or Texas, we see the world from their point of view.

a win-win proposition

We are rolling out our successful Construrama customer-service initiative to our markets in South and Central America. Born as a program to support our major distributors, Construrama exceeded our expectations from the very beginning. In just its first six months, Construrama grew into the largest construction materials chain in Latin America. And now, approximately 2,126 stores across Mexico carry the Construrama brand.

Construrama is a win-win proposition for our customers and distributors alike. On the one hand, it offers our distributors a number of advantages that they could not realize on their own. Most notably, they enjoy the benefits of belonging to a broad commercial network with growing brand recognition, including access to more than 500 different products and services at competitive prices, training programs designed to grow their businesses, and publicity, merchandising, and marketing support. On the other hand, it offers our customers guaranteed product quality, uniform client service, and convenience—a supplier near them that carries the range of affordable products they need.

Construrama benefits our communities as well. Beyond a unique brand, we share best business practices that enable participating suppliers and distributors—including small and mid-size entrepreneurs—to build stronger businesses that generate greater economic value for them and their communities.

building our customers' future

Mexicans living in the United States transfer from US$10 billion to US$14 billion home to their families each year. Unfortunately, the money they send is not always used as they intended. Thanks to Construmex, our customers can transfer money to Mexico for their families' home-building needs and rest assured those resources are used to realize their dreams. At a cost of only a dollar per purchase—versus 6% to 8% for money transfers via other channels—our clients can transfer orders for construction materials directly through our extensive network of more than 2,000 distributors across Mexico; our distributors then deliver the desired materials to our customers' designated recipients.


customer
focus = growth

flexibility → cost savings

real-time energy management

Today, our energy control center enables us to monitor real-time energy price changes and manage the electricity loads at our plants in Mexico, the United States, Costa Rica, and Nicaragua. The center uses a proprietary simulation tool to determine how to run each plant in the most energy-efficient way.

We are a flexible enterprise that anticipates and effectively embraces challenges and opportunities.

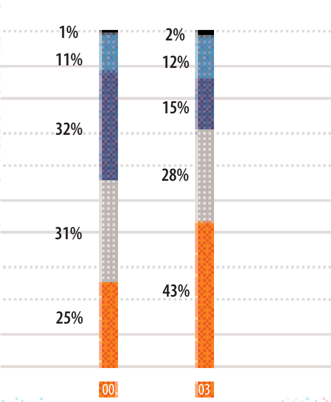
preparedness pays

Our unwavering focus on energy management allowed us to avoid the recent spike in natural gas and fuel oil prices. For over a decade, we've worked to secure a consistent supply of energy, minimize price volatility, and optimize our global and regional fuel costs. And last year, our energy strategy paid off handsomely.

We've taken advantage of the flexibility in the cement manufacturing process to consume different types of energy, and we developed a diversified fuel structure in which almost 80% of our total fuel cost is based on sources with low price volatility. For example, in Mexico, we've converted all 15 of our cement plants to operate on at least four sources of energy, including petroleum coke (92%), fuel oil (5%), alternative fuels (2%), and natural gas (1%). As a result, our Mexican operations were able to reduce their fuel cost by 40% over the past four years and save more than US$100 million on their energy bill in 2003.

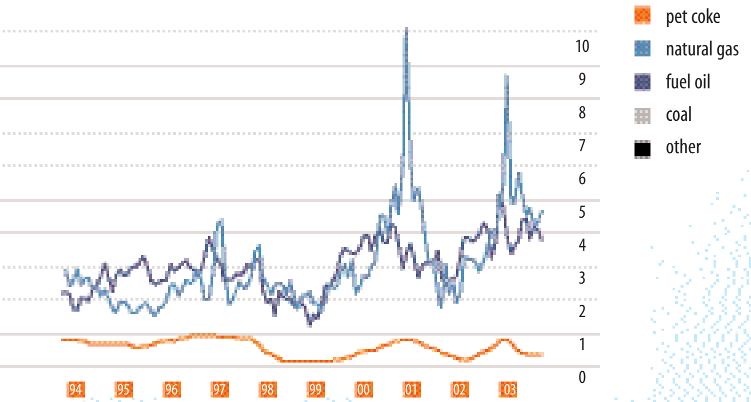
Furthermore, every time we make an acquisition we conduct a thorough energy analysis to provide the new operation with the best possible mix of fuels. And like Mexico, we outfit the plants to use both liquid and solid fuels, such as petroleum coke. Thus far, we've introduced petroleum coke in most of the markets in which it offers an economic advantage, including Panama, the Dominican Republic, Costa Rica, and Nicaragua.

consolidated annual
fuel utilization
percentage of energy



Today, almost 80% of our total fuel cost is based on sources with low price volatility.

comparative fuel prices in
the US Gulf Coast
constant 2003 US dollars/BTUs



Our efficient energy management ensures a consistent fuel supply at a lower and more stable cost.

Our market intelligence is an important part of our strategy to build well-known, trusted, and reliable brands worldwide.

brand leadership

When CEMEX arrived in Egypt four years ago, we faced a number of commercial challenges. Ours was a brand in a crowded market that over the past few years had reached a total of 10 competitors and 16 different brands. We were dependent on five traders for almost a fourth of our sales volume and, therefore, were too removed from the retailers who ultimately sold our products and the customers who used our products. As a result, we had relatively low brand awareness among retailers and customers.

Today our brand equity is up nationwide. We have the leading brand in Upper Egypt and one of the top three brands—with a 50% share of mind—in our selected markets in Lower Egypt. We enjoy a diversified base of almost 900 retailers and expanded market coverage that includes both Upper and Lower Egypt.

Our strategy? We improved our distribution channels, so we were able to serve customers throughout the country more directly—without having to depend on traders or wholesalers. We got to know the needs of our customers and offered them what they wanted, including new cement products, value-added services, and long-term incentives every time they did business with us. We identified what customers valued most about cement and who most influenced their buying decisions. Finally, we executed tailored commercial strategies that addressed the emotional and functional needs of our key audiences, monitoring our brand's performance each step of the way.

delivering on our promise

We know that peace of mind is the brand attribute that Egyptian customers value most; we also know that they rely on local retailers and skilled craftsmen to identify which cement brand is best suited for their home-building needs. So we're training these trusted allies to help customers use our products to build a better house from the ground up. For example, sulfates in the soil can compromise a home's foundation, so we're showing local craftsmen how to apply our new sulfate-resistant cement to construct a solid, secure foundation. Once their training is complete, we certify each participant, and these more than 400 CEMEX-certified craftsmen guarantee the project's safety when customers use our products properly.

market intelligence
▲ brand equity

knowledge
sharing → value

We enable our employees to share best practices across our organization—simply and systematically—and create value throughout our global network.

little things create great value

Perhaps nowhere is our systematic exchange of knowledge more evident today than in our U.S. operations. Through our common technology systems and processes, we've imported unique local initiatives for potential rollout worldwide and transferred proven, value-added practices throughout our U.S. network.

By leveraging what we've learned in other markets, we have enhanced our customer fulfillment; increased our operating productivity, efficiency, and safety; and consolidated our brand in the United States nationwide. Among our many achievements—big and small—we cut our customers' loading time by 19%. We successfully introduced new products, such as EXTRA-500™, a highly crack-resistant concrete for residential construction. We improved our cement plants' mean time between kiln stops by 42% and our ready-mix fleet utilization by 7%. And 11 of our 13 cement plants achieved "Highly Protected Risk" status, an important safety certification granted by FM Global. Looking forward, we aim to build on these benchmarks to create even greater value for our customers, employees, and stockholders.

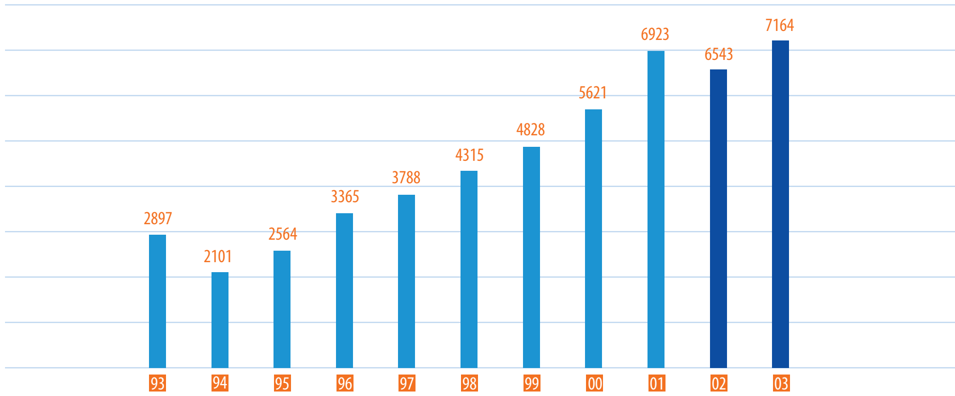
maximizing the value of procurement

We're implementing a number of strategic initiatives to maximize the value of the procurement process. Among other actions, we are consolidating and centralizing global negotiations—replacing the geographically based negotiations system—and upgrading our management processes to optimize our procurement of products used worldwide. We're dividing the purchasing and negotiations functions, making both processes autonomous. And we are reinforcing our procurement planning, control, and management processes by developing supervision mechanisms to ensure quality, service, and on-time delivery. As a result of our initiatives, we expect to lower our global inventory—of items ranging from pencils and paper to machinery and equipment—significantly this year.

SALES

+9%
year over year

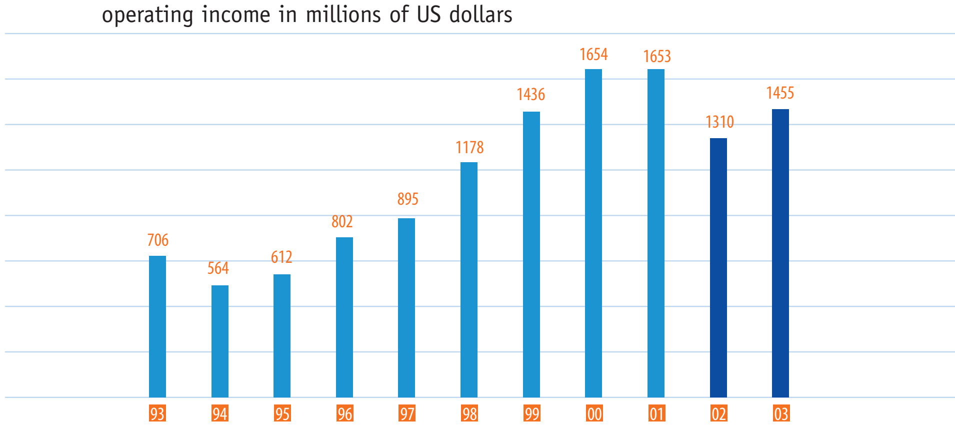
consolidated net sales in millions of US dollars



OPERATING INCOME

+11%
year over year

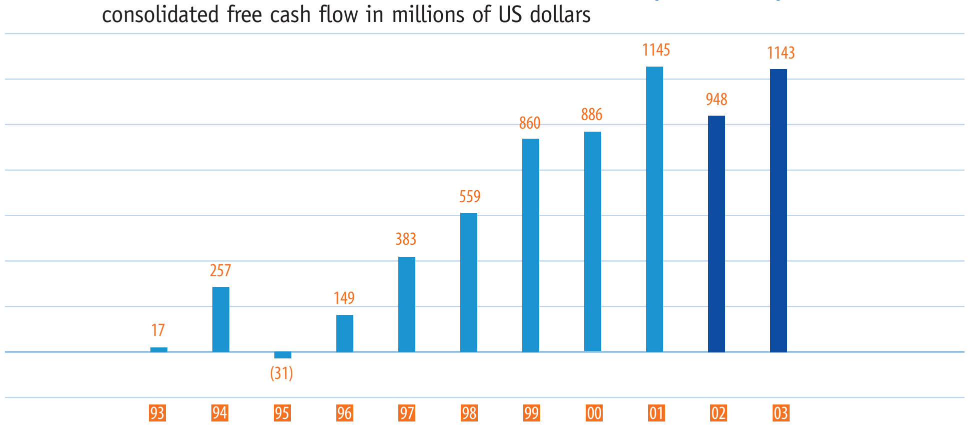
operating income in millions of US dollars



FREE CASH FLOW

+21%
year over year

consolidated free cash flow in millions of US dollars



financial highlights

IN MILLIONS OF US DOLLARS,[1] EXCEPT PER-ADR DATA

	2003	2002	CHANGE
Net sales	7,164	6,543	9%
Operating income	1,455	1,310	11%
EBITDA	2,108	1,917	10%
Consolidated net income	659	557	18%
Earnings per ADR[2]	1.99	1.74	15%
Free cash flow	1,143	948	21%
Total assets	16,016	15,934	1%
Net debt	5,641	6,122	(8%)
Stockholders' equity, majority interest	6,234	5,744	9%

[1] For your convenience, US dollar amounts are calculated by converting the constant Mexican peso amounts at the end of the year using the end-of-year Mexican peso/US dollar exchange rate for each year. The exchange rates used to convert results for 2002 and 2003 are 10.38 and 11.24 Mexican pesos per US dollar, respectively.

[2] Based on an average of 315.2 and 299.2 million American Depository Receipts (ADRs) for 2003 and 2002, respectively.

dear fellow stockholders:

Our positive results this year, and over the last fifteen years, reflect an undervalued virtue, consistency: our company's demonstrated ability to produce **good results in bad times and great results in good times**.

Despite a challenging global economic environment, we produced consolidated net sales of US$7.2 billion and generated operating cash flow (EBITDA) of US$2.1 billion—gains of 9% and 10%, respectively, over 2002. Also, we produced more than US$1.1 billion of free cash flow, the bulk of which we have used to reduce debt.

More impressive than our positive year-over-year results is our compelling track record of growth. Over the last 15 years, we have grown our revenue and EBITDA at a compounded annual growth rate of 18%. That we have achieved an average EBITDA margin of 31% makes us regularly the most profitable of our industry's global cement companies. And over the last five years, we have produced an average return on equity of more than 15% for you.

How do we achieve such consistently profitable growth? Quite simply, we focus on the factors that we can affect, regardless of the business cycle.

> Our lower costs today are in large part the result of energy, productivity, and technology initiatives we have pursued. Moreover, the savings and efficiencies we have realized reflect long-term strategies that will continue to pay off for years to come.

> Our standardized business processes and common information technology platform enable us to identify and share best practices across our global network and extract value from integrated acquisitions—simply and systematically. With this structure in place, we have the capacity to undertake the many little and large initiatives that—taken together—allow us to operate successfully in widely different markets and economies. We free our people to think and communicate effectively across time zones and geographies, reaching more customers with products and services that fit their changing building needs.

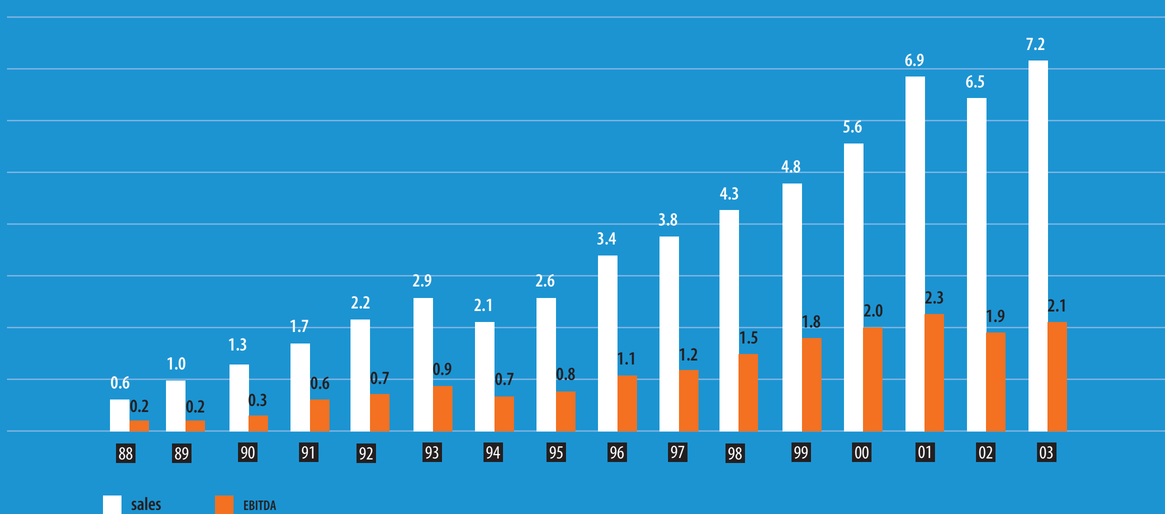
> We consistently put our customers first, creating value for them and for us. Our growing Construrama distributor network is one such win-win proposition. In 2003 we strengthened and consolidated our relationships with network participants to ensure that our more than 2,100 points of sale across Mexico work under uniform operating and service standards. Now we are expanding this successful customer-service platform to South and Central America.

> We listen to the financial markets, and we meet the commitments we make to them:

+ We made a commitment to the market that we would strengthen our financial flexibility, and we did. We used almost two-thirds of our free cash flow to reduce debt and reach our net-debt-to-EBITDA target of 2.7 times.

more impressive...
is our compelling
track record of
growth

sales and ebitda
billions of US dollars



Our performance reflects the strength of our business model. Over the past 15 years, we have grown our sales and EBITDA at a compounded annual growth rate of 18%. And we have developed a global operating network that now generates free cash flow in excess of US$1.1 billion annually.

+ We also committed to simplify our balance sheet to make it easier for you to value our shares and their potential return, and we are meeting that commitment. Through a series of financial transactions, we have simplified our capital structure, enabling you to focus more clearly on the strengths of our business.

What's the outlook for CEMEX? We are a company with an impressive past but a more promising future. What we did over the past 15 years, we can do even better moving forward. Though our industry and environment will change substantially, I am confident that we will continue to grow.

When you look at the past performance of the countries in which we now operate, our company has the potential to grow sales in the mid single digits per year, excluding market share gains. Also, in some of our markets such as the United States and Colombia, there are tremendous opportunities to expand cement's share of the construction market in ways that could significantly increase those countries' growth rates. In addition, if we continue to deliver growth in free cash flow, we will have the flexibility to make acquisitions that could add significantly to our top-line growth. Thus, long term, we have the potential to grow our average annual sales well above our rate of organic growth.

While we will remain an industry consolidator, we believe that debt reduction is the best way to create value for our stockholders in the near term. Hence, our preference is to continue deleveraging our company this year. Nonetheless, we will monitor our markets for acquisitions that may deliver an even greater return for our stockholders and ensure that we are prepared for the next attractive opportunity, whenever and wherever it may arise.

Furthermore, we will ensure that our people are ready to take full advantage of the external environment in which we operate. Our employees' passion, teamwork, and cultural diversity are the foundation for our past and future success. We will continue to provide them with the tools, training, and support they need to prosper in an ever-changing global industry landscape.

In short, we are a growth company. We have the resources, the structure, the discipline, the expertise, and the opportunities to grow—organically and through acquisitions. As we continue on our path of profitable growth, I trust that you will come along with us.

Sincerely,

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

selected consolidated financial information

IN MILLIONS OF US DOLLARS, EXCEPT ADRs AND PER-ADR AMOUNTS

	1993	1994	1995	1996	1997	1998	1999	2000
Operating results								
Net sales	2,897	2,101	2,564	3,365	3,788	4,315	4,828	5,621
Cost of sales[1][2]	(1,747)	(1,212)	(1,564)	(2,041)	(2,322)	(2,495)	(2,690)	(3,141)
Gross profit	1,150	889	1,000	1,325	1,467	1,820	2,138	2,480
Operating expenses[2]	(444)	(325)	(388)	(522)	(572)	(642)	(702)	(826)
Operating income	706	564	612	802	895	1,178	1,436	1,654
Financial expense	(490)	(359)	(652)	(668)	(510)	(485)	(488)	(467)
Financial income	133	86	65	53	37	37	31	25
Comprehensive financing result[3]	25	(16)	567	529	159	(132)	(29)	(174)
Other income (expenses), net	(101)	(133)	(162)	(171)	(138)	(152)	(296)	(234)
Income before taxes and others	630	415	1,017	1,160	916	893	1,111	1,246
Minority interest net income[4][5][6]	97	45	109	119	107	39	56	78
Majority interest net income	522	376	759	977	761	803	973	999
Millions of ADRs outstanding[7][8][9][12]	211	215	257	261	254	252	273	278
Earnings per ADR[8][9][10]	2.47	1.75	2.95	3.76	2.97	3.18	3.87	3.65
Dividends per ADR[8][9][11][12]	0.46	0.31	0.33	–	0.60	0.70	0.79	0.98
Balance-sheet information								
Cash and temporary investments	326	484	355	409	380	407	326	308
Net working capital[13]	595	528	567	611	588	638	669	813
Property, plant and equipment, net	4,407	4,093	4,939	5,743	6,006	6,142	6,922	9,034
Total assets	8,018	7,894	8,370	9,942	10,231	10,460	11,864	15,759
Short-term debt	684	648	870	815	657	1,106	1,030	2,962
Long-term debt	2,866	3,116	3,034	3,954	3,961	3,136	3,341	2,709
Total liabilities	4,022	4,291	4,603	5,605	5,535	5,321	5,430	8,111
Minority interest[4][5][6]	771	771	889	1,000	1,181	1,251	1,253	2,398
Majority interest	3,225	2,832	2,878	3,337	3,515	3,887	5,182	5,251
Total stockholders' equity	3,996	3,603	3,767	4,337	4,696	5,138	6,435	7,649
Book value per ADR[9]	15.25	13.15	11.2	12.8	13.85	15.45	18.95	18.9
Other financial data								
Operating margin	24.4%	26.9%	23.9%	23.8%	23.6%	27.3%	29.8%	29.4%
EBITDA margin[13]	31.6%	34.2%	31.8%	32.3%	31.5%	34.4%	37.1%	36.1%
EBITDA[13]	914	719	815	1,087	1,193	1,485	1,791	2,030
Free cash flow[13]	17	257	(31)	149	383	559	860	886

2001	2002	2003	Compounded annual growth 02-03	93-03
6,923	6,543	7,164	9%	9%
(3,894)	(3,656)	(4,130)		
3,029	2,888	3,034		
(1,376)	(1,577)	(1,579)		
1,653	1,310	1,455	11%	7%
(412)	(333)	(381)		
41	45	17		
265	(329)	(267)		
(417)	(389)	(457)		
1,501	592	731		
153	37	30		
1,178	520	629	21%	2%
292	304	324		
4.14	1.74	1.99	15%	(2%)
1.02	1.04	n.a.		
428	361	291		
933	699	576		
8,940	8,963	9,265		
16,230	15,934	16,016		
1,028	1,393	1,329		
4,345	4,374	4,537		
8,078	8,983	9,250		
1,975	1,207	532		
6,177	5,744	6,234		
8,152	6,951	6,766		
21.15	17.25	17.55		
23.9%	20.0%	20.3%		
32.6%	29.3%	29.4%		
2,256	1,917	2,108	10%	9%
1,145	948	1,143	21%	52%

1. Cost of sales includes depreciation.

2. In 2003, 2002, and partially during 2001, the expenses related to the distribution of the company's products were classified as selling expenses on the income statement. Partially during 2001 and fully between the years 1993 and 2000, such expenses were recognized as part of cost of sales. This reclassification has no effect on operating income, net income, and/or earnings per ADR for the years before 2002 if the mentioned expenses were recognized consistent with the current classification. For illustrative purposes, for the years ended December 31, 1999 and 2000, the distribution expenses recognized as part of cost of sales were approximately US$225 and US$374 million, respectively, and the partial amount recognized as part of the cost of sales in 2001 was US$156 million.

3. Comprehensive financing result includes financial expense, financial income, realized and unrealized gains and losses on derivative financial instruments and marketable securities, foreign exchange result, and net monetary position result.

4. In July 1995, a subsidiary of CEMEX transferred a portion of CEMEX Spain's (formerly known as Valenciana) shares in exchange for Pta40 billion, which represented 24.77% of the common stock. During the life of the transaction, such shares were treated as owned by a third party, thereby creating a minority interest in the consolidated stockholders' equity. The original amount 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 was not recognized on the income statement because 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.

5. In November 2000, a Dutch subsidiary of CEMEX issued preferred stock for US$1.5 billion in connection with the financing required for the CEMEX, Inc. (formerly Southdown) acquisition. In November 2003, CEMEX early redeemed the total outstanding amount of the preferred stock. The preferred stock's redemption was mandatory in February and August 2004, and granted its holders 10% of the subsidiary's voting rights, as well as the right to receive a variable guaranteed preferred dividend. As of December 31, 2002, CEMEX had redeemed preferred stock amounting to US$850 million, with the balance outstanding amounting to US$650 million. This transaction is included as minority interest in 2000, 2001, and 2002 (see note 15E to the 2003 annual report's Financial Statements).

6. In 1998 a subsidiary of CEMEX in Spain issued US$250 million of capital securities at an annual dividend rate of 9.66%. In April 2002, through a tender offer, US$184 million of capital securities were redeemed. The amount paid to the holders, pursuant to the early redemption, in excess of the nominal amount of the capital securities of approximately US$20 million was recorded against stockholders' equity. The balance outstanding as of December 31, 2003 and 2002, was US$66 million. 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 it to CEMEX on May 15, 2005. This transaction is recorded as minority interest (see note 15E to the 2003 annual report's Financial Statements).

7. The number of ADRs outstanding represents the total ADR equivalent units outstanding at the close of each year, stated in millions of ADRs, and includes the total number of ADR equivalents issued by CEMEX in underlying derivative transactions, and excludes the total number of ADR equivalents issued by CEMEX and owned by subsidiaries. Each ADR listed on the New York Stock Exchange represents five CPOs.

8. On April 28, 1994, CEMEX declared a stock split of three shares per each share held by a stockholder. 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 ADRs and per-ADR amounts for 1993 have been adjusted to make the effect of the stock split retroactive.

9. On September 14, 1999, CEMEX 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 CEMEX. As a part of the exchange offer, on September 15, 1999, CEMEX made 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 stockholders in CEMEX's common stock did not change as a result of the exchange offer and the stock split mentioned above. Earnings per ADR and the number of ADRs outstanding for the years ended December 31, 1993 through 1998, have been adjusted to make the effect of the stock split retroactive. In order to comply with Mexico's accounting principles, in the Financial Statements these figures are presented on a per-share basis (see note 21 to the 2003 annual report's Financial Statements).

10. For the periods ended December 31, 1993 through 1995, earnings-per-ADR amounts were determined by considering the total outstanding ADR equivalents at the year's end. For the periods ended December 31, 1996 through 2003, the earnings-per-ADR amounts were determined by considering the average number of ADR equivalent units outstanding during each year, i.e. 259.6, 256.6, 252.4, 251.2, 275.0, 284.4, 299.2, and 315.2 million, respectively.

11. Dividends declared at each year's annual stockholders' meeting for each period are reflected as dividends for the preceding year. CEMEX did not declare or pay any dividends with respect to 1996; rather, management recommended, and stockholders approved, a share repurchase program (see note 12).

12. 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 on that date.

13. Please refer to page 71 for the definition of terms.


clear + simple

We listen to our investors, and we meet the commitments we make to them.

alignment with investor interests

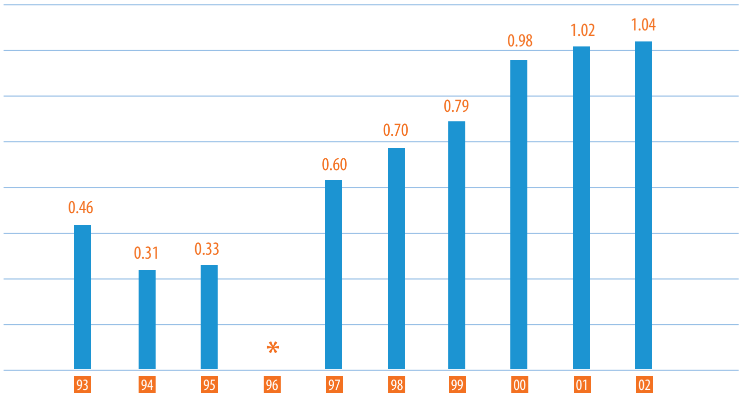
To make it easier for our investors to value our shares and their potential returns, we've taken a number of steps to simplify our balance sheet and enable our investors to focus more clearly on the strengths of our business. Our actions include a series of financial transactions, including our recent non-dilutive equity offering. This successful transaction, coupled with our other initiatives, not only simplifies our balance sheet but also strengthens our financial structure and increases our liquidity.

financial simplicity

During the fourth quarter of 2003, we successfully executed a non-dilutive equity offering in which slightly more than 29 million American Depository Shares (ADSs) held by us and certain banks were sold to the market. The equity offering resulted in a significant reduction in the notional amount of our equity derivatives and net proceeds to us of US$122 million.

The equity offering was an important step toward our objective of simplifying our balance sheet, providing our stockholders with a number of benefits. First, the transaction reduced our contingent obligations and earnings volatility. Second, the offering, in conjunction with our other initiatives, improved our financial strength and credit quality. Third, the transaction increased our liquidity and expanded our investor base, transferring approximately 8% of our outstanding stock, which was held by us and certain banks, to the broader equity markets. Fourth, as we noted above, the offering generated net proceeds to CEMEX of approximately US$122 million, which were used to further simplify our financial structure. Finally, and quite importantly, the transaction achieved these benefits without diluting the equity of our existing stockholders.

dividends per ADR
US dollars



*CEMEX did not declare or pay any dividends with respect to 1996; rather, management recommended, and stockholders approved, a share repurchase program.

financial flexibility

Last year, we made a commitment to the market that we would strengthen our financial flexibility, and we did. In 2003 we used US$725 million of our US$1.14 billion in free cash flow to reduce debt. As a result, we lowered our net-debt-to-EBITDA ratio from 3.2 times at year-end 2002 to our target of 2.7 times by year-end 2003. We also increased our interest coverage for the year to 5.3 times—well above our target of 4.5 times for 2003—and successfully refinanced US$2.4 billion of our debt maturities during the year.

executive stock ownership plan

To better align our executives' interests with those of our stockholders, we will offer a new Executive Stock Ownership Plan (ESOP). The plan's goal is to move our company's long-term compensation from stock options to programs based on restricted stock, which we believe is better valued by both our executives and our stockholders. Beginning in 2004, we will offer our executives restricted stock in lieu of stock options as part of our compensation program.

In early 2004, we offered to exchange our executives' options for new options that they can exercise into restricted stock instead of cash. Because the new option program will reduce our company's equity derivatives when our executives exercise their new options into restricted stock, the new program is a further step in our effort to simplify our capital structure going forward.

corporate governance

We are committed to the highest standards of corporate governance. Our company's Board of Directors is composed of qualified directors who provide appropriate oversight. Our audit committee members are all independent, and a member of our audit committee meets the requirements of a "financial expert" as defined by the Sarbanes-Oxley Act of 2002 (SOX).

Additionally, we have designed and implemented a formal internal process to support the certification by our chief executive officer and our executive vice president of planning and finance of the information we present in CEMEX's periodic SEC reports; a system to ensure that relevant information reaches senior management in a timely manner; a system to communicate anonymous and confidential complaints and concerns regarding accounting and auditing matters to the audit committee; a process to present anonymous and confidential complaints related to misuse of assets; and a task force to follow legal requirements and best corporate governance practices and, when appropriate, propose further improvements. Furthermore, we have modified our code of ethics to reflect the requirements of SOX.

business

CEMEX is a leading global producer and marketer of cement and ready-mix concrete. We operate twenty-four hours a day, seven days a week, in a rapidly changing global industry—serving customers across four continents.

In a world that faces an ever-growing need for housing and infrastructure development, we are committed to meeting the demand for quality cement products and services with an unwavering dedication to customer satisfaction, employee well-being, community outreach, and stockholder value creation.

Our company was founded in Mexico in 1906, and we have grown from a small local player to one of the top global cement companies, with 25,965 employees. Today we are strategically positioned in the most dynamic markets around the world: the Americas, Europe, Asia, and Africa. Our operations network produces, distributes, and markets cement, ready-mix concrete, and clinker to customers in more than 30 countries, and—as one of the world's largest cement traders—we maintain trade relationships with more than 60 nations.

business model

> focus on our core cement and ready-mix concrete franchise
> minimize our production costs and maximize our operating efficiency
> create value around our cement brands
> optimize our logistics and regional cement systems
> allocate our capital efficiently and effectively

growth strategy

Over the last 15 years, we have built a portfolio of assets with long-term growth potential by focusing on highly attractive markets. Our broad geographic diversification in markets with different economic cycles allows us to sustain consistent growth and strong free cash flow generation throughout the business cycle and strengthen the financial structure of our corporation.

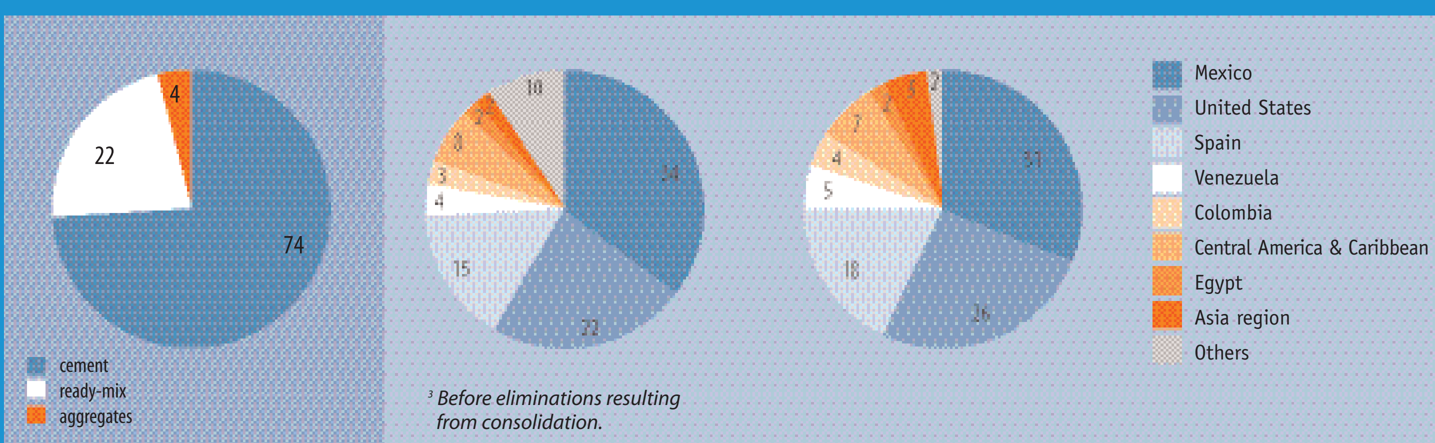
As of December 31, 2003	PRODUCTION CAPACITY MILLION METRIC TONS/YEAR	CEMENT PLANTS CONTROLLED	CEMENT PLANTS MINORITY PART.	READY-MIX PLANTS	LAND DISTRIBUTION CENTERS	MARINE TERMINALS
Mexico	27.2	15	3	211	68	8
United States[1]	14.2	13	4	86	49	5
Spain	10.8	8	0	77	12	19
Venezuela	4.6	3	0	30	12	4
Colombia	4.8	5	0	21	2	0
Central America & Caribbean[2]	4.1	5	6	28	11	10
Egypt	4.9	1	0	3	4	1
Philippines	5.8	3	0	1	6	3
Indonesia	4.4	0	4	9	27	10
Thailand	0.7	1	0	0	0	0
TOTAL	81.5	54	17	466	191	60

[1] *In 2003 we acquired the Dixon-Marquette plant, which has an installed capacity of 0.560 million metric tons/year.*
[2] *Includes Barbados, Costa Rica, Chile, the Dominican Republic, Jamaica, Nicaragua, Panama, Puerto Rico, and Trinidad & Tobago.*

sales distribution
percentage by product

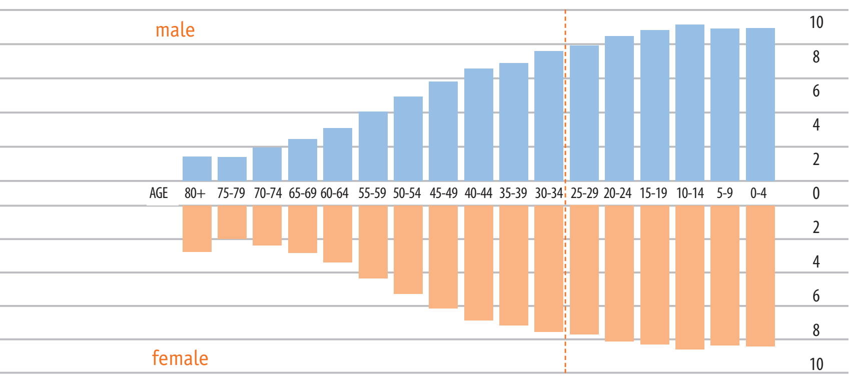
sales distribution[3]
percentage by country

asset distribution
percentage by country



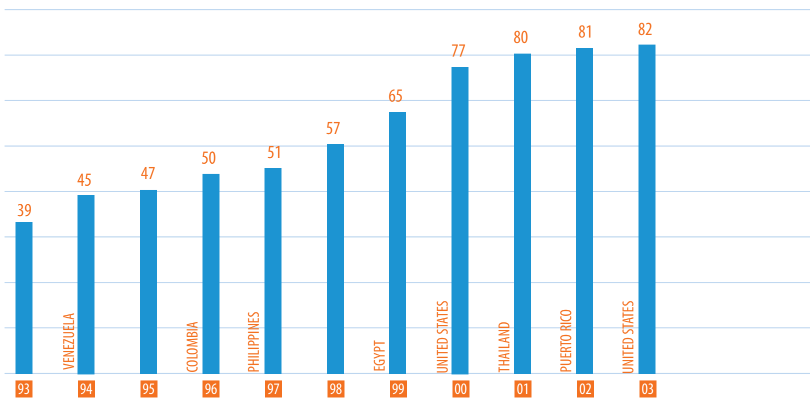
[3] *Before eliminations resulting from consolidation.*

CEMEX markets' weighted-average population
percentage



The weighted-average population distribution of our market portfolio shows that, on average, more than 50% of the population is under age 30.

production capacity and major acquisitions
millions of metric tons/year



For more than a decade, we have complemented our organic growth with strategic international acquisitions.

Going forward, we see three main sources of long-term growth for CEMEX.

organic growth

Our portfolio is concentrated mainly in markets that provide long-term economic growth potential, with favorable demographics, low per-capita cement consumption, and high pent-up demand. The weighted-average population distribution of our market portfolio shows that, on average, more than 50% of the population is under age 30. This mix means that the housing and infrastructure needs of our portfolio will be greater than in other, more mature markets.

acquisitions growth

For more than a decade, we have complemented our organic growth with strategic international acquisitions. Nonetheless, our revenue still represents a small fraction of the global sales of the cement and ready-mix industries; therefore, we believe there are ample opportunities for expansion. Moving forward, our financial strength and strong free cash flow generation will allow us to complement our portfolio with additional assets that foster our continued growth and diversification.

Despite our role as a leading industry consolidator, we take a disciplined approach to capital allocation. Every acquisition must

1. provide risk-adjusted returns in excess of our weighted-average cost of capital;
2. contribute to greater earnings and free cash flow growth stability;
3. maintain our financial strength and investment-grade credit quality; and
4. benefit from our management and turnaround expertise.

We will only make acquisitions that meet all of these criteria and are consistent with our business strategy.

substitution for other building materials

We are always working to provide superior building material solutions in our markets. As part of this effort, we continually explore and promote new uses of cement in lieu of other building materials.

In countries such as Mexico and the United States, we are paving roads with concrete, which is more durable than asphalt, is easier to maintain, and costs less overall. Efforts like this aim to enhance our growth and gain market share by promoting the advantages of increased cement usage.

2003 consolidated results

Our **net sales** increased 9%, to US$7.16 billion, and our **gross profit** increased 5%, to US$3.03 billion.

In Mexico, our sales increased 6% due to strong demand for housing and infrastructure. Our sales in the United States decreased 1% as a result of slightly lower average prices and weaker cement sales during the first half of the year. In Spain, our sales increased 24% due to the continuing strength of the public works and residential construction sectors, combined with a strong euro.

In Venezuela, our sales were 5% higher than in 2002, as the level of economic activity increased, especially during the second half of the year, and the government increased its spending on infrastructure. Elsewhere, our sales in Colombia increased 15%; our sales in Egypt decreased 9%; our sales in Central America and the Caribbean increased 15%; and our sales in Asia increased 4%.

Our **selling, general, and administrative (SG&A) expenses** remained flat, even with increased sales. As a percentage of net sales, SG&A expenses decreased 2.1 percentage points versus 2002 as a result of our ongoing cost-reduction initiatives, which lowered costs significantly at the corporate and operating levels.

Our **operating income** was 11% higher than in 2002, reaching US$1.46 billion, and our **EBITDA** totaled US$2.11 billion, 10% higher than in 2002. Our EBITDA margin for the year was 29.4%, versus 29.3% for 2002.

Our **interest expense plus preferred dividend payments** were 9% higher than in 2002, at U$400 million, as the global economy expanded and interest rates increased. Our **interest coverage** ratio increased to 5.3 times from 5.2 times last year.

We recognized a loss on **marketable securities** of US$60 million for the year, compared with a loss of US$316 million for 2002. The loss was due primarily to the decreased value of some of our derivative instruments.

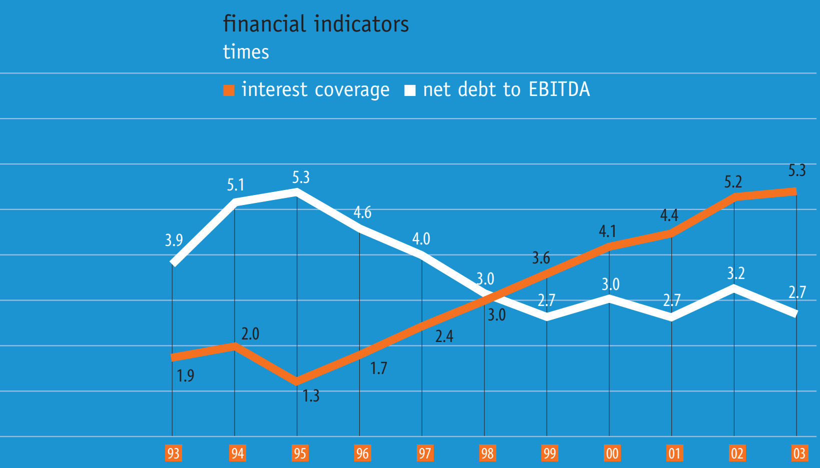
We incurred a **foreign exchange loss** of US$172 million for 2003, versus a loss of US$77 million for 2002. This loss was primarily attributable to the appreciation of the Japanese yen and the U.S. dollar (currencies in which we hold a significant portion of debt) against the Mexican peso.

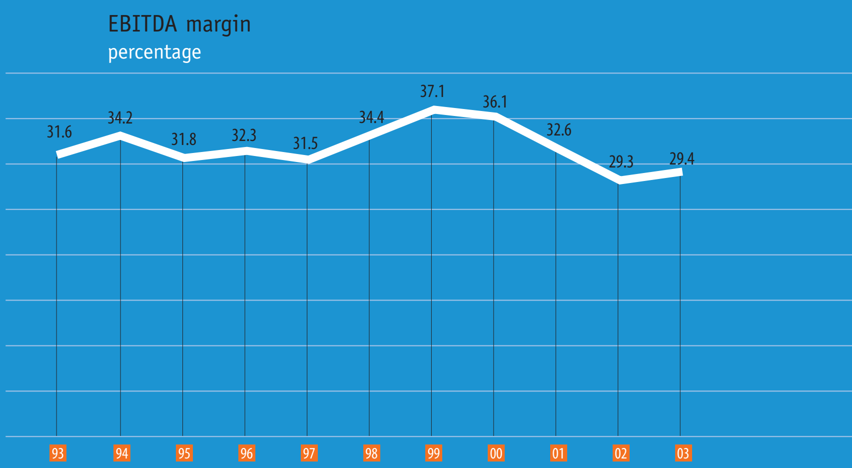
Our **majority interest net income** for the year increased 21%, to US$629 million, due to stronger sales in most of our markets and our continuing efforts to reduce costs.

Our **free cash flow** increased 21% in 2003, to US$1.14 billion, which we used primarily to reduce debt, to acquire the assets of Dixon-Marquette Cement, and to make other investments.

Our **net debt** was US$5.64 billion at year-end 2003, versus US$6.12 billion at year-end 2002. During the year we used approximately US$725 million to reduce debt. Our consolidated net debt decreased only US$481 million, however, due to foreign exchange movements in the amount of US$244 million during the year. Our stronger EBITDA and lower net debt reduced **our net-debt-to-EBITDA** ratio to 2.7 times at year-end 2003 from 3.2 times at year-end 2002.

For the year, we engaged in **short-term debt refinancing** transactions that totaled approximately US$2.4 billion, including the early redemption of US$650 million of preferred equity. Our debt ratings remained unchanged in 2003: Standard & Poor's and Fitch Ratings maintained their investment-grade ratings of BBB- and BBB, respectively, and Moody's maintained its Ba1 rating with a positive outlook.





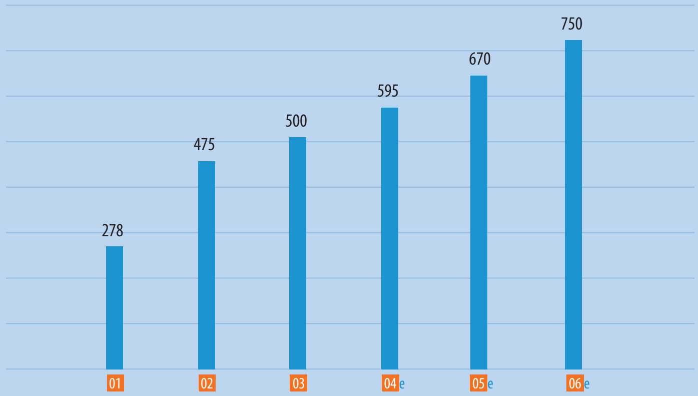
Mexico

In 2003 our net sales and EBITDA were US$2.63 billion and US$1.17 billion, respectively, increases of 6% and 5% versus 2002. Cement prices improved 2% in constant pesos but declined 4% in dollar terms.

Driven by strong low-income housing and public infrastructure construction, our domestic cement volume grew 4% for the year—more than twice the pace of GDP growth. In 2003 continued government spending benefited the low-income housing sector, in which approximately 500,000 new mortgages were originated; additionally, the commercial banking sector awarded almost 10,000 mortgages. Government spending on highways and public buildings drove infrastructure cement demand growth. And the self-construction sector remained a stable source of demand. Our ready-mix volume increased 13% versus 2002, driven by infrastructure projects and low-income housing.

In 2003 the results of our Construrama and Multiproductos customer-service initiatives exceeded our expectations. These two win-win propositions increase customer loyalty to CEMEX and improve economies of scale and profitability for our customers. By year end, our Construrama commercial network comprised 2,126 retail stores and accounted for 65% of our bagged cement sales in Mexico. Moreover, our Multiproductos initiative generated total sales of approximately US$172 million, versus US$111 million in 2002.

Mexico government-sponsored housing program 00-06
thousands of mortgages originated



Rapidly growing low-income housing will keep driving our cement and ready-mix sales in Mexico.

United States

Our U.S. operations' net sales were US$1.72 billion in 2003, a decline of 1% year over year, due mainly to lower average realized cement prices. EBITDA was US$370 million, a 12% decrease versus 2002, because of lower cement prices and a spike in global shipping rates. Our domestic cement and ready-mix volumes increased 2% and 4%, respectively, versus 2002.

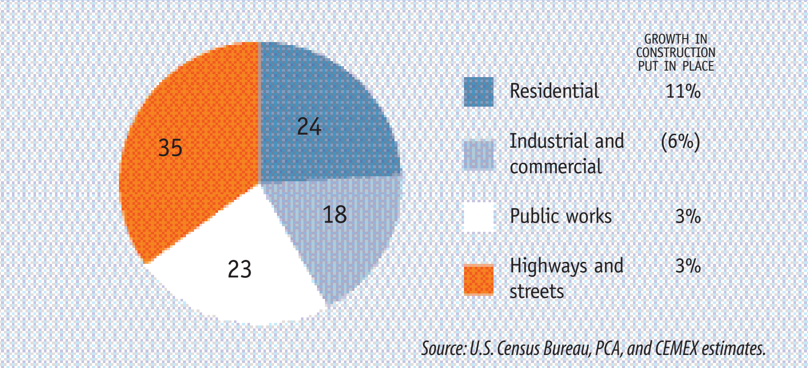
In 2003 the residential and public-works sectors were the primary drivers of U.S. cement demand, with total construction put in place up 4% for the year. Spending for street and highway construction—the most cement-intensive component of the public-works sector—reversed a negative trend and grew 3% in 2003, as increased federal aid to the states and a better economic environment improved the fiscal condition of the states. The low interest-rate environment and positive demographics fueled the residential sector, with total construction put in place up 11% for 2003. However, high vacancy rates for office space, low corporate capital expenditures, and relatively weak economic activity caused industrial and commercial construction put in place to drop 6% last year.

Consistent with our growth strategy, in 2003 we made two acquisitions that complement our extensive U.S. operations network. In September we acquired the assets of Dixon-Marquette Cement, a dry-process

	SALES			EBITDA			ASSETS		
	2002	2003	CHANGE	2002	2003	CHANGE	2002	2003	CHANGE
Mexico	2,483	2,629	6%	1,114	1,166	5%	5,493	4,966	(10%)
United States	1,736	1,718	(1%)	419	370	(12%)	4,308	4,162	(3%)
Spain	965	1,195	24%	292	339	16%	2,099	3,130	49%
Venezuela	304	319	5%	144	153	6%	757	773	2%
Colombia	189	217	15%	117	130	11%	580	672	16%
Central America & Caribbean	490	562	15%	120	134	11%	1,028	1,081	5%
Egypt	146	132	(9%)	58	58	1%	551	369	(33%)
Asia region	181	187	4%	17	19	12%	1,168	1,082	(7%)
Other/eliminations	50	204		(363)	(260)		(48)	(219)	
TOTAL	6,543	7,164	9%	1,917	2,108	10%	15,934	16,016	1%

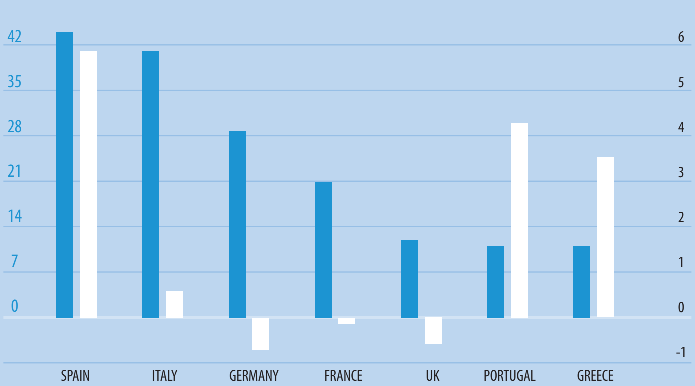
Millions of US dollars.

2003 US cement demand by sector
percentage



In 2003 the public-works sector was the primary driver of US cement demand, with total construction put in place up 4% for the year.

cement demand
million metric tons ▫ compounded growth rate 85-02



Public spending will continue to drive Spanish cement demand in the coming years.

cement plant in Dixon, Illinois, with a production capacity of 560,000 metric tons per year. The acquisition of this plant strengthens our position in the Midwest and helps us to serve our customers better. In August we acquired Mineral Resource Technologies (MRT), one of the four largest fly ash companies in the United States. With customers in 26 states, MRT fits well with our U.S. operations network—we already use fly ash at several of our ready-mix plants—and complements our existing products and services, including our fly ash operation in Brooksville, Florida.

Spain

Our net sales in Spain increased 24% to US$1.20 billion, supported by strong cement and ready-mix demand and the euro's appreciation versus the U.S. dollar. EBITDA grew 16% to US$339 million in 2003. And our domestic cement and ready-mix volumes were each up 5% last year.

Spain's cement market is the largest—and has one of the strongest growth rates—in Europe. In 2003 the country's cement demand grew by approximately 4.5%—about twice the rate of GDP—and exceeded 46 million metric tons for the year. At more than 600,000 starts, the housing sector remained very strong last year, driven by a favorable mortgage environment and the immigration of northern Europeans. Public works also remained an important driver of cement demand, fueled by the government's infrastructure plan that runs through 2007.

Over the last few years, we have launched a number of successful customer-service initiatives in Spain. With our "e-movil" system, our customers enjoy greater flexility, and our sales force gains increased autonomy. Using their cell phones, our clients can place orders and obtain information about the status of their accounts and product dispatches, and our sales force can obtain on-line customer data.

Among other benefits, this system reduces our customers' costs and decreases their request and order times substantially. Additionally, with our ATM-like unattended bulk cement dispatch system, our customers reap the benefits of 24-hour self-service, including increased loading flexibility, shortened loading times, and reduced administrative work. Thanks to the system's multiple advantages, unattended dispatch accounts for 50% or more of bulk sales in our Castillejo, S. Vincente, Buñol, Morata, and S. Feliu plants.

Venezuela

In 2003 our Venezuelan operations' net sales and EBITDA increased by 5% and 6%, respectively, to US$319 million and US$153 million. And our domestic cement and ready-mix volumes decreased by 13% and 6%, respectively, year over year.

At the start of the year, the uncertain political climate and the general strike in Venezuela led to minimal construction activity. During the second half of 2003, the public-works sector began to improve, and in the fourth quarter, cement demand bottomed out, reversed course, and began growing. To compensate for low domestic consumption, we increased our export volume 17% last year.

In the face of a very challenging operating environment, we remained focused on reducing our costs and expenses. We also managed to maintain our total cement production by increasing our exports and selling cement through our global trading system. As a result of our efforts and a stable pricing environment, we increased our 2003 sales and EBITDA despite declining domestic cement and ready-mix volumes.

Colombia

In Colombia, our net sales were US$217 million, a 15% improvement year over year, despite the Colombian peso's depreciation against the U.S. dollar during the year. EBITDA increased 11%, to US$130 million, in 2003.

Our domestic cement volume increased 1%, while our ready-mix volume surged 34%. Public-works construction was the main driver of cement demand in 2003, with the start of new transportation projects in Bogota, Pereira, and Cali, as well as public spending on other infrastructure construction. The residential sector was also an important growth driver, accounting for approximately 40% of Colombia's total cement demand, versus 9% in 2002.

Central America and the Caribbean

Our net sales in the Central America and Caribbean region—which includes our operations in Costa Rica, the Dominican Republic, Nicaragua, Panama, and Puerto Rico—were up 15%, to US$562 million. EBITDA grew 11%, to US$134 million, versus 2002.

In 2003 our cement volume rose 5%, and our ready-mix volume grew 72%. The latter increase is due mainly to the full-year consolidation of Puerto Rican Cement Company (PRCC), which has sizeable ready-mix operations. Our concrete operations in Costa Rica, the Dominican Republic, and Panama also contributed to our ready-mix volume growth last year.

We are pleased with the results of our post-merger integration of PRCC. This process produced savings in a number of areas, including corporate overhead, cement delivery, cement bagging, energy efficiency, logistics, and supply-chain management. For the year, EBITDA from our Puerto Rican operations reached US$28 million, 27% higher than in 2002, and our EBITDA margin improved 5.2 percentage points versus 2002.

In the Dominican Republic, we initiated a US$130 million investment plan for the installation of a new kiln with an annual installed capacity of 1.6 million metric tons of clinker. This investment will increase our total clinker production capacity in the Dominican Republic to 2.2 million metric tons per year. We expect to complete the new kiln in 2005.

Asia

The net sales from our Asian operations—which include Bangladesh, the Philippines, Taiwan, and Thailand—were US$187 million, a 4% gain over 2002, as our Philippine and Thai operations recorded improved sales. EBITDA was US$19 million, up 12% over 2002.

In 2003 our regional cement volume decreased 2% year over year. In the Philippines, construction activity remained low due to decreased government infrastructure spending.

Egypt

Our Egyptian operations reported a year-over-year decline in net sales of 9%, to US$132 million. Despite this decline, EBITDA improved 1%, to US$58 million, versus 2002. Additionally, our EBITDA margin improved 4.3 percentage points, from 39.4% in 2002 to 43.7% in 2003, due in part to our price premium at the retail level and our continuing efficiency and cost-reduction initiatives.

Our domestic cement volume decreased 12% from 2002. Infrastructure investment remained the main driver of cement demand last year, partially offsetting the decline in commercial and tourism construction.

Our commercial strategy enabled us to strengthen our brand equity and maintain our profitability last year, despite a countrywide drop in construction activity. In 2003 we delivered approximately 80% of our cement sales volume directly to our clients, and we increased our repeat customer base to almost 850 clients from only 20 in 1999. Since our entry into Egypt in 1999, we have established a strong presence in Cairo and the Delta region, which are the main areas driving cement demand. In 2003 approximately 35% of our total sales was generated in those two markets.

Trading

Our international cement trading network—one of the largest in the world—plays a fundamental role in realizing our company's goals. Our consistent, yet flexible, trading strategy positions us to anticipate and take advantage of market changes. Most important, our global trading network helps us to optimize our worldwide production capacity, direct excess cement to where it is most needed, and explore new markets without having to make immediate capital investments.

Our shipping fleet and strategically located marine terminals serve customers in the world's most dynamic cement markets. In 2003 our total trading volume was approximately 10 million metric tons of cement and clinker. Of this total, we acquired approximately 5.3 million metric tons from third parties and exported 4.4 million metric tons from our operations around the world.

acquisitions, divestitures, and other financial activities

non-dilutive equity offering

On October 29, 2003, CEMEX announced that the company and certain ADS holders sold a total of 29.325 million ADSs in a non-dilutive equity offering, which included the sale of 25.5 million ADSs, completed on October 21, 2003, and the sale of 3.825 million ADSs, completed on October 29, 2003, to cover over-allotments.

The 29.325 million ADSs comprised 23.325 million ADSs and 30 million CPOs. The ADSs were offered to the public at a price of US$23.15 per ADS, and the CPOs were offered to the public at a price of MXP 52.07 per CPO. One ADS represents five CPOs.

After underwriting discounts and commissions, CEMEX and the selling ADS holders received aggregate proceeds of approximately US$660 million from the offering, including proceeds from the underwriters' exercise of their over-allotment option. Approximately US$538 million of the proceeds were used to unwind several forward contracts between certain CEMEX subsidiaries and certain banks, including the selling ADS holders, and the remaining approximately US$122 million, before expenses of the offering, was paid to CEMEX. The net proceeds to CEMEX were primarily used to reduce CEMEX's derivatives position and debt.

The transaction did not increase the number of CEMEX shares outstanding and, thus, did not dilute the equity of our existing stockholders.

Dixon-Marquette acquisition

On September 25, 2003, a CEMEX, Inc. subsidiary acquired the cement assets of Dixon-Marquette Cement for a total purchase price of approximately US$84 million. Located in Dixon, Illinois, the single cement facility has an annual production capacity of 560,000 metric tons. The acquisition strengthens CEMEX's position in the midwest region of the United States and is expected to contribute about US$12 million in EBITDA per year, excluding synergies.

stock dividend program

On June 5, 2003, CEMEX announced the completion of its stock dividend program. Under this dividend program, CEMEX stockholders who elected to receive stock got one new CPO for each 16.568 CPOs held. CEMEX stockholders had the option to receive a cash payment of MXP 2.20 per CPO in lieu of the stock dividend. A total of 98,841,944 CPOs were issued on June 5, 2003, and distributed to holders of 98% of our stock. The remaining holders elected to receive a cash payment of MXP 2.20 per CPO (MXP 11.00 per ADS) in lieu of the stock, for a total of approximately US$6 million paid by CEMEX.

Dominican Republic capital investment plan

Cementos Nacionales, CEMEX's main operating subsidiary in the Dominican Republic, has initiated a US$130 million investment plan for the installation of a new kiln with an annual installed capacity of 1.6 million metric tons of clinker. This investment will increase the company's total clinker production capacity in the Dominican Republic to 2.2 million metric tons per year. The new kiln is expected to be completed in 2005.

executive appointments

On March 20, 2003, CEMEX announced several executive appointments that further strengthen and improve the company's operating efficiency worldwide.

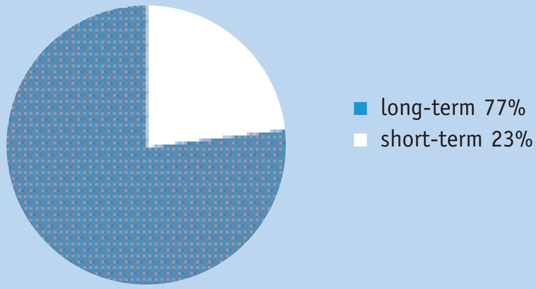
Victor Romo, formerly President of the South America & Caribbean Region, was named Executive Vice President of Administration and continues to report to CEMEX's CEO. In addition to the areas that previously reported to the former Senior Vice President of Administration, Mario de la Garza (who retired after a 37-year career with the company), procurement and comptrollership now report to the new Executive Vice President of Administration.

debt breakdown
millions of US dollars as of December 31, 2003

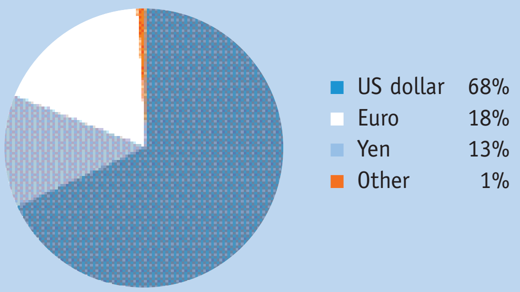
Total debt	5,866
Long-term	4,537
Short-term	1,329
Capital securities*	66
Cash and cash equivalents	291
Net debt	5,641

**See notes 5 and 6 to the Selected Consolidated Financial Information.*

debt maturity profile
percentage



currency denomination of debt
percentage



Fernando Gonzalez, formerly President of CEMEX Asia, replaced Victor Romo as President of the South America & Caribbean Region and also reports to the CEO.

The appointments, effective May 1, 2003, reflect CEMEX's flexibility and commitment to nurture and promote executive talent from within the organization to enhance the company's ability to excel in a dynamic business environment.

amended CAH purchase agreement schedule

In April 2003, CEMEX amended the terms of the July 12, 2002, agreements pursuant to which CEMEX had agreed to exchange 28,195,213 CEMEX CPOs for 1,483,365 shares of CEMEX Asia Holdings (CAH) common stock. The terms of the exchange were modified with respect to 1,398,602 of the CAH shares: Instead of purchasing those CAH shares in four equal quarterly tranches commencing on March 31, 2003, CEMEX has now agreed to purchase those CAH shares in four equal quarterly tranches commencing on March 31, 2004.

Nothwithstanding the amendments, for accounting purposes the CAH shares received by CEMEX pursuant to the exchange are considered owned by CEMEX effective July 12, 2002. Pending the successful consummation of this transaction, CEMEX will increase its stake in CAH to 92.25%.

derivative instruments

In accordance with the policies established by our financial risk management committee, we use derivative financial instruments—such as interest-rate and currency swaps, currency and equity-forward contracts, options, and futures—to reduce risks associated with changes in interest rates and foreign-exchange rates of debt agreements, to reduce financing costs, and as hedging instruments for CEMEX's stock option plans, among other purposes.

Under Mexican GAAP ("Bulletin C-2"), companies are required to recognize all derivative financial instruments on the balance sheet as assets or liabilities, at their estimated fair market value, with changes in such fair values recorded on the income statement. The exceptions to the rule, as they pertain to CEMEX, are presented when transactions are entered into for hedging purposes. In such cases, the related derivative financial instruments should be valued using the same valuation criteria applied to the hedged asset, liability, or equity instrument.

We have recognized increases in assets and liabilities that resulted in a net liability of US$512 million arising from the fair value recognition of our derivatives portfolio as of December 31, 2003. The notional amounts of derivatives substantially match the amounts of the underlying assets or equity transactions on which the derivatives are being entered into.

	notional amounts[1]
Equity derivatives	1,085
Foreign-exchange derivatives	2,893
Interest-rate derivatives	2,224

[1] *Millions of US dollars as of December 31, 2003.*

The estimated aggregate fair market value of our company's derivative instruments was (US$233) million on December 31, 2003.

financial statements

independent auditors' report

The Board of Directors and Stockholders
CEMEX, S.A. DE C.V.:

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, 2003 and 2002, 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, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 provide a reasonable basis for our opinion.

In our opinion, based upon our audits 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, 2003 and 2002, 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, 2003, in accordance with generally accepted accounting principles in Mexico.

KPMG Cárdenas Dosal, S.C.

Leandro Castillo Parada

Monterrey, N.L., Mexico
January 15, 2004.

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, 2003. 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, 2003, 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.

Leandro Castillo Parada

Monterrey, N.L. Mexico
January 15, 2004.

The management of CEMEX, S.A. de C.V. is responsible for the preparation and integrity of the accompanying consolidated financial statements and for designing, managing and 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 internal control system of the Company. 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 worldwide and reports its findings to management throughout the year. Management believes that, for the year ended December 31, 2003, 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.

KPMG Cárdenas Dosal, S.C., the principal independent auditors of the Company, performed a review of the internal control system and expressed their opinion thereon for the year ended December 31, 2003. Their review was performed in accordance with generally accepted auditing standards in Mexico, which included a review and evaluation of the internal accounting control system and performance of tests of the accounting information records, as they considered necessary in order to express their opinion. Their report is presented separately.

Lorenzo H. Zambrano

Chairman of the Board
and Chief Executive Officer

consolidated balance sheets

(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2003)

	December 31, 2003	December 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and investments (note 3)	$ 3,275.1	4,142.0
Trade accounts receivable, less allowance for doubtful accounts (note 4)	5,277.6	4,597.4
Other receivables (note 5)	4,543.4	4,634.2
Inventories (note 6)	6,683.1	8,105.5
Other current assets (note 7)	749.5	915.9
Total current assets	20,528.7	22,395.0
INVESTMENTS AND NONCURRENT RECEIVABLES (note 8)		
Investments in affiliated companies	6,917.6	6,419.2
Other noncurrent accounts receivable	2,069.9	1,715.6
Total investments and noncurrent receivables	8,987.5	8,134.8
PROPERTIES, MACHINERY AND EQUIPMENT (note 9)		
Land and buildings	52,071.8	50,479.7
Machinery and equipment	149,380.0	139,512.6
Accumulated depreciation	(99,625.6)	(91,925.6)
Construction in progress	2,317.1	4,730.2
Net properties	104,143.3	102,796.9
INTANGIBLE ASSETS AND DEFERRED CHARGES (note 10)	46,357.9	49,423.6
TOTAL ASSETS	**$ 180,017.4**	**182,750.3**

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 2003	2002
CURRENT LIABILITIES		
Bank loans (note 11)	$ 2,479.4	4,958.3
Notes payable (note 11)	2,986.6	3,560.0
Current maturities of long-term debt (note 11)	9,471.8	7,461.6
Trade accounts payable	5,489.4	4,681.1
Other accounts payable and accrued expenses (note 5)	11,374.6	13,218.6
Total current liabilities	31,801.8	33,879.6
LONG-TERM DEBT (note 11)		
Bank loans	27,935.3	28,387.2
Notes payable	32,530.5	29,238.0
Current maturities of long-term debt	(9,471.8)	(7,461.6)
Total long-term debt	50,994.0	50,163.6
OTHER NONCURRENT LIABILITIES		
Pension and other postretirement benefits (note 14)	625.1	–
Deferred income taxes (note 18)	11,841.6	12,504.6
Other noncurrent liabilities (note 12)	8,703.4	6,481.2
Total other noncurrent liabilities	21,170.1	18,985.8
TOTAL LIABILITIES	103,965.9	103,029.0
STOCKHOLDERS' EQUITY (note 15)		
Majority interest:		
Common stock-historical cost basis	59.1	55.5
Common stock-accumulated inflation adjustments	3,436.1	3,435.9
Additional paid-in capital	36,219.3	32,093.1
Deficit in equity restatement	(69,125.6)	(66,082.6)
Cumulative initial deferred income tax effects (note 2K)	(5,741.9)	(5,741.9)
Retained earnings	98,157.8	96,153.9
Net income	7,067.4	5,966.9
Total majority interest	70,072.2	65,880.8
Minority interest (note 15E)	5,979.3	13,840.5
Total stockholders' equity	76,051.5	79,721.3
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 180,017.4**	**182,750.3**

consolidated statements of income

(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2003, EXCEPT FOR EARNINGS PER SHARE)

	YEARS ENDED DECEMBER 31, 2003	2002	2001
Net sales	$ 80,527.7	75,042.0	76,572.1
Cost of sales	(46,421.7)	(41,924.5)	(43,070.5)
Gross profit	34,106.0	33,117.5	33,501.6
Operating expenses:			
Administrative	(8,926.0)	(9,433.7)	(8,735.3)
Selling	(8,823.4)	(8,654.9)	(6,480.2)
Total operating expenses.	(17,749.4)	(18,088.6)	(15,215.5)
Operating Income	16,356.6	15,028.9	18,286.1
Comprehensive financing result:			
Financial expense	(4,278.5)	(3,813.7)	(4,554.0)
Financial income	187.6	511.6	450.5
Results from valuation and liquidation of financial instruments	(669.6)	(3,629.7)	2,208.9
Foreign exchange result, net	(1,928.7)	(884.2)	1,701.1
Monetary position result	3,683.0	4,038.6	3,120.8
Net comprehensive financing result	(3,006.2)	(3,777.4)	2,927.3
Other expense, net (notes 9 and 10)	(5,133.8)	(4,464.6)	(4,611.6)
Income before income taxes, employees' statutory profit sharing and equity in income of affiliates	8,216.6	6,786.9	16,601.8
Income tax and business assets tax, net (note 18)	(1,007.2)	(628.9)	(1,845.0)
Employees' statutory profit sharing (note 18)	(191.0)	(118.1)	(261.2)
Total income tax, business assets tax and employees' statutory profit sharing	(1,198.2)	(747.0)	(2,106.2)
Income before equity in income of affiliates	7,018.4	6,039.9	14,495.6
Equity in income of affiliates	390.8	352.1	226.7
Consolidated net income	7,409.2	6,392.0	14,722.3
Minority interest net income	341.8	425.1	1,695.7
Majority interest net income	**$ 7,067.4**	**5,966.9**	**13,026.6**
Basic earnings per share (see notes 2A and 21)	$ 1.49	1.33	3.05
Diluted earnings per share (see notes 2A and 21)	$ 1.46	1.33	3.03

See accompanying notes to consolidated financial statements.

consolidated statements of changes in financial position

(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2003)

	YEARS ENDED DECEMBER 31, 2003	2002	2001
Operating activities			
Majority interest net income	$ 7,067.4	5,966.9	13,026.6
Charges to operations which did not require resources:			
Depreciation of properties, machinery and equipment	6,462.7	5,989.3	5,951.7
Amortization of deferred charges and credits, net	2,808.4	2,787.1	2,816.1
Impairment of properties and intangible assets	1,181.3	102.9	–
Pensions, and other postretirement benefits	462.4	228.1	348.9
Deferred income tax charged to results	(438.3)	(455.2)	235.7
Equity in income of affiliates	(390.8)	(352.1)	(226.7)
Minority interest	341.8	425.1	1,695.7
Resources provided by operating activities	17,494.9	14,692.1	23,848.0
Changes in working capital, excluding acquisition effects:			
Trade accounts receivable, net	(632.3)	2,458.7	846.2
Other accounts receivables and other assets	254.3	1,191.5	(2,504.8)
Inventories	1,532.8	(363.4)	639.6
Trade accounts payable	800.0	582.9	(1,215.6)
Other accounts payable and accrued expenses	(1,846.1)	518.4	4,491.3
Net change in working capital	108.7	4,388.1	2,256.7
Net resources provided by operating activities	17,603.6	19,080.2	26,104.7
Financing activities			
Proceeds from bank loans (repayments), net	(3,058.0)	2,877.7	(9,502.8)
Notes payable, net, excluding foreign exchange effect	1,214.2	(341.9)	4,268.8
Investment by subsidiaries	(22.5)	(5.0)	(253.2)
Dividends paid	(3,963.0)	(3,750.1)	(3,369.1)
Issuance of common stock from reinvestment of dividends	3,700.0	3,203.8	3,015.3
Issuance of common stock under stock option programs	43.0	75.8	115.4
Issuance (repurchase) of preferred stock by subsidiaries	(7,343.3)	(4,631.2)	(7,276.1)
Disposal (acquisition) of shares under repurchase program	387.0	(400.6)	(245.6)
Other financing activities, net	3,523.3	3,383.5	(2,391.4)
Resources (used in) provided by financing activities	(5,519.3)	412.0	(15,638.7)
Investing activities			
Properties, machinery and equipment, net	(4,427.0)	(4,862.8)	(5,649.0)
Acquisition of subsidiaries and affiliates	(916.3)	(3,022.3)	(2,224.3)
Disposal of assets	157.3	615.4	808.9
Minority interest	(859.7)	(3,270.4)	(112.9)
Deferred charges	(568.6)	(2,130.7)	(4,486.2)
Other investments and monetary foreign currency effect	(6,336.9)	(7,417.3)	2,396.5
Resources used in investing activities	(12,951.2)	(20,088.1)	(9,267.0)
Increase (decrease) in cash and investments	(866.9)	(595.9)	1,199.0
Cash and investments at beginning of year	4,142.0	4,737.9	3,538.9
Cash and investments at end of year	**$ 3,275.1**	**4,142.0**	**4,737.9**

See accompanying notes to consolidated financial statements.

balance sheets

(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2003)

	DECEMBER 31, 2003	2002
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 108.6	382.3
Other receivables (note 5)	712.1	1,123.9
Related parties receivables (note 13)	895.4	20,147.9
Total current assets	1,716.1	21,654.1
INVESTMENTS AND NONCURRENT RECEIVABLES (note 8)		
Investments in subsidiaries and affiliated companies	84,843.5	83,290.4
Other investments	71.7	84.7
Other noncurrent accounts receivable	940.9	511.7
Long-term related parties receivables (note 13)	34,436.5	17,147.0
Total investments and noncurrent receivables	120,292.6	101,033.8
LAND AND BUILDINGS		
Land	1,567.6	1,577.6
Buildings	400.9	402.7
Accumulated depreciation	(230.0)	(225.6)
Total land and buildings	1,738.5	1,754.7
INTANGIBLE ASSETS AND DEFERRED CHARGES (note 10)	5,300.2	6,245.1
TOTAL ASSETS	**$ 129,047.4**	**130,687.7**

See accompanying notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 2003	2002
CURRENT LIABILITIES		
Bank loans (note 11)	$ 730.6	6,976.9
Notes payable (note 11)	1,889.9	3,187.9
Current maturities of long-term debt (note 11)	705.0	5,625.0
Other accounts payable and accrued expenses (note 5)	2,816.8	2,963.3
Related parties payables (note 13)	4,677.9	6,083.0
Total current liabilities	10,820.2	24,836.1
LONG-TERM DEBT (note 11)		
Bank loans	4,090.6	7,238.9
Notes payable	18,814.5	19,724.0
Current maturities of long-term debt	(705.0)	(5,625.0)
Long-term related parties payables (note 13)	24,146.1	17,183.9
Total long-term debt	46,346.2	38,521.8
Other noncurrent liabilities (note 12)	1,808.8	1,449.0
TOTAL LIABILITIES	58,975.2	64,806.9
STOCKHOLDERS' EQUITY (note 15)		
Common stock-historical cost basis	59.1	55.5
Common stock-accumulated inflation adjustments	3,436.1	3,435.9
Additional paid in capital	36,219.3	32,093.1
Deficit in equity restatement	(75,980.6)	(72,937.6)
Cumulative initial deferred income tax effects (note 2K)	1,113.1	1,113.1
Retained earnings	98,157.8	96,153.9
Net income	7,067.4	5,966.9
Total stockholders' equity	70,072.2	65,880.8
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 129,047.4**	**130,687.7**

statements of income

(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2003, EXCEPT FOR EARNINGS PER SHARE)

	YEARS ENDED DECEMBER 31, 2003	2002	2001
Equity in income of subsidiaries and affiliates	$ 2,940.9	5,080.5	11,584.2
Rental income	275.7	288.1	302.0
License fees	516.8	191.8	1,941.8
Total revenues (note 13)	3,733.4	5,560.4	13,828.0
Administrative expenses	(54.8)	(110.4)	(90.1)
Operating income	3,678.6	5,450.0	13,737.9
Comprehensive financing result:			
Financial expense	(3,083.7)	(3,095.0)	(2,760.3)
Financial income	3,070.8	3,396.3	4,958.5
Results from valuation and liquidation of financial instruments	14.8	(404.0)	556.4
Foreign exchange result, net	(2,568.4)	(891.3)	(1,333.8)
Monetary position result	797.4	(433.1)	(1,386.9)
Net comprehensive financing result	(1,769.1)	(1,427.1)	33.9
Other (expense) income, net (note 13)	4,367.7	(350.4)	(2,134.3)
Income before income taxes	6,277.2	3,672.5	11,637.5
Income tax benefit and business assets tax, net (note 18)	790.2	2,294.4	1,389.1
Net income	**$ 7,067.4**	**5,966.9**	**13,026.6**
Basic earnings per share (see notes 2A and 21)	$ 1.49	1.33	3.05
Diluted earnings per share (see notes 2A and 21)	$ 1.46	1.33	3.03

See accompanying notes to financial statements.

statements of changes in financial position

(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2003)

	YEARS ENDED DECEMBER 31, 2003	2002	2001
Operating activities			
Net income	$ 7,067.4	5,966.9	13,026.6
Charges to operations which did not require resources:			
Depreciation of properties	5.2	5.2	5.2
Amortization of deferred charges and credits, net	319.7	195.2	665.4
Deferred income tax charged to results	547.5	(1,326.6)	(685.2)
Equity in income of subsidiaries and affiliates	(2,940.9)	(5,080.5)	(11,584.2)
Resources provided by operating activities	4,998.9	(239.8)	1,427.8
Changes in working capital:			
Other accounts receivables	411.8	416.4	(719.7)
Short-term related parties receivables and payables, net	17,847.4	(1,230.0)	(7,337.7)
Other accounts payable and accrued expenses	(146.5)	1,945.7	162.6
Net change in working capital	18,112.7	1,132.1	(7,894.8)
Net resources provided by (used in) operating activities	23,111.6	892.3	(6,467.0)
Financing activities			
Proceeds from bank loans (repayments), net	(9,394.6)	3,343.2	7,070.0
Notes payable	(2,207.3)	4,238.8	(5,198.6)
Dividends paid	(3,963.0)	(3,750.1)	(3,369.1)
Issuance of common stock from reinvestment of dividends	3,700.0	3,203.8	3,015.3
Issuance of common stock under stock option plan	43.0	75.8	115.4
Disposal (acquisition) of shares under repurchase program	387.0	(400.6)	(245.6)
Other financing activities, net	359.8	761.6	628.1
Resources (used in) provided by financing activities	(11,075.1)	7,472.5	2,015.5
Investing activities			
Long-term related parties receivables, net	(10,327.3)	55,069.4	(38,601.4)
Net change in investment in subsidiaries	(7,007.2)	(65,643.7)	42,638.3
Dividends received	5,501.3	2,396.6	–
Deferred charges	(47.5)	(97.8)	1,156.5
Other noncurrent accounts receivable	(429.5)	123.2	(634.9)
Resources (used in) provided by investing activities	(12,310.2)	(8,152.3)	4,558.5
Increase (decrease) in cash and investments	(273.7)	212.5	107.0
Cash and investments at beginning of year	382.3	169.8	62.8
Cash and investments at end of year	**$ 108.6**	**382.3**	**169.8**

See accompanying notes to financial statements.

statements of changes in stockholders' equity

(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2003)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL
Balances at December 31, 2000	$ 3,486.8	25,687.9
Dividends ($0.72 pesos per share)	2.6	3,012.7
Issuance of common stock (note 16A)	0.1	115.3
Share repurchase program (note 15A)	(0.2)	–
Restatement of investments and other transactions relating to minority interest	–	–
Investment by subsidiaries (note 8)	–	–
Comprehensive net income (loss) (note 15G)	–	–
Balances at December 31, 2001	3,489.3	28,815.9
Dividends ($0.77 pesos per share)	2.3	3,201.5
Issuance of common stock (note 16A)	0.1	75.7
Share repurchase program (note 15A)	(0.3)	–
Restatement of investments and other transactions relating to minority interest	–	–
Investment by subsidiaries (note 8)	–	–
Comprehensive net income (loss) (note 15G)	–	–
Balances at December 31, 2002	3,491.4	32,093.1
Dividends ($0.80 pesos per share)	3.4	3,696.6
Issuance of common stock (note 16A)	0.1	42.9
Share repurchase program (note 15A)	0.3	386.7
Restatement of investments and other transactions relating to minority interest	–	–
Investment by subsidiaries (note 8)	–	–
Comprehensive net income (loss) (note 15G)	–	–
Balances at December 31, 2003	**$ 3,495.2**	**36,219.3**

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

DEFICIT IN EQUITY RESTATEMENT	CUMULATIVE INITIAL DEFERRED INCOME TAX EFFECTS	RETAINED EARNINGS	TOTAL MAJORITY INTEREST	MINORITY INTEREST	TOTAL STOCKHOLDERS' EQUITY
(54,007.7)	(5,741.9)	90,892.2	60,317.3	27,541.7	87,859.0
–	–	(3,369.1)	(353.8)	–	(353.8)
–	–	–	115.4	–	115.4
–	–	(245.4)	(245.6)	–	(245.6)
–	–	–	–	(7,389.1)	(7,389.1)
66.1	–	–	66.1	–	66.1
(4,612.5)	–	13,026.6	8,414.1	1,695.7	10,109.8
(58,554.1)	(5,741.9)	100,304.3	68,313.5	21,848.3	90,161.8
–	–	(3,750.1)	(546.3)	–	(546.3)
–	–	–	75.8	–	75.8
–	–	(400.3)	(400.6)	–	(400.6)
–	–	–	–	(8,432.9)	(8,432.9)
255.8	–	–	255.8	–	255.8
(7,784.3)		5,966.9	(1,817.4)	425.1	(1,392.3)
(66,082.6)	(5,741.9)	102,120.8	65,880.8	13,840.5	79,721.3
–	–	(3,963.0)	(263.0)	–	(263.0)
–	–	–	43.0	–	43.0
–	–	–	387.0	–	387.0
–	–	–	–	(8,203.0)	(8,203.0)
(2,719.3)	–	–	(2,719.3)	–	(2,719.3)
(323.7)	–	7,067.4	6,743.7	341.8	7,085.5
(69,125.6)	**(5,741.9)**	**105,225.2**	**70,072.2**	**5,979.3**	**76,051.5**

notes to the consolidated and parent company only financial statements

DECEMBER 31, 2003, 2002 AND 2001 (MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2003)

1. DESCRIPTION OF BUSINESS

CEMEX, S.A. de C.V. (CEMEX or the Company) is a Mexican holding company (parent) of entities whose main activities are oriented to the construction industry, through the production and marketing of cement and ready-mix concrete.

2. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

The financial statements of the Parent Company, presented in addition to the consolidated financial statements, are included in order to comply with legal requirements in Mexico as an independent legal entity.

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

When reference is made to "pesos" or "$", it means Mexican pesos. When reference is made to "dollars" or "U.S.$", it means currency of the United States of America. Except when specific references are made to "U.S. dollar millions" and "earnings per share", the amounts in these notes are stated in millions of constant Mexican pesos as of the balance sheet date.

When reference is made to "CPO" or "CPOs" it means the Ordinary Participation Certificates of CEMEX. Each CPO represents the participation in two series "A" shares and one series "B" share of the common stock. References to "ADS" or "ADSs" refer to American Depositary Shares, listed on the New York Stock Exchange ("NYSE"). Each ADS represents 5 CPOs.

Certain amounts reported in the consolidated financial statements and their notes as of December 31, 2002 and 2001 have been reclassified to conform the 2003 presentation. In addition, in 2003, 2002 and partially during 2001, the expenses related to the Company's products distribution were classified as selling expenses in the income statement. During 2001, a portion of such expenses was recognized as part of cost of sales for an approximate amount of $1,724.3. This reclassification has no effect in operating income, net income and/or earnings per share for the year ended December 31, 2001, if the mentioned expenses had been recognized consistently with the 2003 and 2002 classification.

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

The restatement factors applied to the financial statements of prior periods were calculated based upon the weighted average inflation and the fluctuation in the exchange rate of each country in which the Company operates relative to the Mexican peso. The restatement factors for prior periods amounts of the Parent Company were calculated based upon Mexican inflation.

	2002 to 2003	2001 to 2002
Restatement factor using weighted average inflation	1.1049	1.0916
Restatement factor using Mexican inflation	1.0387	1.0559

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

C) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of CEMEX and the subsidiary companies in which the Company holds more than 50% of their common stock and/or has control. All significant balances and transactions between related parties have been eliminated in consolidation.

As of December 31, 2003, the main operating subsidiaries, ordered by holding company, and the percentage of equity interest directly held by their immediate holding company, are as follows:

SUBSIDIARY		COUNTRY	% EQUITY INTEREST
CEMEX México, S. A. de C.V.	1	Mexico	100.0
CEMEX España, S.A.	2	Spain	99.5
CEMEX Venezuela, S.A.C.A.		Venezuela	75.7
CEMEX, Inc.	3	United States	100.0
CEMEX (Costa Rica), S.A.	4	Costa Rica	98.4
Assiut Cement Company		Egypt	95.8
CEMEX Colombia, S.A.	5	Colombia	98.2
Cemento Bayano, S.A.		Panama	99.2
Cementos Nacionales, S.A.		Dominican Republic	99.9
Puerto Rican Cement Company, Inc.		Puerto Rico	100.0
CEMEX Asia Holdings Ltd.	6	Singapore	92.3
Solid Cement Corporation	7	Philippines	94.6
APO Cement Corporation	7	Philippines	92.2
CEMEX (Thailand) Co. Ltd.	8	Thailand	100.0

1. CEMEX México, S.A. de C.V. ("CEMEX Mexico"), holds 100% of the shares of Empresas Tolteca de México, S.A. de C.V. ("ETM") and Centro Distribuidor de Cemento, S.A. de C.V. ("Cedice"). Through Cedice, CEMEX Mexico indirectly holds CEMEX España, S.A. and subsidiaries.
2. In June 2002, Compañía Valenciana de Cementos Portland, S.A. ("Valenciana") changed its legal name to CEMEX España, S.A. ("CEMEX España").
3. CEMEX, Inc. resulted from the merger between Southdown, Inc. and CEMEX USA, Inc. (see note 8A).
4. In July 2003, Cementos del Pacífico, S.A. changed its legal name to CEMEX (Costa Rica), S.A.
5. In August 2002, Cementos Diamante, S.A. changed its legal name to CEMEX Colombia, S.A. Considers the ownership of 99.3% of the total ordinary shares.
6. Effective July 2002, as a result of a shares exchange transaction (see note 8A), for accounting purposes, the Company's equity interest in CEMEX Asia Holdings Ltd. ("CAH") increased to 92.25%.
7. Represents the Company's economic interest held through CAH. The economic interest of CAH in Solid and APO Cement Corporation is 70% and 99.9%, respectively. On December 23, 2002, Solid was merged with Rizal, its direct parent, where the surviving corporation was Solid.
8. In July 2002, Saraburi Cement Company Ltd. changed its legal name to CEMEX (Thailand) Co. Ltd.

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. Monetary assets and liabilities denominated in foreign currencies are adjusted into pesos at the exchange rates prevailing at the balance sheet date and the resulting foreign exchange fluctuations are recognized in earnings, except for the exchange fluctuations arising from foreign currency indebtedness directly related to the acquisition of foreign entities and the fluctuations associated with related parties balances denominated in foreign currency that are of a long-term investment nature, which are recorded against stockholders' equity, as part of the foreign currency translation adjustment of foreign subsidiaries.

The financial statements of foreign subsidiaries are restated in their functional currency based on the subsidiary country's inflation rate and subsequently translated by using the foreign exchange rate at the end of the reporting period for balance sheet and income statement accounts. The peso to U.S. dollar exchange rate used by CEMEX is an average of free market rates available to settle its foreign currency transactions.

E) CASH AND INVESTMENTS (note 3)

Investments include fixed-income securities with original maturities of three months or less, as well as marketable securities readily convertible into cash.

Investments in fixed-income securities are recorded at cost plus accrued interest. Investments in marketable securities are recorded at market value. Gains or losses resulting from changes in market values, accrued interest and the effects of inflation are included in the income statements as part of the Comprehensive Financing Result.

F) INVENTORIES AND COST OF SALES (note 6)

Inventories are recognized 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 balance sheet date.

G) INVESTMENTS AND NONCURRENT RECEIVABLES (note 8)

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 investment's original cost is adjusted for the proportional interest of the holding company in the affiliate's equity and earnings, considering the inflation effects.

H) PROPERTIES, MACHINERY AND EQUIPMENT (note 9)

Properties, machinery and equipment are presented at their restated value, using the inflation index of the assets' origin country and the variation in the foreign exchange rate between the country of origin currency and the functional currency, and are depreciated by the straight-line method over the estimated useful lives, which fluctuate from 50 years for administrative buildings to 10 to 35 years for industrial buildings, machinery and equipment. Properties, machinery and equipment are subject to periodic impairment evaluations (see note 2U).

The Comprehensive Financing Results, arising from indebtedness incurred during the construction or installation period of fixed assets, is capitalized as part of the carrying value of such assets.

I) INTANGIBLE ASSETS, DEFERRED CHARGES AND AMORTIZATION (note 10)

Effective January 1, 2003, in accordance with new Bulletin C–8, *"Intangible Assets"*, intangible assets acquired as well as costs incurred in the development stages of intangible assets are capitalized when associated future benefits are identified and the control on such benefits is demonstrated. Expenditures not meeting these requirements are charged to earnings as incurred. Intangible assets are presented at their restated value and are classified as of definite life, which are amortized over the benefited periods, and as of indefinite life, which are not amortized since it cannot be accurately established the period in which the benefits associated with such intangibles will terminate. Amortization of intangible assets, except for goodwill, is calculated under the straight-line method.

Intangible assets acquired in a business combination are separately accounted for at fair value at the acquisition date, unless such value cannot be reasonably estimated, in which case, are included as part of goodwill, an intangible asset of indefinite life, which is nevertheless amortized in accordance with Bulletin B-8, *"Consolidated and Combined Financial Statements and Valuation of Permanent Investments in*

Shares". The Company amortizes goodwill under the present worth or sinking fund method, which is intended to provide a better matching of goodwill amortization with the revenues generated from the acquired companies. Goodwill generated before 1992 is amortized in a maximum of 40 years, while such generated from 1992 to date, is amortized in a maximum period of 20 years. Preoperative expenses and other deferred charges previously recognized under former Bulletin C-8 will continue to be amortized in their original period. Intangible assets are subject to periodic impairment evaluations (see note 2U). The adoption of new Bulletin C-8 only implied grouping intangible assets in the categories indicated above (see note 10).

Direct costs incurred in debt issuances are capitalized and amortized as part of the effective interest rate of each transaction over its maturity. These costs include discounts on debt issuance, bank fees, fees paid to attorneys, agents, printers and consultants. Likewise, costs incurred in the development stage of software for internal use are capitalized and amortized to operating results over the estimated useful life of the software, which is approximately 4 years.

J) PENSIONS AND OTHER POSTRETIREMENT BENEFITS (note 14)

The costs related to benefits to which employees are entitled by pension plans and other postretirement benefits, including seniority premiums, legally or by Company grant, are recognized in the operating results as services are rendered, based on actuarial estimations of the benefits' present value. The amortization of prior service cost (transition asset) and of changes in assumptions and adjustments based on experience, is recognized over 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 upon which the Company's employee benefit liabilities are determined consider the use of real rates (nominal rates discounted by inflation). Other postretirement benefits, including severance benefits, are 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 18)

The IT, BAT and ESPS on the income statement, include amounts incurred during the period and the effects of deferred IT and ESPS. Consolidated deferred IT represents the summarization of the effect determined in each subsidiary for by the assets and liabilities method, by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable values of assets and liabilities, considering when available, and subject to a recoverability analysis, tax loss carryforwards as well as other recoverable taxes and tax credits. The effect of deferred ESPS is recognized for those temporary differences, which are of non-recurring nature, arising from the reconciliation of the net income of the period and the taxable income of the period for ESPS. The effect of a change in the statutory tax rate is recognized in the income statement for the period in which the change occurs and is officially declared.

The cumulative initial effect, arising from the adoption of the asset and liability method, was recognized on January 1, 2000 in stockholders' equity under the caption "Cumulative initial deferred income tax effects". Consolidated balances of assets and liabilities and their corresponding taxable amounts substantially differ from those of the Parent Company. The cumulative initial deferred income tax effects presented in the statement of changes in stockholders equity correspond to the consolidated entity. The difference between the Parent Company's and the consolidated accumulated initial deferred IT effects is included under the caption "Deficit in Equity Restatement".

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 the country of each subsidiary to its net monetary position (difference between monetary assets and liabilities).

M) DEFICIT IN EQUITY RESTATEMENT (note 15)

The deficit in equity restatement includes: (i) the accumulated effect from holding non-monetary assets; (ii) the currency translation effects from foreign subsidiaries' financial statements, net of exchange fluctuations arising from foreign currency indebtedness directly related with the acquisition of foreign subsidiaries and foreign currency related parties balances that are of a long-term investment nature (see notes 2D and 15D); and (iii) valuation and liquidation effects of certain derivative financial instruments that qualify as hedge instruments, which are recorded temporarily or permanently in stockholders' equity (see note 2N).

N) DERIVATIVE FINANCIAL INSTRUMENTS (notes 11 and 17)

In compliance with the controls and procedures established by the financial risk managers, CEMEX uses derivative financial instruments, in order to reduce risks associated with changes in interest rates and foreign exchange rates of debt agreements, as a vehicle to reduce financing costs (see note 11) and as an alternative source of financing (see note 17), as well as hedges of: (i) forecasted transactions, (ii) the net assets in foreign subsidiaries and (iii) the executive stock option programs. These instruments have been negotiated with institutions with significant financial capacity; therefore, it is considered that the risk of non-compliance of the obligations agreed to by such counterparties is minimal. Some of these instruments have been designated as hedges of raw materials costs as well as debt or equity instruments, in other cases, although some derivatives complement the Company's financial strategy, they have not been designated as hedge instruments as accounting hedge rules were not met.

Effective January 1, 2001, in accordance with Bulletin C–2 *"Financial Instruments"*, the Company recognizes all derivative financial instruments as assets or liabilities in the balance sheet at their estimated fair value and the changes in such values in the income statement for the period in which they occur.

The exceptions to the rule, as they refer to the Company are the following:

a) Beginning in 2002, changes in the estimated fair value of interest rate swaps to exchange floating rate for fixed rate, designated as accounting hedges of variations in interest rates of contracted debt, as well as those instruments negotiated to hedge the interest rate at which certain forecasted debt is expected to be contracted or renegotiated, are recognized temporarily in stockholders' equity (see note 15G) and reclassified to earnings, in the case of the forecasted debt, once the related debt is recognized in the balance sheet and its related financial expense is accrued. Until December 31, 2001, the effects of similar derivative instruments were recognized in earnings based on cash flows, as part of the interest expense of the related debt.

b) The changes in the estimated fair value of foreign currency forwards, designated as hedges of the Company's net investments in foreign subsidiaries, are recorded in stockholders' equity, as part of the foreign currency translation result (see notes 2D and 15D). The accumulated effect in stockholder's equity will be reversed through the income statement upon disposition of the foreign investment.

c) The results derived from equity forward contracts on the Company's own shares, as well as by other equity derivative instruments (appreciation warrants), are recognized in stockholders' equity upon settlement. Beginning in 2001, changes in the estimated fair value of those equity forward contracts that cover the executive stock option programs are recorded through the income statement, as part of the costs related to such programs. See notes 16 and 17.

For balance sheet presentation purposes, a portion of the assets or liabilities resulting from the estimated fair value recognition of Cross Currency Swaps ("CCS"), which are negotiated to change the profile of interest rate and currency of existing debt, required to present the indebtedness as if it had been originally negotiated in the exchanged interest rates and currencies, is reclassified as part of the carrying amount of the underlying debt instruments, thereby reflecting the cash flows expected to be received or paid upon liquidation of such instruments. The non-reclassified portion, resulting from the difference between the forward exchange rates and those in effect as of the balance sheet date, is recognized as other assets or other liabilities, both short and long term, depending on the maturity of the contracts.

The periodic cash flows generated by interest rate swaps and CCS are recognized as financial expense, adjusting the effective interest rate of the related debt. For all other derivative instruments, cash flows are recognized within the same item where the effects of the primary instrument subject to the accounting or economic hedge relationship are classified. In the case of derivatives not associated with an identified exposure, related cash flows are recognized in earnings as part of the results from valuation and liquidation of financial instruments. Premiums paid on hedge derivative instruments are deferred and amortized over the life of the instrument or immediately upon settlement, in other cases, premiums are recognized in earnings when paid or received.

The estimated fair value represents the amount at which a financial asset could be bought or sold, or a financial liability could be extinguished, between willing parties in an arm's length transaction. Occasionally, there is a reference market that provides the estimated fair value; in the absence of a market, such value is determined by the net present value of projected cash flows or through mathematical valuation models. The estimated fair values of derivative instruments, used for recognition and disclosure purposes in the financial statements and their notes, are supported by the confirmations of these values received from the financial counterparties.

O) REVENUE RECOGNITION

Revenue is recorded upon shipment of cement and ready-mix concrete to customers and they assume the risk of loss. Income from activities other than the Company's main line of business is recognized when the revenue has been realized and there is no condition or uncertainty implying a reversal thereof.

P) CONTINGENCIES AND COMMITMENTS

Obligations or losses, related to contingencies, are recognized as liabilities in the balance sheet when present obligations exist, as a result of past events, it is probable that the effects will materialize and can be reasonably quantified. Otherwise, a qualitative disclosure is included in the notes to the financial statements. The effects of long-term commitments established with third parties, such as supply contracts formalized with suppliers or clients, are recognized in the financial statements on the incurred or accrued basis, considering the substance of the agreements. Relevant commitments are disclosed in the notes to the financial statements. The Company does not recognize contingent revenues, income or assets.

Q) COMPREHENSIVE NET INCOME (LOSS) (note 15G)

The Company presents the comprehensive net income (loss) and its components as a single item in the statement of changes in stockholders' equity. Comprehensive net income (loss) represents the change in stockholders' equity during a period for transactions and other events not representing contributions, reductions or distributions of capital.

R) USE OF ESTIMATES

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

S) 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 in 2003, 2002 and 2001, and there were no significant accounts receivable from a single customer for the same periods. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

T) OTHER INCOME AND EXPENSE

Other income and expense, in the statements of income, consists primarily of goodwill amortization, dumping duties, results from the sales of fixed assets, impairment losses of long-lived assets, results from the early extinguishment of debt and, in 2001, the costs related to the restructuring of the executive stock option programs (see note 16).

U) IMPAIRMENT OF LONG LIVED ASSETS (notes 9 and 10)

The Company periodically evaluates the balances of its machinery and equipment, goodwill and other investments to establish if factors such as the occurrence of significant adverse event, changes in the environment in which the business operates, expectations of operating results for each, cash generating unit, business unit or affiliated entity, as correspond, provide elements indicating that the book value may not be recovered, in which case an impairment loss is recorded in the income statement of the period when such determination is made, resulting from the excess of carrying amount over the net present value of estimated cash flows related to such assets.

V) ASSET RETIREMENT OBLIGATIONS (note 12)

Effective January 1, 2003, in accordance with new Bulletin C-9, *"Liabilities, Accruals, Contingent Assets and Liabilities, and Commitments"*, the Company recognizes unavoidable obligations, legal or assumed, to restore the site or the environment when removing assets at the end of their useful lives. These obligations represent the net present value of expected cash flows to be incurred in the restoration process and are initially recognized against the related assets' book value. The additional asset is depreciated to operating results during its remaining useful life, while the increase of the liability, by the passage of time, is charged to results of the period. Adjustments to the obligation for changes in the estimated cash flows or the estimated disbursement period, are made against fixed assets and depreciation is modified prospectively.

As of the effective date, the Company had already created liabilities for the known situations, however, an analysis was performed throughout all subsidiaries in the different countries in order to identify additional possible existing situations and proceed to calculate them and if applicable to the accounting record. Asset retirement obligations in the case of CEMEX, are related mainly to future costs of demolition, cleaning and reforestation, derived from commitments, both legal and assumed, so that at the end of the operation, the sites where raw material is extracted, the maritime terminals and other production sites, are left in certain conditions. As of December 31, 2003, the identification phase is almost completed and the valuation and registration process is expected to be completed in the first half of 2004. For those situations identified and quantified, effective January 1, 2003, a remediation liability was recorded for approximately $505.7, against fixed assets for $365.3, deferred IT assets for $54.6 and an initial cumulative effect for $85.8, which was recorded in stockholders' equity as an element of the comprehensive net income. During 2003, the depreciation of the additional fixed assets and the revaluation of liabilities from the passing of time generated an expense in the results, net of deferred IT, for approximately $33.2.

W) EXECUTIVE STOCK OPTION PROGRAMS (note 16)

The Company recognizes the cost associated to executive stock options programs by means of the intrinsic value method, for those programs in which as of the granted date, is not known the exercise price at which the underlying shares will be exercised, because this exercise price is growing (variable) over the life of the options. Through the intrinsic value method, the changes in the appreciation of options represented by the difference between the market price of the CPO and the exercise price of the option is recognized as cost in the Company's income statement, within the Comprehensive Financing Result. The Company does not recognize cost for those programs in which the exercise price is equal to the CPO price at the granted date and it remains fixed for the life of the option.

3. CASH AND INVESTMENTS

Consolidated cash and investments as of December 31, 2003 and 2002 consists of:

		2003	2002
Cash and bank accounts	$	1,663.3	1,944.7
Fixed-income securities		1,287.1	2,196.3
Investments in marketable securities		324.7	1.0
	$	**3,275.1**	**4,142.0**

4. TRADE ACCOUNTS RECEIVABLE

The Company evaluates each of its customers' credit and risk profiles in order to establish the required allowance for doubtful accounts. Trade accounts receivable as of December 31, 2003 and 2002 include allowances for doubtful accounts of $632.1 and $528.7, respectively.

The Company has established sales of trade accounts receivable programs with financial institutions ("securitization programs"). These programs were negotiated in Mexico during 2002, in the United States during 2001 and in Spain in 2000. Through the securitization programs, the Company effectively surrenders control, risks and the benefits associated to the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the balance sheet at the moment of sale, except for the amounts that the counterparties have not paid, which are reclassified to other accounts receivable (see note 5). The balances of receivables sold pursuant the securitization programs as of December 31, 2003 and 2002 were $6,124.9 (U.S.$544.9 million) and $5,575.2 (U.S.$496 million), respectively. The accounts receivable qualifying for sale do not include amounts over certain days past due or concentrations over certain limit to any one customer, according to the terms of the programs. Expenses incurred under these programs, originated by the discount granted to the acquirers of the accounts receivable, are recognized in the income statements and were approximately $106.9 (U.S.$9.5 million) in 2003, $119.9 (U.S.$10.7 million) in 2002 and $91.8 (U.S. $8.2 million) in 2001.

5. OTHER ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Other accounts receivable as of December 31, 2003 and 2002 consist of:

	2003		2002	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Non-trade receivables	$ 1,589.4	282.9	1,240.1	163.4
Prepayments and receivables from valuation of derivative instruments (notes 11 and 17)	489.8	110.0	1,442.2	–
Interest and notes receivable	1,001.7	–	992.5	–
Advances for travel expenses and loans to employees	306.9	–	418.8	–
Refundable income tax	–	8.0	–	675.4
Other refundable taxes	1,155.6	311.2	540.6	285.1
	$ 4,543.4	**712.1**	**4,634.2**	**1,123.9**

Non-trade receivables are mainly originated by the sale of assets. Prepayments and valuation of derivative financial instruments in 2002 include advanced payments toward the final price of forward contracts for $1,093.0. The derivative contracts were settled in October 2003 (see note 17A). Interest and notes receivable include $962.8 (U.S.$85.7 million) in 2003 and $963.8 (U.S.$85.7 million) in 2002, arising from securitization programs (see note 4). Other refundable taxes include $872.4 in 2003 for tax advances and $302.6 in 2002, for the resolution related to a business assets tax lawsuit received in 2003.

Other accounts payable and accrued expenses as of December 31, 2003 and 2002 consist of:

	2003		2002	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Other accounts payable and accrued expenses	$ 2,492.5	1,483.2	3,294.4	1,525.5
Interest payable	673.1	319.6	1,096.3	606.1
Tax payable	3,000.2	485.6	1,279.3	–
Dividends payable	89.9	4.9	66.5	4.2
Provisions	2,951.3	6.9	2,617.2	–
Advances from customers	861.4	–	778.3	–
Accounts payable from valuation of derivative instruments (notes 11 and 17)	1,306.2	516.6	4,086.6	827.5
	$ 11,374.6	**2,816.8**	**13,218.6**	**2,963.3**

Short-term provisions are integrated mainly by: (i) remunerations and other personnel benefits accrued at the balance sheet date; (ii) accruals for insurance payments and (iii) accruals related to the portion of legal assessments to be settled in short-term, as the case of dumping fees (see note 22C) and environmental resolutions (see note 22G). Commonly, these amounts are revolving in nature and are to be settled and replaced by similar amounts within the next 12 months.

6. INVENTORIES

Inventories as of December 31, 2003 and 2002 are summarized as follows:

	CONSOLIDATED	
	2003	2002
Finished goods	$ 1,381.7	1,604.3
Work-in-process	1,808.7	1,721.4
Raw materials	552.5	689.3
Supplies and spare parts	2,384.8	3,480.9
Advances to suppliers	240.1	377.7
Inventory in transit	315.3	231.9
	$ 6,683.1	**8,105.5**

7. OTHER CURRENT ASSETS

Other current assets as of December 31, 2003 and 2002 consist of:

	CONSOLIDATED	
	2003	2002
Advanced payments	$ 353.9	515.7
Non-cement related assets	395.6	400.2
	$ 749.5	**915.9**

The non-cement related assets are stated at their estimated realizable value and mainly consist of (i) non-cement related assets acquired in business combinations, (ii) various assets held for sale received from customers as payment of trade receivables, and (iii) real estate held for sale.

8. INVESTMENTS AND NONCURRENT RECEIVABLES

A) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

As of December 31, 2003 and 2002, investments in subsidiaries and affiliated companies are summarized as follows:

	2003		2002	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Book value at acquisition date	$ 3,905.5	64,076.5	3,595.5	66,259.1
Equity in income and other changes in stockholders' equity	3,012.1	20,767.0	2,823.7	17,031.3
	$ 6,917.6	**84,843.5**	**6,419.2**	**83,290.4**

Investments held by subsidiaries in CEMEX shares, amounting to $9,238.1 (153,594,177 CPOs and 30,709,083 appreciation warrants) at December 2003 and $7,201.3 (144,870,296 CPOs and 1,793,725 appreciation warrants) at December 2002, are offset against majority interest stockholders' equity in the accompanying financial statements.

The Company's principal acquisitions and divestitures during 2003 and 2002 are as the following:

I. In August and September 2003, for a combined price of approximately U.S.$99.7 million ($1,120.6), CEMEX, Inc. acquired Mineral Resource Technologies, Inc. ("MRT"), distributor of minerals used in manufacturing of ready-mix concrete, and a cement plant and quarry with an annual production capacity of 560 thousand tons located in Dixon, Illinois United States, respectively. The operating results of MRT and the Dixon plant are included in the consolidated financial statements since the acquisition date.

II. On July 30, 2002, through a public tender offer, a subsidiary of the Company acquired 100% of the outstanding shares of Puerto Rican Cement Company, Inc. ("PRCC"), a Puerto Rican cement producer, for approximately U.S.$180.2 million (U.S.$35 dollars per share). As of December 31, 2002, the consolidated financial statements include the balance sheet of PRCC and the results of operations as of and for the five-month period ended December 31, 2002.

III. On July 12, 2002, a subsidiary of CEMEX acquired 1,508,794 shares of CEMEX Asia Holdings Ltd. ("CAH"). Of this total, 25,429 shares were acquired for cash of approximately U.S.$2.3 million, while 1,483,365 shares were acquired through a forward exchange requiring delivery of 28,195,213 CEMEX CPOs in four equal quarterly transactions beginning in March 2003. In April 2003, CEMEX and its counterparties modified the original settlement date regarding 1,398,602 CAH shares, which will be acquired in four equal quarterly transactions beginning on March 31, 2004. In 2003, through the original agreements, 84,763 CAH shares were acquired in exchange for 1,683,822 CEMEX CPOs, with an approximate value of U.S.$7.8 million ($87.7). For accounting purposes, the 1,483,365 CAH shares are considered the Company's property and are consolidated beginning on July 12, 2002, when the Company recognized an account payable for U.S.$140 million, equivalent to the price of 28,195,213 CPOs on the date of the exchange agreements, which at closing of 2003, has decreased to approximately U.S.$132.0 million ($1,483.7). The consolidation of the CAH shares was deemed appropriate since a price to the physical exchange of shares was fixed, it is a firm commitment, and the CAH shareholders relinquished their risk of ownership of the shares. Subject to the culmination of the exchange in 2004, the Company's share in CAH increased from 77.4% to 92.3%.

CAH was created during 1999 by CEMEX and institutional investors in Asia to jointly invest in the region. CAH is the holder of the 25.5% of the common stock of PT Semen Gresik, Tbk. ("Gresik"), an Indonesian cement company, as well as the operations of CEMEX in the Philippines and Thailand.

IV. In July 2002, a Company's subsidiary acquired the 30% remaining economic interest of Solid from third parties for approximately U.S.$95 million. Prior to this purchase, CEMEX already had a 70% economic interest in Solid through CAH. As a result of this acquisition and the increase in CAH's equity interest, the approximate indirect economic interest of CEMEX in Solid increased from 54.2% to 94.6%.

V. During 2002, CEMEX, Inc., sold aggregate quarries and other equipment for approximately U.S.$49 million. CEMEX, Inc., was formed, in 2001 as a result of the merger of Southdown, Inc., acquired in November 2000, for approximately U.S.$2,628.3 million ($29,542.1) and CEMEX USA, Inc.

Certain condensed financial information of the companies acquired during 2003 and 2002, and that was consolidated in the Company's financial statements in the year of acquisition is presented below:

	2003	2002	
	DIXON AND MRT	PRCC	OTHERS
Total assets	$ 1,225.2	4,179.4	239.1
Total liabilities	112.4	3,862.2	28.2
Stockholders' equity	1,112.8	317.2	210.9
Sales	$ 186.0	708.5	2.4
Operating income (loss)	11.5	27.8	(6.3)
Net income (loss)	11.4	27.7	(77.7)

As of December 31, 2003 and 2002, the consolidated investments on affiliated companies are as follows:

	ACTIVITY	COUNTRY	% EQUITY INTEREST	2003	2002
PT Semen Gresik, Tbk.	Cement	Indonesia	25.5	$ 2,747.9	2,668.8
Control Administrativo Mexicano, S.A. de C.V.	Cement	Mexico	49.0	1,965.3	1,812.5
Trinidad Cement Limited	Cement	Trinidad	20.0	321.0	340.2
Cementos Bío Bío, S.A.	Cement	Chile	11.9	412.5	332.0
Cancem, S.A. de C.V.	Cement	Mexico	10.0	199.8	174.9
Lehigh White Cement Company	Cement	U.S.	24.5	119.9	141.9
Societe des Ciments Antillais	Cement	Antilles	26.1	160.8	119.9
Caribbean Cement Company Limited	Cement	Jamaica	5.0	102.6	78.3
Others	–	–	–	887.8	750.7
				$ 6,917.6	**6,419.2**

During 2003, Gresik faced the actions adopted by the management of its subsidiary PT Semen Padang ("Padang"), which by different means, obstructed the ownership rights of Gresik, by not acknowledging the new Padang's administration designated by Gresik in May's 2003 stockholders' meeting, which assumed duties in September 2003 by a court order, and by not providing financial information for consolidation purposes. The consolidated financial statements of Gresik, at December 31, 2002, included unaudited information of Padang. The external auditors of Gresik, who were also auditors of Padang, abstained from giving an opinion since Padang represents around 16% of the combined net assets. In December 2003, Gresik designated new auditors to review the 2002 consolidated financial statements, process estimated to be completed during the first half of 2004. The in-depth troubles persist and are related to the agreements of 1998 between the Indonesian government and CEMEX, determinant for the decision of CEMEX to invest in Indonesia, through which the government would sell the majority interest of Gresik and subsidiaries, situation which has not occurred mainly due to the opposition of Padang, through the provincial administration of West Sumatra, arguing that the sale of Padang by the government to Gresik in 1995 is invalid, since the necessary approvals were not obtained. As a result of this, in December 2003, CEMEX filed before the International Center for the Settlement of Investments Disputes, a panel of the World Bank in Washington, D. C., a request for arbitrage against the Indonesian Republic and its government.

The legal issues mentioned above can take several years; in the meantime, the prevalent degree of uncertainty does not allow to determine whether the investment in Gresik has become impaired. Based on the information arising from the procedures indicated before, will the investment become impaired; CEMEX will apply the rules indicated by the accounting principles. As of December 31, 2003, CEMEX used the best information available in order to valuate and update the investment in Gresik.

B) NONCURRENT ACCOUNTS RECEIVABLE

Consolidated amounts include assets for the valuation of derivative instruments (see notes 11 and 17) of $1,135.2 in 2003 and $802.5 in 2002. Furthermore, they include investments in private funds, recorded at fair value for U.S.$16.1 millions ($181.0) in 2003 and U.S.$8.6 million ($96.7) in 2002. During 2003, approximately U.S.$7.3 million ($82.1) were contributed to these funds.

During 2001, CEMEX sold for approximately U.S.$162.4 million, an investment that were held in its long-term investments, generating a non-recurrent gain of approximately U.S.$131 million ($1,472.4) recognized in 2001 as part of the Comprehensive Financing Result. Of this gain, approximately $877.4 corresponded to the reversal of unrealized valuation gains previously recorded in stockholders equity.

9. PROPERTIES, PLANT AND EQUIPMENT

In December 2003, based on the periodic impairment analysis (see note 2U), a loss of approximately $236.5 was recognized in earnings within other expenses, related to the book value's write-off of a group of assets in Mexico. In 1999, as the assets were no longer in operation, they were adjusted to their then estimated realizable value and was suspended. The approximate effect of having suspended the depreciation in 2002 and 2001 was $40.8 and $42.2, respectively.

During 2003, an impairment loss of approximately $62.9 was recognized in earnings within other expenses, arising from the book value's write-off of cement terminals in the Asian region that are out of service.

10. INTANGIBLE ASSETS AND DEFERRED CHARGES

The intangible assets of definite and indefinite life as well as the deferred assets consist as follows:

	2003 CONSOLIDATED	2003 PARENT	2002 CONSOLIDATED	2002 PARENT
Intangible of indefinite useful life:				
Goodwill	$ 47,242.6	1,981.9	48,141.4	2,010.6
Accumulated amortization	(5,050.9)	(149.8)	(4,314.4)	(148.6)
	42,191.7	**1,832.1**	**43,827.0**	**1,862.0**
Intangible of definite useful life:				
Cost of internally developed software	3,035.7	–	3,113.7	–
Additional minimum liability (note14)	1,108.2	–	662.9	–
Accumulated amortization	(1,421.0)	–	(891.7)	–
	2,722.9	**–**	**2,884.9**	**–**
Deferred Charges:				
Prepaid pension costs (note 14)	387.8	–	426.4	–
Deferred financing costs	583.3	384.7	1,148.9	761.8
Deferred income taxes (note 18B)	2,143.0	3,023.9	2,572.6	3,709.7
Others	3,235.5	415.6	4,728.0	1,501.5
Accumulated amortization	(4,906.3)	(356.1)	(6,164.2)	(1,589.9)
	1,443.3	**3,468.1**	**2,711.7**	**4,383.1**
	$ 46,357.9	**5,300.2**	**49,423.6**	**6,245.1**

As a result of the periodic impairment evaluations (see note 2U), the Company recognized in earnings within other expenses, impairment losses of goodwill for approximately $881.9 in 2003 and $102.9 in 2002. Such losses are related to the Company's business units in the Asian region in 2003 for $724.5 and the business unit engaged in information technology developments for $157.4 in 2003 and $102.9 in 2002.

The amortization expenses of intangible assets and deferred charges were $2,808.4 in 2003, $2,787.1 in 2002 and $2,816.1 in 2001, of which, 69%, 65% and 75% were recognized in other expenses, respectively, while the difference in each year was recognized within operating expenses.

11. SHORT-TERM AND LONG-TERM BANK LOANS AND NOTES PAYABLE

The short-term and long-term consolidated debt, by type of financing and currency, as well as the interest rates information, including the effects of the related derivative financial instruments, are as follows:

AS DECEMBER 31, 2003	ORIGINAL RATE	WEIGHTED EFFECTIVE RATE	CARRYING AMOUNT	RELATION WITH DERIVATIVES [1]	AMOUNT SUBJECT TO DERIVATIVES	% SUBJECT TO DERIVATIVES
Short-term bank loans						
Lines of credit in Mexico	Variable	2.1%	737.4	–	–	–
Lines of credit in foreign countries	Variable	1.0%	1,742.0	–	–	–
			2,479.4		–	–
Short-term notes payable						
Mexican commercial paper program	Variable	6.3%	1,889.9	CCS	1,889.9	100.0%
Foreign commercial paper program	Variable	2.6%	1,067.7	–	–	–
Other notes payable	Variable	7.4%	29.0	–	–	–
			2,986.6		1,889.9	63.3%
			5,466.0			
Current maturities			9,471.8			
			14,937.8			
Long-term bank loans						
Syndicated loans, 2004 to 2007	Variable	2.2%	11,854.4	CCS	1,278.5	10.8%
Syndicated loans, 2004 to 2006	Fixed	7.4%	6,182.0	IRS	6,182.0	100.0%
Bank loans, 2004 to 2007	Variable	1.8%	7,362.5	–	–	–
Bank loans, 2004 to 2006	Fixed	7.4%	2,536.4	IRS	2,387.9	94.2%
			27,935.3		9,848.4	35.3%
Long-term notes payable						
Euro medium-term notes, 2004 to 2009	Fixed	8.0%	3,644.3	CCS	751.0	20.6%
Medium-term notes, 2004 to 2007	Variable	3.0%	7,338.7	CCS	6,478.7	88.3%
Medium-term notes, 2004 to 2015	Fixed	5.8%	18,482.7	CCS	5,862.1	31.7%
Other notes, 2004 to 2010	Variable	2.1%	2,639.5	–	–	–
Other notes, 2004 to 2009	Fixed	6.6%	425.3	IRS	422.1	99.3%
			32,530.5		13,513.9	41.5%
			60,465.8			
Current maturities			(9,471.8)			
			50,994.0			

Debt by currency [2]	TOTAL DEBT	SHORT-TERM	EFFECTIVE RATE	LONG-TERM	EFFECTIVE RATE
Dollar	44,817.2	4,977.2	4.4%	39,840.0	5.5%
Japanese yen	9,011.6	4,518.0	0.6%	4,493.6	1.2%
Euros	11,712.8	5,263.2	2.8%	6,449.6	3.4%
Mexican pesos	236.7	96.4	7.3%	140.3	7.3%
Egyptian pounds	108.0	72.3	11.3%	35.7	10.9%
Other currencies	45.5	10.7	11.5%	34.8	12.6%
	65,931.8	**14,937.8**		**50,994.0**	

1 IRS or Interest Rate Swaps, are instruments used to exchange interest rates (see note 11A). CCS or Cross Currency Swaps are instruments to exchange both, interest rates and currencies (see note 11B).

2 Include the effects for currencies exchange originated by the CCS.

AS DECEMBER 31, 2002	ORIGINAL RATE	WEIGHTED EFFECTIVE RATE	CARRYING AMOUNT	RELATION WITH DERIVATIVES [1]	AMOUNT SUBJECT TO DERIVATIVES	% SUBJECT TO DERIVATIVES
Short-term bank loans						
Lines of credit in Mexico	Variable	6.6%	3,407.7	IRS, CCS	3,407.7	100.0%
Lines of credit in foreign countries	Variable	2.6%	1,550.6	–	–	–
			4,958.3		3,407.7	68.7%
Short-term notes payable						
Mexican commercial paper programs	Variable	3.2%	1,938.2	CCS	1,657.3	85.5%
Foreign commercial paper programs	Variable	3.2%	1,495.5	–	–	–
Other notes payable	Variable	3.7%	126.3	–	–	–
			3,560.0		1,657.3	46.6%
			8,518.3			
Current maturities			7,461.6			
			15,979.9			
Long-term bank loans						
Syndicated, 2003 to 2007	Variable	2.3%	10,173.5	–	–	–
Syndicated, 2003 to 2005	Fixed	4.1%	9,175.1	IRS	9,175.1	100.0%
Bank loans, 2003 to 2007	Variable	2.6%	8,749.7	–	–	–
Bank loans, 2003 to 2009	Fixed	6.5%	288.9	–	–	–
			28,387.2		9,175.1	32.3%
Long-term notes payable						
Euro medium-term notes, 2003 to 2009	Fixed	6.2%	8,326.3	CCS	4,966.2	59.6%
Medium-term notes, 2003 to 2009	Variable	2.2%	8,203.8	CCS	6,961.6	84.9%
Medium-term notes, 2003 to 2008	Fixed	4.0%	11,589.8	CCS	2,636.3	22.8%
Other notes, 2003 to 2006	Variable	2.5%	58.3	–	–	–
Other notes, 2003 to 2009	Fixed	4.2%	1,059.8	–	–	–
			29,238.0		14,564.1	49.8%
			57,625.2			
Current maturities			(7,461.6)			
			50,163.6			

Debt by currency [2]	TOTAL DEBT	SHORT-TERM	EFFECTIVE RATE	LONG-TERM	EFFECTIVE RATE
Dollar	45,465.5	7,277.5	3.1%	38,188.0	5.0%
Japanese yen	14,209.1	6,938.7	3.2%	7,270.4	2.5%
Euros	3,293.6	655.8	3.7%	2,637.8	4.0%
Mexican pesos	2,403.0	745.8	8.8%	1,657.2	9.3%
Egyptian pounds	759.5	353.0	11.0%	406.5	11.0%
Other currencies	12.8	9.1	8.7%	3.7	8.7%
	66,143.5	**15,979.9**		**50,163.6**	

1 IRS or Interest Rate Swaps, are instruments used to exchange interest rates (see note 11A). CCS or Cross Currency Swaps are instruments to exchange both, interest rates and currencies (see note 11B).

2 Include the effects for currencies exchange originated by the CCS.

Of the Parent Company short-term debt, considering the effects of CCS, a total of 69.9% in 2003 and 95.6% in 2002 is denominated in dollars. Relating to long-term debt, 89.0% in 2003 and 77.0% in 2002 is denominated in dollars. The remaining debt in 2003 and 2002 is primarily denominated in Mexican pesos.

The most representative exchange rates to the financial debt are as follows:

	2003	2002
Mexican pesos per dollar	11.24	10.38
Japanese yens per dollar	107.39	118.80
Euros per dollar	0.7948	0.9519

The maturities of long-term debt as of December 31, 2003 are as follows:

	CONSOLIDATED	PARENT
2005	$ 11,447.3	6,564.6
2006	20,977.0	5,364.0
2007	2,577.9	2,998.4
2008	8,122.3	3,473.3
2009 and thereafter	7,869.5	3,799.8
	$ 50,994.0	**22,200.1**

In the consolidated balance sheet at December 31, 2003 and 2002, there were short-term debt transactions amounting to U.S.$395 million ($4,439.8) and U.S.$450 million ($5,058), classified as long-term debt due to the Company's ability and the intention to refinance such indebtedness with the available amounts of the committed long-term lines of credit.

As of December 31, 2003, the Company and its subsidiaries have the following lines of credit, both committed and subject to the banks' availability, at annual interest rates ranging from 0.6% to 13.5%, depending on the negotiated currency:

	LINE OF CREDIT	AVAILABLE
European commercial paper (U.S.$600 million)	$ 6,744.0	6,125.8
US commercial paper (U.S.$400 million)	4,496.0	3,315.8
Mexican commercial paper ($4,000 million)	4,000.0	2,150.0
Other lines of credit in foreign subsidiaries	19,885.1	8,549.3
Other lines of credit from banks	8,552.2	5,517.0
	$ 43,677.3	**25,657.9**

On October 15, 2003, a Dutch subsidiary, holding of CEMEX Spain, negotiated a multi-currency credit for an equivalent at that date of U.S.$1,150 million. Funds were obtained as follows: Euro 256.4 million maturing in two years and U.S.$550 million and yen 32,688 million maturing in three years. Such amounts were used mainly to repay a revolving credit facility of U.S.$400 million, and for the early redemption in 2003 of the preferred stock's remaining balance of U.S.$650 million related to the purchase of Southdown, which matured on different dates in 2004 (see note 15E).

In April 2002, the Company completed a tender offer for the early redemption of its 12.7% U.S.$300 million notes, maturing in 2006, pursuant to which U.S.$208.4 million was redeemed. Expenses related to the offer and the premiums paid to the notes holders as a result of the early redemption, which amounted to approximately U.S.$54 million ($619.3) were recognized in earnings during 2002 within other expenses. As of December 31, 2003 and 2002, the outstanding balance of these notes is U.S. $91.6 million ($1,029.6).

As of December 31, 2003 and 2002, in order to: (i) hedge contractual cash flows of certain financial debt with floating rates or exchange floating for fixed interest rates on a debt portion (see note 11A), and (ii) reduce the financial cost of debt originally contracted in dollars or pesos (see note 11B), the Company has negotiated derivative financial instruments related to short-term and long-term debt, which are described below:

A) Interest Rate Swaps Contracts

As of December 31, 2003 and 2002, the information of interest rate swaps ("IRS") related to short-term and long-term financial debt is summarized as follows:

(U.S. DOLLARS MILLION) RELATED DEBT	NOTIONAL AMOUNT	DEBT CURRENCY	MATURITY DATE	CEMEX RECEIVES*	CEMEX PAYS	EFFECTIVE RATE	ESTIMATED FAIR VALUE
IRS in 2003							
Long-term debt							
Syndicated loans	U.S.$ 550	Dollar	Mar 2008	LIBOR	6.5%	7.4%	(70.3)
Bank loans	250	Dollar	Mar 2008	LIBOR	5.4%	7.3%	(33.4)
	800						(103.7)
Not assigned [1]							
Long term debt	1,050	Dollar	Feb 2009	LIBOR	3.5%	2.3%	(124.4)
	U.S.$ 1,850						**U.S.$ (228.1)**
IRS in 2002							
Short-term debt							
Bank Loans	U.S.$ 306	Dollar	Jul 2007	LIBOR+60	5.5%	3.1%	U.S.$ (24.4)
Long-term debt							
Bank loans	300	Dollar	Jul 2007	LIBOR	4.1%	5.3%	(20.1)
Syndicated loans	500	Dollar	Aug 2007	LIBOR	4.2%	5.5%	(28.0)
	800						(48.1)
	U.S.$ 1,106						**U.S.$ (72.5)**

* LIBOR ("L") represents the *London Interbank Offering Rate*, used in the market for debt denominated in U.S. dollars.

[1] These instruments have optionality.

As of December 31, 2003 and 2002, the interest rate swaps presented above were designated as accounting hedges of contractual cash flows (interest payments) of the related debt negotiated in floating rate; therefore, changes in the estimated fair value of these instruments was recognized in stockholders' equity (see note 2N), except for interest rate swaps for a notional amount of U.S.$1,050 million in 2003, which complement the financial strategy of CEMEX, however, do not meet the accounting hedge criteria, consequently, changes in the estimated fair value were recognized in earnings within the comprehensive financing result.

As of December 31, 2003, the notional amount of interest rate swaps increased by U.S.$744 million as compared to 2002. This increase was mainly due to interest rate swaps for a notional amount of U.S.$1,850 million, negotiated in 2003 upon the maturity or early settlement of interest rate options ("swaptions"), forward rate agreements ("FRAs") and floor and cap options. This increase was partially offset for the settlement during the year, in agreement with the counterparties, of interest rate swaps for a notional amount of U.S.$1,106 million held at the closing of 2002, considering that such contracts were no longer useful due to new contracts negotiated in 2003 and to changes in the interest rates mix of the financial debt portfolio resulting from new fixed rate borrowings and the repayment of floating rate debt. As of December 31, 2003, of the approximate loss in the estimated fair value of the interest rate swaps of U.S.$228.1 million ($2,563.8), losses of approximately U.S.$126 million ($1,416.2), correspond to the estimated fair value of that swaptions, FRAs and the floor and cap options had upon expiration or settlement, and which was recognized in earnings since inception until their termination. As of December 31, 2002, changes in the estimated fair value resulted in losses of approximately U.S.$72.5 million and were recognized in stockholders' equity.

During 2003 and 2002, in agreement with the financial counterparties and resulting from changes in the interest rates mix of the financial debt portfolio, interest rate swaps were settled for notional amounts of U.S.$1,106 million and U.S.$2,583 million, respectively. These settlements resulted in losses of U.S.$41.9 million ($471) in 2003 and gains of U.S.$14.2 million ($162.9) in 2002, corresponding to the contracts estimated fair value on the settlement date, which were recognized in earnings of each period.

As of December 31, 2003 and 2002, the description of other interest rate derivatives, is as follows:

U.S. dollars million	2003		2002	
OTHER INTEREST RATE DERIVATIVES	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE
Interest rate options (swaptions)	200	(24.9)	1,000	(140.9)
Forward rate agreements (FRAs)	–	–	650	(61.2)
Other rates derivatives	–	–	711	(96.5)
	200	**(24.9)**	**2,361**	**(298.6)**

As of December 31, 2003 and 2002, there were call options to exchange floating for fixed interest rates (swaptions). These options have maturities in October 2004 and grant the counterparties the option to elect, at maturity of the options, negotiate interest rate swaps and receive from CEMEX fixed rates and pay variable rates for a five-year period or request the net cash settlement. During 2003, through the physical settlement of swaptions for a notional amount of U.S.$800 million, new interest rate swaps were negotiated. Furthermore, during

2003, the Company sold and later settled options for a notional amount of U.S.$400 million, resulting in a net gain of approximately U.S.$1.1 million ($12.4). In 2003, 2002 and 2001, for the sale of swaptions, CEMEX received premiums for approximately U.S.$25.0 million ($281.0), U.S.$57.6 million ($660.6) and U.S.$12.2 million ($139.9), respectively. Premiums received as well as changes in the estimated fair value of the options, which represented gains of approximately U.S.$1.6 million ($18.0) in 2003 and losses of approximately U.S.$110.9 million ($1,271.9) and U.S.$30.1 million ($345.2), in 2002 and 2001, respectively, were recognized in earnings of each period. In addition, in 2003, 2002 and 2001, for the swaption contracts settled, losses of approximately U.S.$23.9 million ($268.6), U.S.$92.3 million ($1,058.6) and U.S.$3.4 million ($39), respectively, were recognized in earnings resulting from the swaption contracts that were terminated.

As of December 31, 2002, the Company held forward rate agreements ("FRAs") for a notional amount of U.S.$650 million, negotiated in 2001 to fix the interest rate of future debt issuances, not negotiated due to market conditions. These instruments were designated at the end of 2002 as accounting hedges of the interest rate of debt issuances negotiated in 2003. These contracts expired in 2003 and new interest rate swaps were negotiated. At maturity, an approximate loss of U.S. $37.6 million ($422.6) was recognized in stockholders' equity and is being amortized to the financial expenses as part of the effective interest rate of the related debt. The changes in the estimated fair value of these contracts represented losses of approximately U.S.$33.7 million ($386.5) in 2002 and U.S.$27.5 million ($304.2) in 2001, and were recognized in earnings, except for a loss of U.S.$42.4 million ($476.6) in 2002, which was recognized in stockholders' equity, corresponding to the change in valuation after these contracts were designated as accounting hedges.

As of December 31, 2002, there were floor and cap options for a notional amount of U.S.$711 million, with maturity in March 2008, which were early settled in May 2003, through negotiation of interest rate swaps. These options were structured as part of an interest rate swap for the same notional amount that was settled in 2002. The changes in the estimated fair value of the floor and cap options until settlement, represented losses of approximately U.S.$0.1 million ($1.5) in 2003, U.S.$55.2 million ($632.9) in 2002 and U.S.$41.3 million ($456.8) in 2001, which were recognized in earnings of each period.

B) Cross Currency Swap Contracts and Other Currency Instruments

As of December 31, 2003 and 2002, there were Cross Currency Swaps ("CCS"), through which the Company exchanges the originally contracted interest rates and currencies on notional amounts of related short-term and long-term debt. During the life of the contracts, the cash flows originated by the exchange of interest rates under the CCS, match, in interest payment dates and conditions, those of the underlying debt.

If there is no early settlement, at maturity of the contracts and the underlying debt, the Company and the counterparty will exchange notional amounts, so the Company will receive the cash flow in the currency of the underlying debt necessary to cover its primary obligation, and will pay the notional amount in the exchanged currency in the CCS, as a result, the original financial risk profile related to interest rates and currencies of the underlying debt has been effectively exchanged. The CCS information is as follows:

			Currencies		Interest Rates			
(Amounts in millions) Related debt	Maturity Date	Notional Amount	Original Amount	Amount in New Currency	CEMEX Receives *	CEMEX Pays *	Effective Rate	Estimated Fair Value
CCS in 2003								
Mexican peso to dollar								
Short term notes	Jan 2004	U.S.$ 168.1	$ 1,900	U.S.$ 168	N/A	N/A	6.3%	U.S.$ 0.8
Mexican peso to dollar								
Medium term notes	Nov 04–Dec 07	468.9	$ 6,104	U.S.$ 469	TIIE+62 bps	*L*+121bps	2.7%	74.4
Mexican peso to dollar								
Medium term notes	Apr 05–Apr 07	233.3	$ 3,369	U.S.$ 233	12.4%	*L*+99 bps	1.9%	103.0
Mexican peso to dollar								
Medium term notes	Mar 06–Dec 08	377.8	$ 3,888	U.S.$ 378	8.6%	4.6%	3.8%	0.2
Mexican peso to dollar								
Medium term notes	Oct 2007	79.9	$ 800	U.S.$ 80	Cetes+145bps	4.3%	4.3%	(8.9)
Dollar to Yen								
Medium term notes	Jun 05–Jun 06	66.8	U.S.$ 67	Yen 1,904	*L*+27 bps	1.9%	9.3%	93.2
Mexican peso to Yen								
Euro-medium term notes	Jun 05–Jan 06	51.8	$ 1,574	Yen 6,008	8.8%	2.6%	1.3%	(0.7)
		1,278.5						261.2
		U.S.$ 1,446.6						**U.S.$ 262.0**

(AMOUNTS IN MILLIONS) RELATED DEBT	MATURITY DATE	NOTIONAL AMOUNT	CURRENCIES ORIGINAL AMOUNT	AMOUNT IN NEW CURRENCY	INTEREST RATES CEMEX RECEIVES *	CEMEX PAYS *	EFFECTIVE RATE	ESTIMATED FAIR VALUE
CCS in 2002								
Mexican peso to dollar								
Short term notes	Jan 03–Jun 03	U.S.$ 144.7	$ 1,500	U.S.$ 145	TIIE+5 bps	*L*+29 bps	2.25%	U.S.$ (9.6)
Dollar to Yen								
Short term notes	Jun 03–Jun 05	179.5	U.S.$180	Yen 20,459	*L*+183 bps	3.16%	3.16%	6.1
		324.2						(3.5)
Mexican peso to dollar								
Medium term notes	Nov 04–Dec 08	230.3	$ 2,465	U.S.$ 230	TIIE+54 bps	*L*+101 bps	2.86%	16.0
Mexican peso to dollar								
Medium term notes	Apr 05–Apr 07	377.1	$ 4,225	U.S.$ 377	10.93%	*L*+26 bps	1.34%	51.8
Mexican peso to Yen								
Medium term notes	Jun 05–Jan 06	311.8	$ 3,058	Yen 27,308	11.76%	2.55%	3.78%	83.4
Dollar to Yen								
Euro-medium term notes	Jul 2003	500.0	U.S.$500	Yen 51,442	8.75%	3.14%	3.14%	93.7
		1,419.2						244.9
		U.S.$ 1,743.4						**U.S.$ 241.4**

* LIBOR ("*L*") represents the *London Interbank Offering Rate*, used in the market for debt denominated in U.S. dollars. TIIE represents the *Interbank Offering Rate* in Mexico and CETES are public debt instruments issued by the Mexican government. As of December 31, 2003, the LIBOR rate closed in 1.12%, the TIIE rate in 6.29% and the CETES yield in 6.04%.

The periodic cash flows under the CCS arising from the exchange of interest rates are determined over the notional amounts in the exchanged currency. The CCS have not been designated as accounting hedges; therefore, changes in their estimated fair values are recognized through the income statement. As mentioned in note 2N, a portion of the assets and liabilities resulting from the estimated fair value recognition of the CCS have been offset for presentation purposes, in order to reflect the cash flows that the Company expects to receive or pay upon settlement of these financial instruments. Through this presentation, the book value of the financial indebtedness directly related to the CCS is presented as if it had been effectively negotiated in the exchanged currencies instead of in the originally negotiated currencies. Assuming an early liquidation of the CCS, the related financial liabilities and their corresponding interest expense, would be established, beginning as of the settlement date, in the rates and currencies originally contracted.

As of December 31, 2003 and 2002, related to the estimated fair value of the CCS, the Company recognized a net asset of U.S.$262.0 million ($2,944.9) and U.S.$241.4 million ($2,713.3), respectively, of which U.S.$364.5 million ($4,097.0) in 2003 and U.S.$194.2 million ($2,182.8) in 2002 relates to a prepayment made to yen and dollar obligations under the CCS and is presented decreasing the carrying amount of the related debt, while a loss of U.S.$102.5 million ($1,152.1) in 2003 and a gain of U.S.$47.2 million ($530.5) in 2002, represents the net liabilities and net assets, respectively, arising from the CCS' estimated fair value without prepayment effects.

In accordance to the presentation policy applied by the Company to the assets or liabilities originated by the CCS (see note 2N), of the net liabilities and net assets without prepayments in 2003 and 2002 described above, losses of approximately U.S.$171.9 million ($1,932.2) in 2003 and U.S.$20.0 million ($224.8) in 2002, directly related to variations in exchange rates between the inception of the CCS and the balance sheet date, are presented as part of the related debt carrying amount. Likewise, gains of approximately U.S.$12.2 million ($137.1) in 2003 and U.S.$25.9 million ($291.1) in 2002, identified with the periodic cash flows exchange for interest rates, were presented as an adjustment of the related financing interest payable. The remaining net assets of U.S.$57.2 million ($642.9) in 2003 and U.S.$41.3 ($464.2) in 2002, were presented in the consolidated balance sheet within other short-term and long-term other assets or other liabilities, as applicable.

For the years ended December 31, 2003, 2002 and 2001, the changes in the estimated fair value of the CCS, excluding the effects of prepayments in 2003 and 2002, resulted in losses of approximately U.S.$149.7 million ($1,682.6) and U.S.$192.2 million ($2,204.3) in 2003 and 2002, respectively, and a gain of approximately U.S.$191.6 million ($2,119.1) in 2001, which were recognized in earnings of each period.

Additionally, as of December 31, 2002, there were other currency instruments for a notional amount of U.S.$104.5 million, related to financial debt expected to be negotiated in the near future. These contracts matured in 2003 and a loss of approximately U.S.$3.6 million ($40.5) was recognized in earnings. In 2002, these contracts had an estimated fair value loss of approximately U.S.$6.8 million ($78.0), which was recognized in the income statement.

The estimated fair value of derivative instruments used for the exchange of interest rates and/or currencies fluctuate over time and will be determined by future interest rates and currency prices. These values should be viewed in relation to the fair values of the underlying transactions and as part of the overall Company's 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 to the use of these derivatives. The amounts exchanged in cash are determined based on the basis of the notional amounts and other terms included in the derivative financial instruments.

C) Guaranteed Debt

As of December 31, 2003 and 2002, CEMEX México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V. jointly, fully and unconditionally guaranteed indebtedness of the Company for an aggregate amount of U.S.$3,145 million ($35,349.8) and U.S.$2,339 million ($26,290.4), respectively. The combined summarized financial information of these guarantors as of December 31, 2003, 2002 and 2001 is as follows:

	2003	2002	
Assets	$ 140,393.0	125,984.6	
Liabilities	64,503.2	60,082.5	
Stockholders' equity	75,889.8	65,902.1	
			2001
Net sales	$ 24,408.5	24,035.2	24,975.5
Operating income	2,778.2	3,762.6	1,786.2
Net income	6,035.9	479.7	11,444.1

Certain debt contracts guaranteed by the Company and/or some of its subsidiaries contain restrictive covenants limiting sale of assets, maintenance of controlling interest on certain subsidiaries, limiting liens and requiring compliance with financial ratios. The Company obtains waivers prior to the occurrence of events of default.

12. OTHER NON-CURRENT LIABILITIES

The other non-current liabilities are integrated as follows:

	2003		2002	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Valuation of derivative financial instruments (notes 11 and 17)	$ 4,919.0	1,808.8	3,608.9	1,449.0
Accruals for legal assessments and other responsibilities	1,592.3	–	1,482.2	–
Asset retirement obligations and other environmental liabilities	889.0	–	296.6	–
Other liabilities and deferred credits	1,303.1	–	1,093.5	–
	$ 8,703.4	**1,808.8**	**6,481.2**	**1,449.0**

Accounts payable from derivative financial instruments represent the accumulated valuation losses resulting from the estimated fair value recognition of these instruments (see notes 11 and 17). Accruals for legal assessments and other responsibilities (see note 22), refer to the best estimation of cash flows for legal issues wherein a responsibility has been determined on the Company and are expected to be settled in a period greater than twelve months. During 2003, the balance of this caption increased mainly by the growth in the dumping duties provision of $265.0, partially offset by the decrease of $154.9 in the accruals for responsibilities. Asset retirement obligations and other environmental liabilities include the future estimated costs, mainly from demolition, cleaning and reforestation of production sites at the end of their operation (see note 2V). The increase in this item is fully related to the quantification of the asset retirement obligations. The expected average period to settle these obligations is greater than 15 years.

13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The main balances receivable from and payable to related parties as of December 31, 2003 and 2002 are:

PARENT COMPANY	2003			
	ASSETS		LIABILITIES	
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
CEMEX México, S.A. de C.V.	$ 745.5	34,236.9	–	–
CEMEX International Finance Co.	–	–	39.6	20,119.2
Empresas Tolteca de México, S.A. de C.V.	–	–	4,496.4	–
CEMEX Irish Investments Company Limited	–	–	16.9	3,898.6
International Investors LLC	9.7	199.6	–	–
Centro Distribuidor de Cemento, S.A. de C.V.	2.7	–	–	128.3
CEMEX Asia PTE. Ltd.	–	–	118.6	–
CEMEX Manila Investments B.V.	55.6	–	–	–
Sunbelt Trading, S.A.	47.6	–	–	–
CEMEX Venezuela, S.A. de C.V.	8.4	–	–	–
CEMEX Colombia, S.A.	6.7	–	–	–
Latin Asia Investments, Pte. Ltd.	5.6	–	–	–
Others	13.6	–	6.4	–
	$ 895.4	**34,436.5**	**4,677.9**	**24,146.1**

PARENT COMPANY	2002			
	ASSETS		LIABILITIES	
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
CEMEX México, S.A. de C.V.	$ 20,048.8	16,764.2	–	–
CEMEX International Finance Co.	–	–	271.9	11,192.6
CEMEX Trademarks Worldwide Ltd.	–	–	156.0	5,991.3
Empresas Tolteca de México, S.A. de C.V.	–	–	4,439.3	–
CEMEX Central, S.A. de C.V.	–	–	722.3	–
Assiut Cement Company	–	–	395.1	–
International Investors LLC	–	382.8	–	–
CEMEX Asia PTE. Ltd.	–	–	73.9	–
Centro Distribuidor de Cemento, S.A. de C.V.	–	–	16.2	–
Sunbelt Trading, S.A.	45.6	–	–	–
CEMEX Concretos, S.A. de C.V.	24.0	–	–	–
PT CEMEX Indonesia	14.2	–	–	–
Others	15.3	–	8.3	–
	$ 20,147.9	**17,147.0**	**6,083.0**	**17,183.9**

The main transactions carried out during the last three years with related parties are:

Parent Company	2003	2002	2001
Rental income	$ 275.7	288.1	302.0
License fees	516.8	191.8	1,941.8
Financial expense	(792.8)	(834.0)	(642.4)
Management service expense	(1,426.6)	(2,181.7)	–
Financial income	3,067.8	3,232.7	4,958.5
Dividends received	5,641.0	2,253.0	–

14. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

As of December 31, 2003, 2002 and 2001, the net periodic cost of pension plans and other postretirement benefits (see note 2J), was $462.4, $228.1 and $348.9, respectively, and is described as follows:

	PENSIONS			OTHER BENEFITS*		
Components of net periodic cost:	2003	2002	2001	2003	2002	2001
Service cost	$ 287.5	274.7	344.3	31.3	28.5	14.8
Interest cost	284.8	269.2	281.2	45.4	43.2	38.5
Actuarial return on plan assets	(335.0)	(399.3)	(383.3)	(0.7)	(0.7)	(1.2)
Amortization of prior service cost, changes in assumptions and experience adjustments	131.2	47.6	53.3	15.1	13.7	1.3
Results from extinguishment of obligations	2.8	(47.3)	–	–	(1.5)	–
	$ 371.3	144.9	295.5	91.1	83.2	53.4

As of December 31, 2003 and 2002, the reconciliation of the actuarial value of pensions plans and other postretirement benefit obligations, as well as the funded status (see note 2J), are presented as follows:

	PENSIONS		OTHER BENEFITS*	
	2003	2002	2003	2002
Change in benefit obligation:				
Projected benefit obligation ("PBO") at beginning of year	$ 5,680.8	5,041.3	902.2	726.1
Service cost	287.5	274.7	31.3	28.5
Interest cost	284.8	269.2	45.4	43.2
Actuarial result and amendments	659.5	138.0	(90.2)	78.4
Acquisitions	–	388.5	–	50.7
Initial valuation of other postretirement benefits	–	–	27.7	11.9
Foreign exchange fluctuations and inflation adjustments	(106.3)	52.5	(47.2)	17.1
Extinguishment of obligations	1.9	(174.6)	2.2	(1.5)
Benefits paid	(430.2)	(308.8)	(68.6)	(52.2)
Projected benefit obligation ("PBO") at end of year	6,378.0	5,680.8	802.8	902.2
Change in plan assets:				
Fair value of plan assets at beginning of year	5,045.5	5,253.8	17.8	17.6
Real return on plan assets	812.9	(311.4)	2.1	0.8
Acquisitions	–	323.5	–	–
Foreign exchange fluctuations and inflation adjustments	(210.4)	75.6	(1.7)	–
Employer contributions	125.9	69.8	15.9	42.2
Extinguishment of obligations	–	(196.3)	–	–
Benefits paid from the funds	(265.3)	(169.5)	–	(42.8)
Fair value of plan assets at end of year	5,508.6	5,045.5	34.1	17.8
Amounts recognized in the balance sheets consist of:				
Funded status	869.4	635.3	768.7	884.4
Prior service cost	(1,402.4)	(714.9)	(108.8)	(149.8)
Net actuarial results	(955.4)	(1,632.4)	(42.4)	(111.9)
Accrued benefit liability (prepayment)	(1,488.4)	(1,712.0)	617.5	622.7
Additional minimum liability	1,100.6	659.5	7.6	3.4
Net liability (prepayment) recognized	**$ (387.8)**	**(1,052.5)**	**625.1**	**626.1**

* The cost and the actuarial value of postretirement benefits, include the cost and obligations of postretirement benefits other than pensions, such as seniority premiums granted by law, as well as health care and life insurance benefits that the Company grants to retirees.

For presentation purposes in the balance sheet as of December 31, 2002, the net liability of other postretirement benefits (see above table) for $626.1, is presented offsetting the net prepayment for pensions of $1,052.5, resulting a net final prepayment of $426.4, which is reported within other deferred charges (see note 10). At December 31, 2003, the net liability for other postretirement benefits and the net prepayment for pensions are not offset in the balance sheet.

As of December 31, 2003 and 2002, the combined actual benefit obligation ("ABO") of pensions and other postretirement benefits, equivalent to the PBO not considering salaries increases, amounted to $5,944.2 and $5,086.6, respectively, of which the vested portion was $2,008.9 in 2003 and $1,291.2 in 2002.

An additional minimum liability (excess of the net actual liability over the net projected liability) is recognized in those cases when the ABO less the plan assets (net actual liability) is lower than the net projected liability. At December 31, 2003 and 2002, the Company recognized a minimum liability and an intangible asset of $1,108.2 and $662.9, respectively.

Prior service cost and net actuarial results are amortized over the estimated service life of the employees under plan benefits. As for December 31, 2003 the average estimated service life for pension plans is 15 years and for other postretirement benefits is 13 years.

As of December 31, 2003 and 2002, the consolidated assets of the pension plans and other postretirement benefits are valued at their estimated fair value and are integrated as follows:

	2003	2002
Fixed-income securities	$ 2,472.0	2,585.6
Marketable securities	2,383.3	1,965.3
Private Funds and other investments	687.4	512.4
	$ 5,542.7	**5,063.3**

The Company applies real rates (nominal rates discounted for inflation) in the actuarial assumptions used to determine the postretirement benefit liabilities. The most significant assumptions used during the last three years in the determination of net periodic cost were the following:

	2003	2002	2001
Range of discount rates used to reflect the obligations' present value	4.5% – 8.0%	3.0% – 7.0%	3.5 % – 7.1%
Weighted average rate of return on plan assets	7.8%	7.8%	8.0%

During 2003, the Company's units in Mexico implemented a voluntary early retirement program, through which, the retirement age was decreased by five years and all employees meeting the new requirements were given the option to retire. This program ended in May 2003, resulting in the early retirement of 230 employees and the increase of $568.9 in the projected benefit obligation and the non-amortized prior service cost of pensions and other postretirement benefits.

During 2002, the subsidiary of CEMEX in Spain, in agreement with its employees, changed the structure of most of its defined benefit plans, replacing them with defined contribution structures. In connection to this change, the subsidiary contributed on behalf of its employees covered by the new plans, assets for an amount equivalent to the obligation value as of the date of the exchange. These assets were already restricted within the previous plans. As of December 31, 2002, the effect of writing off the PBO and the non-amortized items, net of the assets contributed, are showed on the tables of the net periodic cost and in the reconciliation of the actuarial value of pensions and other postretirement benefits.

15. STOCKHOLDERS' EQUITY

A) COMMON STOCK

The Company's authorized common stock as of December 31, 2003 and 2002 is as follows:

	2003		2002	
	SERIES A [1]	SERIES B [2]	SERIES A [1]	SERIES B [2]
Subscribed and paid shares	3,547,614,432	1,773,807,216	3,331,300,154	1,665,650,077
Treasury shares [3]	287,097,712	143,548,856	166,400,476	83,200,238
Unissued shares authorized for Stock Option Plans	113,114,106	56,557,053	116,526,096	58,263,048
	3,947,826,250	**1,973,913,125**	**3,614,226,726**	**1,807,113,363**

(1) Series "A" or Mexican shares must represent at least 64% of capital stock.

(2) Series "B" or free subscription shares must represent at most 36% of capital stock.

(3) In 2003, includes the shares issued by the ordinary stockholders' meeting of April 24, 2003, that were not subscribed, and in 2002, the shares acquired under the share repurchase program and those shares authorized by the ordinary stockholders' meeting of April 25, 2002, which were not subscribed.

Of the total number of shares, 3,267,000,000 in 2003 and 2002 correspond to the fixed portion, while 2,654,739,375 in 2003 and 2,154,340,089 in 2002 correspond to the variable portion.

On April 24, 2003, the annual stockholder's meeting approved: (i) a reserve for share repurchases of up to $6,000.0 (nominal amount); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $3,664.4 (nominal amount), issuing up to 750,000,000 shares equivalent to up to 250,000,000 CPOs, at a subscription price of $36.449 (nominal) per CPO or, instead, stockholders could have chosen to receive $2.20 (nominal amount) in cash for each CPO. As a result, shares equivalent to 98,841,944 CPOs were subscribed and paid, representing an increase in common stock of $3.40 and in additional paid-in capital of $3,696.6, considering a theoretical value of $0.0333 per CPO, while an approximate cash payment through December 31, 2003 was made for $66.8; and (iii) to cancel the shares held in the Company's treasury.

On April 25, 2002, the annual stockholders' meeting approved: (i) a reserve for share repurchases of up to $5,000.0 (nominal amount), under which, as of December 31, 2002, shares equivalent to 7,609,200 CPOs were repurchased, representing a reduction in the repurchase reserve of $400.2; (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $3,213.1 (nominal amount), issuing shares equivalent to up to 140,000,000 CPOs, at a subscription price of $46.336 (nominal amount) per CPO, or instead, stockholders could have chosen to receive $2.00 (nominal amount) in cash for each CPO. As a result, shares equivalent to 64,408,962 CPOs were subscribed and paid, representing an increase in common stock of $2.3 and in additional paid-in capital of $3,201.5, while an approximate cash payment through December 31 2002, was made for $256.9; and (iii) the cancellation of 169,206,112 Series "A" shares and 84,603,056 Series "B" shares that were held in the Company's treasury.

B) RETAINED EARNINGS

Retained earnings as of December 31, 2003, include $82,240.2 of earnings generated by subsidiaries and affiliated companies that are not available to be paid as dividends by CEMEX until these entities distribute such amounts to CEMEX. Additionally, retained earnings include a share repurchase reserve in the amount of $6,585.0. Net income for the year is subject to a 5% allocation toward a legal reserve until such reserve equals one fifth of the common stock. As of December 31, 2003, the legal reserve amounted to $1,370.6.

Earnings distributed as dividends, in excess of tax earnings, will be subject to a tax payment at a 33% rate, consequently, only 67% of retained earnings may be distributed to the shareholders.

C) EFFECTS OF INFLATION

The effects of inflation on majority interest stockholders' equity as of December 31, 2003 are as follows:

	HISTORICAL COST	INFLATION ADJUSTMENT	TOTAL
Common stock	$ 59.1	3,436.1	3,495.2
Additional paid-in capital	21,003.8	15,215.5	36,219.3
Deficit in equity restatement	–	(69,125.6)	(69,125.6)
Cumulative initial deferred income tax effects	(4,697.9)	(1,044.0)	(5,741.9)
Retained earnings	51,773.3	46,384.5	98,157.8
Net income	$ 6,596.4	471.0	7,067.4

D) FOREIGN CURRENCY TRANSLATION

The foreign currency translation results recorded in stockholders' equity are summarized as follows:

	2003	2002	2001
Foreign currency translation adjustment	$ 5,169.2	7,038.4	(2,694.3)
Foreign exchange gain (loss) [1]	(1,564.2)	(2,847.0)	830.1
	$ 3,605.0	**4,191.4**	**(1,864.2)**

[1] Foreign exchange results from the financing identified with the acquisitions of foreign subsidiaries.

The foreign currency translation adjustment includes foreign exchange results from financing related to the acquisition of foreign subsidiaries generated by the Company's subsidiary in Spain of $59.4, $167.3 and $(49.5), in 2003, 2002 and 2001, respectively.

E) PREFERRED STOCK

In October 2003, CEMEX repurchased the remaining balance of preferred stock of U.S.$650 million ($7,306.0), which matured in February and August 2004. The preferred stock was issued in November 2000 by a Dutch subsidiary for U.S.$1,500 million with original maturity in May 2002 and was related to the financing for the acquisition of CEMEX Inc. (formerly Southdown, Inc.). During 2001 and 2002, the Company repurchased preferred stock for U.S.$600 million and U.S.$250 million, respectively, and in 2002, the maturity of the remaining balance was extended by U.S.$195 million for February 2004 and U.S.$455 million for August 2004. The preferred stock was mandatorily redeemable upon maturity and granted its holders 10% of the subsidiary's voting rights, as well as the right to receive a guaranteed variable preferred dividend as well as the option, in certain circumstances, to subscribe for additional preferred stock or common shares for up to 51% of the subsidiary's voting rights. Until its liquidation, this transaction was included as minority interest. Preferred dividends declared for an approximate of U.S.$12.5 million ($144.6) in 2003, U.S.$23.2 million ($259.7) in 2002 and U.S.$76 million ($860.2) in 2001, were recognized as a part of minority interest in the consolidated income statements.

A subsidiary of CEMEX in Spain issued during 1998, capital securities for U.S.$250 million with an annual dividend rate of 9.66%. In April 2002, through a tender offer, U.S.$184 million of capital securities were redeemed. The amount paid to the holders in excess of the nominal amount of the capital securities pursuant the early redemption of approximately U.S.$20 million ($224.8) was recorded against stockholders' equity. The balance outstanding as of December 31, 2003 and 2002 was U.S.$66 million ($741.8) in both years. The Company has an option to repurchase the remaining securities on November 2004, or on any subsequent dividend payment date, and the holders have the right to sell them to the Company on May 2005. This transaction is recorded as minority interest. Preferred dividends declared on the capital securities during 2003, 2002 and 2001 of approximately U.S.$6.4 million ($73.4), U.S.$11.9 million ($132.6) and U.S.$24.2 million ($271.4), respectively, were recognized as part of the minority interest in the consolidated income statements.

F) OTHER EQUITY TRANSACTIONS

Through a communication dated on November 17, 2003, announcing an offer to purchase and two additional announcements on December 11 and 23, establishing specific procedures of such offer, the Company launched a public offer to acquire up to 90,018,042 appreciation warrants ("warrants") traded in the Mexican Stock Exchange ("MSE"), including those warrants represented by American Depository Warrants ("ADWs") traded in the New York Stock Exchange ("NYSE"), which represent approximately 86.73% of the total outstanding warrants and include the approximately 34.9 million warrants owned by or controlled by CEMEX and its subsidiaries. Each ADW represents five warrants. The offer expires on January 26, 2004, unless the Company would extend the period. The holders of warrants and ADWs wishing to participate in the offer should specify the price at which they would tender their titles, within the range of established prices from 5.10 pesos per warrant (equivalent to 25.50 pesos per ADW, since an ADW represents five warrants) to 8.10 pesos per warrant (equivalent to 40.50 pesos per ADW).

At the end of the offer period, the unique price at which CEMEX will purchase the warrants and ADWs is to be determined, depending on the positions presented by the holders of warrants and ADWs, which will be ordered starting from the lowest price per warrant offered and so forth, until arriving to the price that may cover the greater number of warrants and which will be used to acquire the 90,018,042 warrants, or those that would have been offered if it were a lower number. In case that more than 90,018,042 warrants are offered, CEMEX will acquire the warrants and ADWs "a pro rata" in most cases. Assuming that the total number of warrants subject to the offer was repurchased, the remaining 13,772,903 warrants will remain outstanding and will mature in December 2004.

The warrants and ADWs subject to the offer were originally issued in December 1999, by means of a public offer in the MSE and the NYSE, in which 105 million warrants and ADWs were sold with maturity in December 2002. In December 2001, in a simultaneous and voluntary public purchase and sale offer for the warrants and exchange offer for the ADWs, outstanding as of the offer date, under a one for one exchange ratio, 103,790,945 new warrants and ADWs were issued with maturity in December 2004. The warrants and ADWs that were not exchanged in 2001 expired in December 2002. The warrants permit the holders to benefit from the future increases in the market price of the Company's CPO above the strike price, which as of December 31, 2003 was approximately U.S.$5.45 per CPO (U.S.$27.23 per ADS). The benefit, should any exist, will be paid in CPOs. Until September 2003, the CPOs and ADSs required to cover the warrants future exercises, for both, the old program's as well as those that resulted from the exchange program in 2002, were available through equity forward contracts with financial institutions, which were settled in October 2003 as a result of a simultaneous secondary equity offering in the MSE and the NYSE, made by the Company along with the banks holding the shares (see note 17A).

In addition, in December 2003, through the payment of U.S.$75.9 million ($853.1), CEMEX executed the option that it retained and repurchased the assets related to a financial transaction, through which in December 1995, the Company transferred financial assets to a trust, while simultaneously, investors contributed U.S.$123.5 million in exchange for notes representing a beneficial interest in the trust. During the life of the transaction and until maturity in 2007, periodic repurchases of the financial assets underlying in the trust were stipulated; therefore, as of December 31, 2002, the outstanding balance of this transaction was approximately U.S.$90.6 million ($1,038.9). Moreover, during the life of the transaction, the Company maintained an option to reacquire the related financial assets at different dates. The cost of retaining this option was recognized in earnings as part of the financial expense for approximately U.S.$14.5 million ($163.0) in 2003, U.S.$13.2 million ($151.2) in 2002 and U.S.$13.8 million ($152.6) in 2001. Until its settlement in December 2003, this transaction was included as part of the minority interest in stockholders' equity.

G) COMPREHENSIVE NET INCOME (LOSS)

Comprehensive net income (loss) items during 2003, 2002 and 2001, are as follows:

	2003	2002	2001
Majority interest net income	$ 7,067.4	5,966.9	13,026.6
Deficit in equity restatement:			
Effects from holding non-monetary assets	(3,432.9)	(10,431.8)	(2,445.9)
Foreign currency translation adjustment	5,169.2	7,038.4	(2,694.3)
Capitalized foreign exchange result (note 15D)	(1,564.2)	(2,847.0)	830.1
Additional minimum liability	–	–	230.3
Valuation of investments available for sale (note 8B)	–	–	(877.4)
Hedge derivative instruments (notes 11 and 17)	458.7	(2,398.7)	–
Deferred income tax of the year charged directly to stockholders' equity (note 18)	(215.3)	858.9	26.2
Equity instruments' early redemption results	(653.4)	(229.4)	–
Cumulative initial effects of asset retirement obligations	(85.8)	–	–
Inflation effect on equity [1]	–	225.3	318.5
Total comprehensive income (loss) items	(323.7)	(7,784.3)	(4,612.5)
Majority comprehensive net income (loss)	6,743.7	(1,817.4)	8,414.1
Minority interest	341.8	425.1	1,695.7
Consolidated comprehensive net income (loss)	$ 7,085.5	(1,392.3)	10,109.8

[1] Relates to the adjustment resulting from the use of the weighted average inflation index for the restatement of stockholders' equity and the use of the Mexican-only inflation index to restate common stock and additional paid-in capital (see note 2B).

16. EXECUTIVE STOCK OPTION PROGRAMS

The information relating to stock option programs, presented in terms of equivalent CPOs and considering the effect of the options' exchange program described below, are summarized as follows:

OPTIONS	FIXED PROGRAM (A)	SPECIAL PROGRAM (B)	VARIABLE PROGRAM (C)	VOLUNTARY PROGRAMS (D)
As of December 31, 2001	8,695,396	–	88,937,805	20,215,960
Changes in 2002:				
Granted	–	4,963,775	16,949,800	2,120,395
Exercised	(2,119,871)	–	(7,294,781)	(6,287,050)
As of December 31, 2002	6,575,525	4,963,775	98,592,824	16,049,305
Changes in 2003:				
Granted	–	2,682,985	22,346,738	38,583,989
Cancelled	(533,608)	–	(22,799)	(9,700,280)
Exercised	(1,352,582)	(17,500)	–	(38,884,926)
As of December 31, 2003	**4,689,335**	**7,629,260**	**120,916,763**	**6,048,088**
Exercise Prices:				
Options exercised during the year*	$25.43	U.S.$4.52	–	U.S.$3.45
Options outstanding at year-end*	$29.33	U.S.$4.62	U.S.$5.02	U.S.$4.14
Remaining average life	3.7 years	8.5 years	9.1 years	1.8 years
Options completed vested	92.8%	23.8%	73.6%	100.0%

* Weighted average exercise price per CPO.

A) Fixed Program

Through October 31, 2001, CEMEX granted annually, stock options to its executives for the acquisition of CPOs ("fixed program"), which ended through a voluntary exchange (see "variable program" below). The outstanding options correspond to the executives that did not exchange. Pursuant to this program initiated in 1995, eligibles executives received stock option rights with fixed exercise price in pesos, equivalent to the market price of the CPO at the grant date and tenure of 10 years. Exercise prices reflect technical antidilution adjustments for stock dividends. The executives' option rights vest up to 25% annually during the first four years after having been granted. As of December 31, 2003 and 2002, the new CPOs generated an additional-paid in capital of $42.9 and $75.7, respectively, and increased the amount of outstanding shares.

B) Special program

As a result of the acquisition of CEMEX, Inc. (formerly Southdown), a stock option program to purchase CEMEX ADSs ("special program") was established for CEMEX, Inc.'s executives. The options granted have a fixed exercise price in dollars, equivalent to the market price of the ADS as of the grant date, and have a 10-year tenure. The executives' option rights vest up to 25% annually during the first four years after having been granted. The options exercises are hedged using shares currently owned by subsidiaries, potentially increasing stockholders' equity and the number of shares outstanding. The amounts of this ADS' programs are presented in terms of equivalent CPOs.

C) Variable program

In November 2001, an annual stock option program with exercise prices denominated in U.S. dollars increasing during the option's life, reflecting the funding cost in the market, was initiated through the exchange of the fixed program options. The participating executives, which exchanged 57,448,219 options, resigned their rights to subscribe CPOs, in exchange for cash equivalent to the options' intrinsic value at the exchange date and the issuance of new options, equivalent in number to their redeemed options' time value, as determined by the appropriate valuation model, which resulted in the issuance of 88,937,805 options under the variable program. The options have a 10-year tenure and, except for those issued through the exchange, where 50% of the option's exercise rights were vested immediately, with an additional 25% annual vesting over the next two years. As of December 2001, by means of the exchange program, a compensation cost of approximately $729.1 was recognized in other expenses, net.

D) Voluntary programs

As of December 31, 2003, there are 3,927,693 options with an approximate exercise price of U.S.$3.31 per CPO, out of 36,468,375 options, sold to executives during 1998 and 1999 with a 5 year-tenure. The exercise price was denominated in dollars and increases annually reflecting the funding cost in the market. In 2003, 300,937 options were exercised, while 9,700,280 options expired and were canceled.

As of December 31, 2003, there are 2,120,395 options with an approximate exercise price of U.S.$5.68 per CPO, sold to executives in April and May 2002. No exercises had occurred to date. For the sale of the options, a premium of approximately U.S.$1.5 million ($16.9) was received. The exercise price of the options was denominated in dollars and increases annually reflecting the funding cost in the market.

In September 2003, 38,583,989 options sold to executives in January 2003 in exchange for a premium of approximately U.S.$9.7 million ($101.5), were exercised. The options, which had an increasing U.S. dollar exercise price of approximately U.S.$3.58 per CPO, equal to the market price of the CPO at the date of sale, and a five-year tenure, contained an automatic mandatory exercise condition in case the market CPO price reached certain level, situation occurred in 2003. According to agreed conditions, the executives' appreciation was paid in form of CPOs, which have a sale restriction for two years after exercise.

E) Options hedging activities

The potential exercise of options under the variable and voluntary programs require the Company to have availability of the CPOs or ADSs underlying in the options; consequently, equity forward contracts in the Company's own stock have been negotiated (see note 17A), in order to guarantee that shares would be available at prices equivalent to those established in the options, without the necessity of issuing new CPOs into the market; therefore, these programs do not increase the number of shares outstanding and do not dilute the basic earnings per share.

Beginning in 2001, CEMEX recognizes the options' appreciation under the variable and voluntary programs, resulting from the difference between the CPO's market price and the exercise prices established in the options, as an expense in the income statement, which for the years ended December 31, 2003, 2002 and 2001 was U.S.$45.3 million ($509.2), U.S.$5.0 million ($57.3) and U.S.$14.7 million ($163.2), respectively. Likewise, the Company recognizes through earnings the changes in the estimated fair value of equity forward contracts designated as hedges of these plans (see note 17A), which was a gain of approximately U.S.$28 million ($314.7), a loss of approximately U.S.$47.1 million ($540.2) and a gain of approximately U.S.$28.7 million ($317.4) as of December 31, 2003, 2002 and 2001, respectively.

17. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2003 and 2002, the Company's derivative financial instruments, other than those related to financial debt (see note 11), are summarized as follows:

	U.S. DOLLARS MILLION			
	2003		2002	
	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE
A) Equity forward contracts	1,085.0	16.4	1,445.1	(90.6)
B) Foreign exchange instruments	1,445.9	(191.6)	1,325.7	(201.4)
C) Derivatives related to energy projects	174.5	(7.4)	177.0	(0.5)

Upon liquidation and at CEMEX option, the equity forward contracts allow for physical or net cash settlement of the estimated fair value. The effects at settlement are recognized in the income statement or as part of stockholders' equity, according to their characteristics and use. At maturity, if these forward contracts are not settled or replaced, or if the Company defaults on the agreements established with the financial counterparties, such counterparties may sell the shares underlying the contracts. If any such sale were to occur, it may have an adverse effect on CEMEX and/or its subsidiaries' stock market price, may reduce the amount of dividends and other distributions that the company receive from its subsidiaries, and/or may create minority interest affecting the ability to operate the Company.

A) On October 26, 2003, finalized a secondary equity offering, launched simultaneously in the MSE and the NYSE, by means of which and in agreement with the Company, the financial institutions offered 29.325 million ADSs (25.5 million ADSs in the offer plus an optional amount of 3,825 million ADSs in case of over allotments) held through forward contracts. The acquirers purchased all ADSs including the optional amount, resulting in the sale of 23.325 million ADSs (116.6 million CPOs) and 30 million CPOs (6 million ADSs), at a price of U.S.$23.15 per ADSs and $52.07 per CPO, respectively. Of the total sale resources of approximately U.S.$660 million ($7,418.4), net of the offering expenses, the financial institutions kept an approximate amount of U.S.$538 million ($6,047.1) as payment for the liquidation of the related forward contracts, while approximately U.S.$122 million ($1,371.3) were reimbursed to CEMEX. This transaction did not increased the number of shares outstanding.

   As of December 31, 2002, CEMEX held forward contracts for a notional amount of U.S.$461.1 million, which maturity was extended until December 2003, covering 24,008,392 ADSs (120,041,960 CPOs) and 33.8 million shares of the Company's subsidiary in Spain. In October 2003, these forwards were settled through a secondary equity offering (see preceding paragraph), resulting in the write-off of accrued prepayments toward the forwards final price of U.S.$101.7 million ($1,143.5), recognized as part of other accounts receivable and the recognition of a net gain in stockholders' equity of approximately U.S.$19.5 million ($219.2). These contracts were negotiated in 1999 to hedge future exercises under the 105 million warrants program, which are estimated to be reacquired (see note 15F). The shares underlying these forwards contracts were sold by CEMEX during 1999 for approximately U.S.$905.7 million, and the Company simultaneously prepaid approximately U.S.$439.9 million toward the forwards' final price. In December 2002, as a result of the forwards' net cash settlement, required to renegotiate and extend their maturity until December 2003, a loss of approximately U.S.$98.3 million ($1,104.9) was recognized, arising from changes in the underlying shares market value, and the prepayments made toward the forwards final price of approximately U.S.$193.6 million, recognized as short-term accounts receivable as of December 31, 2002 (see note 5), decreased to approximately U.S.$95.3 million ($1,071.2). Since inception of the contracts throughout their settlement, pursuant the prepayment made in 1999 and the withholding of the economic and voting rights on the Spanish subsidiary's shares underlying the contracts, such shares were considered property of CEMEX. As of December 31, 2002, the estimated fair value of the contracts presented a gain of approximately U.S.$69.1 million.

   As of December 31, 2003 and 2002, there are forward contracts with different maturities until October 2006, for notional amounts of U.S.$789.3 million and U.S.$436.1 million, respectively, covering 29,314,561 ADSs in 2003 and 16,005,620 ADSs in 2002, designated to hedge the future exercise of options under the executive programs (see note 16). Starting in 2001, changes in the estimated fair value of these contracts are recognized in the balance sheet against the income statement, as a complement of the costs generated by the option programs. As of December 31, 2003 and 2002, the estimated fair value of these contracts was a gain of approximately U.S.$28.0 million ($314.7) and a loss of approximately U.S.$47.0 million ($539), respectively.

   As of December 31, 2003 and 2002, there are forward contracts for notional amounts of U.S.$122.9 million and U.S.$95.5 million, respectively, maturing in August and September 2003 that were extended until August and September 2004, covering 23,622,500 CPOs in 2003 and 21,510,500 CPOs in 2002, negotiated to hedge the purchase of CAH shares through the exchange for CEMEX CPOs that was originally scheduled to be liquidated during 2003 and was extended to 2004 (see note 8A). The effects to be generated upon settlement of the forward contracts will be recognized as an adjustment to stockholders' equity. The estimated fair value is not periodically recorded. As of December 31, 2003 and 2002, the estimated fair value of these contracts was a gain of approximately U.S.$1.8 million ($20.2) and a loss of approximately U.S.$2.1 million ($23.6), respectively.

   Additionally, as of December 31, 2003 and 2002, there are forward contracts for notional amounts of U.S.$172.8 million and U.S.$452.4 million, respectively, with different maturities until February 2006, covering a total of 5,268,939 ADSs in 2003 and 15,316,818 ADSs in 2002. These contracts are considered as equity instruments; therefore, changes in the estimated fair value is not periodically recognized. All effects arising from these contracts will be recognized at maturity as an adjustment to stockholders' equity. As of December 31, 2003 and 2002, the estimated fair value of these contracts reflected losses of approximately U.S.$27.1 million and U.S.$110.6 million, respectively. In addition, as of December 31, 2002, the Company had a third party equity forward contract for a notional amount of U.S.$7.1 million and an estimated fair value loss of approximately U.S.$0.1 million ($1.1). This contract was settled in cash during 2003 without any material effect.

   As mentioned in note 15F, the Company has the intention to repurchase 86.73% of its appreciation warrants. Depending on the offer results, expiring on January 26, 2004, at least approximately 13.8 million warrants would remain outstanding with maturity in December 2004. The forwards on the Company's own shares not assigned at the end of 2003 will be used to cover the potential exercises of warrants until expiration, as well as for new executives' stock option grants.

B) In order to hedge financial risks associated to variations in foreign exchange rates, CEMEX has negotiated foreign exchange forward contracts for a notional amount of U.S.$559.3 million and U.S.$1,266.0 million, as of December 31, 2003 and 2002, respectively, with different maturities until March 2005. These contracts have been designated as hedges of the Company's net investment in foreign subsidiaries. The estimated fair value of these instruments is recorded in stockholders' equity as part of the foreign currency translation effect (see note 15D). In addition, as of December 2003 and 2002, there are foreign exchange options for notional amounts of U.S.$886.6 million and U.S.$59.7 million, respectively, with different maturities until June 2005. For the sale of the options, the Company received premiums for approximately U.S.$62.8 in 2003 and U.S.$4.0 million in 2002. The estimated fair value losses of U.S.$57.2 million ($642.9) in 2003 and U.S.$44.4 million ($509.2) in 2002 were recognized in earnings.

C) As of December 31, 2003 and 2002, the Company had an interest rate swap maturing in May 2017, for notional amounts of U.S.$162.1 million and U.S.$177 million, respectively, negotiated to exchange floating for fixed interest rates in connection with agreements entered into by the Company for the acquisition of electric energy for a 20-year period (see note 22F). During the life of the swap and based on its notional amount, CEMEX will pay LIBOR rate and will receive a 7.53% fixed rate until May 2017. In addition, during 2001, the Company sold a floor option for a notional amount of U.S.$174.5 million in 2003 and U.S.$177 million in 2002, related to the interest rate swap contract, pursuant to which, until 2017, CEMEX will pay the difference between the 7.53% fixed rate and the LIBOR rate. For the sale of this option the Company received a premium of approximately U.S.$22 million ($247.3). As of December 31, 2003 and 2002, the combined fair value of the swap and the floor option, represented losses of approximately U.S.$7.4 million and U.S.$0.5 million, respectively, recognized in earnings. The notional amount of both contracts is not aggregated, considering that there is only one notional amount with exposure to changes in interest rates and the effects of one instrument, are proportionally inverse to the changes in the other one.

The estimated fair values of derivative financial instruments fluctuate over time and are based on estimated settlement costs or quoted market prices. These values should be viewed in relation to the fair values of the underlying instruments or transactions and as part of the Company's overall exposure to fluctuations in foreign exchange rates, interest rates and prices of shares. Notional amounts of derivative instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of the Company's exposure through its use of derivatives. The amounts exchanged are determined on the basis of the notional amounts and other terms included in the derivative instruments.

18. INCOME TAX (IT), BUSINESS ASSETS TAX (BAT), EMPLOYEES' STATUTORY PROFIT SHARING (ESPS) AND DEFERRED INCOME TAXES

The income tax law in Mexico establishes that companies must pay either IT or BAT depending on which amount is greater for their Mexican operations. Both taxes recognize the effects of inflation in a manner different from Mexican GAAP. ESPS is calculated on similar basis as IT without recognizing inflation effects.

A) IT, BAT AND ESPS

The Company and its Mexican subsidiaries generate IT and BAT on a consolidated basis; therefore, the amounts included in the accompanying financial statements, related to the Mexican subsidiaries, represent the consolidated result of these taxes. For ESPS purposes, the amount presented is the sum of the individual effects of each company. Beginning in 1999, the determination of the consolidated IT for the Mexican companies, considers a maximum of 60% of the taxable income or loss of each of the subsidiaries. In cases when subsidiaries generate taxable income and the entities also have tax loss carryforwards generated before 1999, such taxable income would be considered by the holding according to equity ownership. Beginning in 2002, in the determination of consolidated IT, 60% of the taxable result of the controlling entity should be considered, unless such entity obtains taxable income, in which case 100% should be considered, until the restated balance of the individual tax loss carryforwards before 2001 are amortized. Beginning in 2002, a new IT law became effective in Mexico, establishing that the IT rate will be decreased by 1% each year, beginning in 2003 until it reaches 32% in 2005.

The IT (expense) benefit, presented in the income statements, is summarized as follows:

	2003		2002		2001	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Current income tax	$ (1,515.4)	–	(1,000.0)	–	(1,476.7)	–
Received from subsidiaries	–	1,337.7	–	967.8	–	703.9
Deferred IT	508.2	(547.5)	434.8	1,326.6	(221.1)	685.2
Effects of inflation (note 2B)	–	–	(63.7)	–	(147.2)	–
	$ (1,007.2)	**790.2**	**(628.9)**	**2,294.4**	**(1,845.0)**	**1,389.1**

As of December 2003, 2002 and 2001, the total consolidated IT includes expenses of $1,396.8, $860.4 and $1,525.3, respectively, from foreign subsidiaries, and revenues of $389.6 in 2003 and $231.5 in 2002 and expense of $319.7 in 2001 from Mexican subsidiaries. In addition, the Company recognized a consolidated tax benefit, excluding deferred taxes, of $1,337.7, $967.8 and $703.9, respectively.

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. 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 tax loss carryforwards at December 31, 2003 are as follows:

YEAR IN WHICH TAX LOSS OCCURRED	AMOUNT OF CARRYFORWARDS	YEAR OF EXPIRATION
1995	$ 1,776.6	2005
2000	420.7	2010
2001	3,265.7	2011
2002	3,752.4	2012
2003	872.2	2013
	$ 10,087.6	

The BAT Law establishes a 1.8% tax levy on assets, restated for inflation in the case of inventory and fixed assets, and 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, 2003 is as follows:

YEAR IN WHICH BAT EXCEEDED IT	AMOUNT OF CARRYFORWARDS	YEAR OF EXPIRATION
1997	$ 162.4	2007

B) DEFERRED IT AND ESPS (see note 2K)

The deferred IT result in earnings, represents the difference, in nominal pesos, between the beginning of year balance and the year-end balance of the deferred tax assets or liabilities. The tax effects of the main temporary differences that generate the consolidated deferred tax assets and liabilities are presented below:

	2003	2002
Deferred tax assets:		
Tax loss carryforwards and other tax credits	$ 6,167.1	4,807.2
Accounts payable and accrued expenses	111.7	268.6
Trade accounts receivable	8.5	26.5
Properties, plant and equipment	(3,107.6)	(42.3)
Others	22.1	77.2
Total deferred tax assets	3,201.8	5,137.2
Less – Valuation allowance	(1,058.8)	(2,564.6)
Net deferred tax assets	2,143.0	2,572.6
Deferred tax liabilities:		
Tax loss carryforwards and other tax credits	6,906.3	6,796.5
Accounts payable and accrued expenses	1,924.7	4,706.4
Trade accounts receivable	85.3	94.9
Properties, plant and equipment	(16,815.6)	(19,237.1)
Inventories	(892.6)	(1,355.9)
Others	(433.6)	(1,012.5)
Total deferred tax liabilities	(9,225.5)	(10,007.7)
Less – Valuation allowance	(2,616.1)	(2,496.9)
Net deferred tax liabilities	(11,841.6)	(12,504.6)
Net deferred tax position (liability)	(9,698.6)	(9,932.0)
Less – Deferred IT of acquired subsidiaries at the acquisition date	(4,528.0)	(4,468.5)
Total effect of deferred IT in stockholders' equity at end of year	(5,170.6)	(5,463.5)
Total effect of deferred IT in stockholders' equity at beginning of year	(5,463.5)	(6,757.2)
Change deferred IT for the period	$ 292.9	1,293.7

The breakdown of the change in consolidated deferred income tax for the period is as follows:

	2003	2002	2001
Deferred income tax charged (credited) to the income statement	$ 508.2	434.8	(221.1)
Deferred income tax applied directly to stockholders' equity	(215.3)	858.9	26.2
Deferred IT income (expense) for the period	$ 292.9	1,293.7	(194.9)

Bulletin D-4 states that all items whose effects are recorded directly in stockholders' equity should be recognized net of their deferred income tax effects. Bulletin D-4 does not allow the offsetting of deferred tax assets and liabilities relating to different tax jurisdictions.

Company's management considers that sufficient taxable income will be generated as to realize the tax benefits associated with the deferred income tax assets, and the 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 valuation allowance would be increased against the income statement.

Temporary differences between the net income of the period and taxable income for ESPS, generated an expense of $69.9 in 2003, an income of $20.4 in 2002 and an expense of $14.6 in 2001, reflected in the income statement.

C) EFFECTIVE TAX RATE

The effects of inflation are recognized differently for income tax and for accounting purposes. These situation, as well as other differences between the book and the income tax basis, arising from the several income tax rates and laws in each of the countries in which CEMEX operates, give rise to permanent differences between the approximate statutory tax rate and the effective tax rate presented in the consolidated income statement, as follows:

FOR THE YEARS ENDED DECEMBER 31,	2003 %	2002 %	2001 %
Approximated consolidated statutory tax rate	34.0	35.0	35.0
Additional deductions and other deductible items	(15.8)	(6.6)	(1.8)
Expenses and other non-deductible items	1.2	1.0	0.8
Non-taxable sale of marketable securities and fixed assets	–	(10.2)	–
Difference between book and tax inflation	(0.3)	(5.6)	(15.8)
Minimum taxes	–	–	0.2
Depreciation	–	–	(0.6)
Others [1]	(6.8)	(4.3)	(6.7)
Effective consolidated tax rate	**12.3**	**9.3**	**11.1**

[1] Includes the effects for the different IT rates enacted in the countries where CEMEX operates, and the difference between the 2003 rate in Mexico of 34% and those in effect in 2004 of 33% and in 2005 and thereafter of 32%.

19. FOREIGN CURRENCY POSITION

The peso to dollar exchange rate as of December 31, 2003, 2002 and 2001 was $11.24, $10.38 and $9.17 pesos per dollar, respectively. As of January 15, 2004, the exchange rate was $10.85 pesos per dollar.

As of December 31, 2003, 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 MILLION		
	MEXICO	FOREIGN	TOTAL
Current assets	16.7	1,899.1	1,915.8
Noncurrent assets	917.1 [1]	10,182.1	11,099.2
Total assets	**933.8**	**12,081.2**	**13,015.0**
Current liabilities	736.4	1,795.7	2,532.1
Long-term liabilities	1,834.4	4,057.4	5,891.8
Total liabilities	**2,570.8**	**5,853.1**	**8,423.9**

[1] Non-monetary assets in Mexico of foreign origin.

Additionally, transactions of the Company's Mexican operations denominated in foreign currencies during 2003, 2002 and 2001, are summarized as follows:

	U.S. DOLLARS MILLION		
	2003	2002	2001
Export sales	57.1	72.1	83.2
Import purchases	90.5	92.5	41.8
Financial income	7.5	11.1	105.1
Financial expense	389.0	275.6	302.1

20. GEOGRAPHIC SEGMENT DATA

The Company operates principally in the construction industry segment through the production and marketing of cement and ready-mix concrete. The following tables present, in accordance with the information analyzed for decision-making by management, selected condensed financial information of the Company's main business units for the years ended December 31, 2003, 2002 and 2001:

	NET SALES			OPERATING INCOME		
	2003	2002	2001	2003	2002	2001
Mexico	$ 29,544.9	28,477.9	29,659.5	11,378.5	10,875.3	11,854.1
Spain	13,653.1	11,283.0	8,724.4	2,981.0	2,631.5	2,124.8
United States	19,469.1	20,073.4	22,233.5	2,300.4	3,093.7	3,539.2
Venezuela	3,584.4	3,482.0	5,139.1	1,195.3	1,127.2	1,713.0
Colombia	2,483.0	2,224.2	2,391.1	1,032.2	927.7	1,014.2
Caribbean and Central America	6,668.0	5,748.5	4,899.9	1,179.6	1,081.5	742.3
Philippines	1,507.4	1,496.3	1,494.5	(142.0)	(72.4)	142.8
Egypt	1,513.8	1,718.7	1,547.0	334.5	221.8	381.4
Others	9,424.9	8,688.0	9,241.3	(3,902.9)	(4,857.4)	(3,225.7)
	87,848.6	83,192.0	85,330.3	16,356.6	15,028.9	18,286.1
Eliminations	(7,320.9)	(8,150.0)	(8,758.2)	–	–	–
Consolidated	**$ 80,527.7**	**75,042.0**	**76,572.1**	**16,356.6**	**15,028.9**	**18,286.1**

In order to present integrally the operations of each geographic area, net sales between geographic areas are presented under the caption "eliminations".

	DEPRECIATION AND AMORTIZATION		
	2003	2002	2001
Mexico	$ 1,645.0	1,779.7	1,889.8
Spain	1,368.8	1,125.1	873.3
United States	2,013.4	1,932.2	2,437.0
Venezuela	635.2	580.6	725.1
Colombia	830.1	531.5	557.5
Caribbean and Central America	602.3	443.4	414.7
Philippines	444.3	465.6	394.6
Egypt	354.4	486.5	524.9
Others	1,377.6	1,431.8	950.9
Consolidated	**$ 9,271.1**	**8,776.4**	**8,767.8**

For purposes of the table above, goodwill amortization reported by holding companies has been allocated to the business geographic segment that originated such goodwill amounts. Therefore, this information is not directly comparable with the information of the individual entities, which are comprised in each segment. Additionally, in the Company's consolidated income statement, goodwill amortization is recognized as part of other expenses, net.

Total assets and investment in fixed assets by geographic segment are summarized as follows:

	TOTAL ASSETS		INVESTMENT IN FIXED ASSETS [2]	
	2003	2002	2003	2002
Mexico	$ 55,814.0	62,996.2	1,254.9	1,074.5
Spain	35,185.8	24,071.6	664.8	691.2
United States	46,776.2	49,405.6	1,107.8	1,130.1
Venezuela	8,687.8	8,681.8	123.4	152.7
Colombia	7,554.5	6,651.7	68.3	58.3
Caribbean and Central America	12,155.4	11,785.4	683.4	323.0
Philippines	7,869.5	9,356.0	19.1	136.5
Other Asian	4,289.0	4,040.0	20.0	119.4
Egypt	4,149.9	6,313.8	161.6	305.1
Others [1]	73,960.1	79,186.2	397.0	683.5
	256,442.2	262,488.3	4,500.3	4,674.3
Eliminations	(76,424.8)	(79,738.0)	–	–
Consolidated	**$ 180,017.4**	**182,750.3**	**4,500.3**	**4,674.3**

[1] Includes, in addition to trade maritime operating assets and other assets, related party balances of the Parent Company of $35,331.8 and $37,466.3 in 2003 and 2002, 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 "Properties, machinery and equipment, net", which considers the inflation effects in accordance with Bulletin B-10.

As of December 31, 2003 and 2002, of the consolidated financial debt amounting to $65,931.8 and $66,143.5, respectively, approximately 35% in 2003 and 57% in 2002 is in the Parent Company, 14% and 24% in United States, 16% and 12% in Spain and 35% and 7% in other countries, respectively. Of the 35% of other countries in 2003, 57% is in a Dutch subsidiary, guaranteed by the Mexican operations and the Parent and other 31% is in financial companies in the United States, guaranteed by the Spanish operations.

21. 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 dilutive effect on such number of shares.

The weighted-average number of shares utilized in the earnings per share ("EPS") calculation is as follows:

	BASIC NUMBER OF SHARES	DILUTED NUMBER OF SHARES	MAJORITY INTEREST NET INCOME	BASIC EPS	DILUTED EPS
December 31, 2003	4,728,201,229	4,837,194,188	$ 7,067.4	$ 1.49	$ 1.46
December 31, 2002	4,487,527,392	4,496,213,613	5,966.9	1.33	1.33
December 31, 2001	4,264,724,371	4,299,689,171	13,026.6	3.05	3.03

The difference between the basic and diluted average number of shares in 2003, 2002 and 2001 is attributable to the additional shares to be issued under the Company's fixed executive stock option program (see note 16). In addition, beginning in 2003, the Company includes the dilutive effect on the basic number of shares resulting from the equity forward contracts in the Company's own stock, determined under the inverse treasury method.

22. CONTINGENCIES AND COMMITMENTS

A) GUARANTEES

As of December 31, 2003 and 2002, CEMEX, S.A. de C.V. had signed as guarantor of loans made to certain subsidiaries for approximately U.S.$1,322 million and U.S.$55.2 million, respectively. As of the same dates, the Company and certain subsidiaries have guaranteed the risks associated with certain financial transactions, assuming contingent obligations under standby letters of credit, issued by financial institutions for a total of U.S.$55 million and U.S.$175.0 million, respectively.

B) TAX ASSESSMENTS

As of December 31, 2003, the Company and some of its subsidiaries in Mexico have been notified of several tax assessments determined by the Mexican internal revenue tax authorities, using its verification attributions, related to different tax periods. These tax assessments are for an amount of approximately $4,884.9. The tax assessments result primarily from: (i) Recalculation of the inflationary tax deduction, since the tax authorities claim that "Advance Payments to Suppliers" and "Guaranty Deposits" are not by their nature credits; (ii) disallowed restatement of tax loss carryforwards in the same period in which they occurred; (iii) disallowed determination of tax loss carryforwards and; (iv) disallowed reduction of BAT by the controlling entity for considering it should be in proportion to the equity interest it has over the controlled entities. The companies involved are using the available defense actions granted by law in order to cancel the tax claims.

As of December 31, 2003, the Philippine Bureau of Internal Revenue ("BIR") assessed APO Cement Corp. ("APO") for deficiency income tax. The assessment covers the taxable years of 1998 through 2001 with deficiency tax amounting to Philippine Pesos 741.1 million (approximately U.S.$13.3 million). The assessment disallows APO's income tax holiday related income. The Company contested BIR's findings with the Court of Tax Appeal ("CTA"). In a separate issue, the BIR finalized its determinations on fiscal year 1999 of Solid and APO. Both companies will continue to submit relevant evidence to the BIR to contest these assessments. The following recourse, is to contest these assessments with the CTA in case the BIR issues a final collection letter. Additionally, Solid's 1998 and APO's 1997 and 1998 tax are under preliminary review for deficiency taxes. Finalization of the assessment was held in abeyance by the BIR as we continue to present evidence to dispute their findings. The Company intends to contest any and all assessments if they arise.

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 of America ("United States") government determines, taking into consideration the World Trade Organization new rules, that conditions for imposing the order no longer exist; the cancellation or suspension of the order would follow. In the last quarter of 2000, the United States government continued the order, a resolution that will prevail until it makes a new review. During December 2001, the United States government through the International Trade Commission denied the Company's request to initiate a new review.

As of December 31, 2003, the Company has accrued a liability of U.S.$132.9 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 periods under review.

As of December 31, 2003, the Company is in the thirteenth administrative review period by the DOC and expects a preliminary resolution in the second half of 2004. The DOC published, during September 2003, the final resolution with respect to the twelfth administrative review period. With respect to the first five review periods, the DOC has issued a final resolution of the anti-dumping duties. Referring to the remaining review periods, the final resolutions are suspended until all the procedures before the North America Free Trade Agreement Panel are concluded. As a result, the final amounts may be different from those liabilities 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 available means in order to determine the actual dumping margins within each period of the administration reviews carried out by the DOC.

During 2001, the Ministry of Finance ("MOF") of Taiwan by the claim of five Taiwanese cement producers, initiated a formal antidumping investigation involving imported gray Portland cement and clinker from the Philippines and South Korea. APO, Rizal and Solid are some producers under investigation, whose received their antidumping questionnaires from the International Trade Commission under the Ministry of Economic Affairs ("ITC-MOEA") Rizal and Solid replied to the ITC-MOEA by confirming that they have not been exporting cement or clinker during the review period. Furthermore, APO contested the allegation of "injury" in the anti-dumping proceedings before the ITC-MOEA. At the end of the same year ITC-MOEA informed the petitioners and the respondent producers that there existed are reasonable indicators that the Taiwanese industry has incurred material damage due to imports of cement and clinker from South Korea and the Philippines that allegedly is sold in Taiwan at a price below market price. In order to comply with regulations of anti-dumping duties in Taiwan, the ITC-MOEA transferred this investigation to the MOF. In November 2001, APO received supplemental questionnaires by the MOF. The answer to these questionnaires was presented by APO during November and December 2001.

In January 2002, the MOF notified the petitioners and respondent producers, on a preliminary resolution, of findings that there might be dumping and that the investigation would continue, but without imposing any anti-dumping duty. In June 2002, the ITC-MOEA informed in its final resolution that the imports from South Korea and the Philippines had caused material damage to the Taiwanese industry. In July 2002, the MOF gave notice of a cement and clinker import duty, from imports of South Korea and the Philippines, beginning in July 19, 2002. The imposed tariff was 42% to imports from APO, Rizal and Solid (Rizal and Solid merged in December 2002). In September 2002, those entities appealed the anti-dumping duty before the Taipei High Administrative Council. As of December 31, 2003 the appellation remains pending.

D) LEASES

CEMEX has entered into various non-cancelable operating leases, primarily for operating facilities, cement storage and distribution facilities and certain transportation and other equipment, in which annual rental payments are required plus the payment of certain operating expenses. Future minimum rental payments due under such leases are as follows:

YEAR ENDING DECEMBER 31,	U.S. DOLLARS MILLION
2004	65.3
2005	62.3
2006	47.3
2007	41.0
2008	40.8
2009 and thereafter	86.1
	342.8

Rental expense for the years ended December 31, 2003, 2002, and 2001 was approximately U.S.$56 million, U.S.$57 million and U.S.$67 million, respectively.

E) PLEDGE ASSETS

As of December 31, 2003 and 2002 there are liabilities amounting to U.S.$27.1 million and U.S.$80.8 million, respectively, secured by properties, machinery and equipment.

F) COMMITMENTS

As of December 31, 2003 and 2002, the Company has future commitments for the purchase of raw materials for an approximate amount of U.S.$113.0 million and U.S.$86.4 million, respectively.

During 1999, the Company 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, CEMEX will purchase, starting in 2003, all the energy generated by the plant for a term of no less than 20 years. As part of these agreements, CEMEX has committed to supply the electrical energy plant with all fuel necessary for its operations, a commitment that has been hedged through a 20-year agreement entered into by the Company with Petróleos Mexicanos. By means of this transaction, CEMEX expects to have significant decreases in its electrical energy costs, and the supply is expected to be sufficient to cover approximately 80% of the electrical energy needs of CEMEX in Mexico. The Company is not required to make any capital investment in the project. As of December 31, 2003, the plant is in the proofing stage and has not sold any output to CEMEX. Electricity purchases are expected to begin in the first quarter of 2004.

In March 2002, the distribution contract in Taiwan that CEMEX had with Universe Company since March 31, 2000, was terminated. As a result, for the year ended December 31, 2002, CEMEX recognized an approximate loss of U.S.$17.3 million ($198.4) within other expenses, net.

G) OTHER CONTINGENCIES

At December 31 2003, CEMEX, Inc., has accrued liabilities specifically relating to environmental matters in the aggregate amount of U.S.$32.4 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 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 December 2002, an ex-maritime broker for Puerto Rican Cement Company, Inc. ("PRCC"), the main subsidiary of CEMEX in Puerto Rico, filed a lawsuit in Puerto Rico against CEMEX, PRCC and other individuals not affiliated with CEMEX, including Puerto Rican authorities. The plaintiff contends that the defendants conspired to break antitrust laws so that one of the defendants, who is not a CEMEX related party, could have control of the maritime broker market in Port of Ponce, Puerto Rico. The plaintiff has asked for relief in the amount of approximately U.S.$18 million. In October 2003, the corresponding legal authorities in Puerto Rico ruled against the plaintiff.

In May 2001, a subsidiary of the Company in Colombia received a civil liability suit from 42 transporters, alleging that this subsidiary is responsible for alleged damages caused by the alleged breach of provision of raw materials contracts. The plaintiffs have asked for relief in the amount of U.S.$45.8 million. The Company filed a timely defense response. This proceeding is in a preliminary stage. Typically, proceedings of this nature take several years before a final resolution is reached.

In May 1999, several companies filed a lawsuit against two subsidiaries of the Company based in Colombia, alleging that the Ibagué plants were causing capacity production damage to their lands due to the pollution they generate. The plaintiffs demand a relief in the amount of U.S.$8.8 million. This proceeding is in the resolutive stage. As of December 31, 2003 the company had not been formally notified of any resolution.

23. NEW ACCOUNTING PRONOUNCEMENTS

In May 2003, the Mexican Institute of Public Accountants issued Bulletin C-12, *"Financial Instruments with Characteristics of Liabilities, Equity, or Both",* which is effective beginning January 1, 2004, however, earlier application is permitted. Bulletin C-12 condenses the guidelines included in other bulletins related to the issuance of complex financial instruments, and complements with the criteria to achieve a comprehensive resolution of general problems. As a result, Bulletin C-12 defines the basic differences between liabilities and equity; establishes rules for the initial classification and valuation of the liability and equity components of combined financial instruments, and establishes rules for disclosure of combined financial instruments. Under Bulletin C-12 financial instruments should be classified as liabilities or equity at the beginning of the year of adoption, without determining any cumulative effect trough earnings in the year of adoption. Prior years comparative financial information should not be restated.

The Company estimates that the adoption of this Bulletin will have no significant impact on its financial position or operating results, except for the reclassification of preferred stock for U.S.$66 million ($741.8) (see note 15E), which as of December 31, 2003 is recognized within minority interest in stockholders' equity, and that according to the new Bulletin's rules, should be considered as a liability.

the terms we use

financial

EBITDA (operating cash flow) is operating income plus 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. EBITDA is not a GAAP measure.

Free cash flow is defined as EBITDA less net financial expense, cash taxes (including statutory profit sharing), maintenance and expansion capital expenditures, changes in working capital, preferred dividend payments, and other cash expenses (including dumping duties). Free cash flow is not a GAAP measure.

Interest coverage is defined as EBITDA divided by the sum of financial expenses and preferred dividends, all for the previous twelve months.

Net debt equals total debt plus capital securities minus cash and cash equivalents. CEMEX is conservatively adding the preferred capital securities (US$66 million) because of the put option to CEMEX under its structure.

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

Return on equity equals operating income minus net financial expenses minus taxes and profit sharing minus net income attributable to minority interest, all divided by stockholders' equity, majority interest.

industry

Aggregates are sand and gravel, which are mined from quarries and 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.

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

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 under water and, when mixed with aggregates and water, produces concrete or mortar. Today, our research and development focuses on blended cements. These specialty cements not only meet our customers' more stringent demands but 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.

Metric ton is the equivalent of 1.102 short tons.

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 construction site. Stringent controls during the manufacturing process guarantee the quality and consistency of the finished product.

White cement is a strategic, high-potential specialty cement, which is particularly suited for the world's fast growing markets. It is used for decorative purposes and has a wide range of uses as a structural building material.

management team

board of directors

Directors

Lorenzo H. Zambrano
Chairman of the Board

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*

Mauricio Zambrano Villarreal*

Tomás Brittingham Longoria*

José Manuel Rincón Gallardo*

Alternate Directors

Eduardo Brittingham Sumner*

Tomás Milmo Santos*

Jorge García Segovia

Independent member of the Board

Examiner

Luis Santos de la Garza

Alternate Examiner

Fernando Ruiz Arredondo

Secretary, not a director

Ramiro Villarreal Morales

Audit Committee Members

Roberto Zambrano Villarreal
President

Lorenzo Milmo Zambrano

Alfonso Romo Garza

Tomás Brittingham Longoria

José Manuel Rincón Gallardo

executive officers

Lorenzo H. Zambrano, 59
Chairman of the Board and Chief Executive Officer
Mr. Zambrano joined CEMEX in 1968, was named CEO in 1985, and has served as Chairman of the Board since 1995. He holds a B.S. degree in mechanical engineering from Tecnológico de Monterrey and an M.B.A. from Stanford University. He is a member of the IBM Board of Directors, the Citigroup International Advisory Board, and the Chairman's Council of DaimlerChrysler AG. He is also a member of the Board of Directors of Alfa, Empresas ICA, Femsa, Grupo Financiero Banamex, Televisa, and Vitro. Furthermore, Mr. Zambrano is Chairman of the Board of Tecnológico de Monterrey and a member of the Advisory Council of the Stanford Graduate School of Business.

Héctor Medina, 53
Executive Vice President of Planning and Finance
Mr. Medina, who joined CEMEX in 1988, is a graduate of Tecnológico de Monterrey with a degree in chemical engineering. He received an M.S.C. degree in management 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 strategic planning and finance.

Armando J. García, 51
Executive Vice President of Development
Mr. García, who originally joined CEMEX in 1975 and rejoined the company in 1985, holds a degree in mechanical engineering and business administration from Tecnológico de Monterrey and has an M.B.A. from the University of Texas. He is responsible for managing CEMEX's operations technology, human resources, energy, and information technology.

Víctor M. Romo, 45
Executive Vice President of Administration
Mr. Romo joined CEMEX in 1985. He earned his Bachelor's degree in accounting and his M.S. degree in administration from Tecnológico de Monterrey. Before assuming his current position, Mr. Romo served as President of the South America & Caribbean Region. He is now responsible for the areas of comptrollership, procurement, taxation, security, risk management, and administrative services and projects.

Francisco Garza, 48
President of the North America Region & Trading
Mr. Garza is a graduate of Tecnológico de Monterrey 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.

Fernando González, 49
President of the South America & Caribbean Region
Mr. González earned his B.A. and M.B.A. from Tecnológico de Monterrey. Since he joined CEMEX in 1989, he has held several senior management positions, including President of CEMEX Asia, President of CEMEX Venezuela, and Vice President of Strategic Planning. He is now responsible for CEMEX's interests and operations in Central America, South America, and the Caribbean.

José Luis Sáenz de Miera, 57
President of the Europe, Middle East & Asia Region
Mr. Sáenz de Miera, who joined CEMEX in 1993, has a degree in economics from the Universidad de Madrid and in accounting from Spain's Instituto de Censores Jurados de Cuentas. 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, Thailand, Bangladesh, and Taiwan.

Rodrigo Treviño, 47
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, capital markets, treasury, and investor relations.

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New York Stock Exchange (NYSE), U.S.

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

BMV ticker symbol:
CEMEX CPO

NYSE ticker symbol:
CX

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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, 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 thereof.

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